

The Insolvency Act 1986

Administrator's progress report

2.24B

Name of Company CFG LEISURE 1 LIMITED	Company number 06002186
In the High Court of Justice [full name of court]	Court case number 5392 of 2010

(a) Insert full name(s)
and address(es) of
administrator(s)

I/We (a) N A Bennett and M C Healy of Leonard Curtis, One Great Cumberland Place,
Marble Arch, London W1H 7LW

administrator(s) of the above company attach a progress report for the period

from

to

(b) Insert dates

(b) 1 July 2010

(b) 31 December 2010

Signed

Joint Administrators

Dated

26 January 2011

RE-SCAN

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public.

Leonard Curtis	
One Great Cumberland Place, Marble Arch, London W1H 7LW	
Ref L18/CMC/SCFG04/25	Tel 020 7535 7000
Number	DX Exchange

When completed and signed this form please send it to the Registrar of Companies at Companies

Way, Cardiff, CF14 3UZ

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COMPANIES HOUSE

1/2/11 384



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

CFG LEISURE 1 LIMITED

Registered Number: 06002186

CFG LEISURE 2 LIMITED

Registered Number. 06002067

(BOTH IN ADMINISTRATION)

**Joint Administrators' First Progress Report
for the period from 1 July 2010 to 31 December 2010**

26 January 2011

Leonard Curtis
One Great Cumberland Place, Marble Arch,
London W1H 7LW
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Ref L/18/CMC/SCFG04/1010

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TO: ALL CREDITORS AND THE REGISTRAR OF COMPANIES

1 STATUTORY INFORMATION

- 1 1 I was appointed Joint Administrator of CFG Leisure 1 Limited ("CFG1") and CFG Leisure 2 Limited ("CFG2") ("the Companies") together with M C Healy on 1 July 2010. We are both licensed in the UK by the Insolvency Practitioners Association. The appointment of the Joint Administrators ("the Joint Administrators") was made by Sofiya Limited ("Sofiya"), 35 Davies Street London W1K 4LS as holder of a qualifying floating charge over the assets of the Company.
- 1 2 The Administration proceedings for CFG1 and CFG2 are under the jurisdiction of the High Court of Justice under Court reference numbers 5392 of 2010 and 5390 of 2010 respectively.
- 1 3 In accordance with paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 ("the Act"), the function of the Joint Administrators may be exercised by either or both, acting jointly or alone. There have been no changes in office-holder and the initial period of the Joint Administrators' appointment has not been extended.
- 1 4 The Companies' principal trading activity was the management of nightclubs based around the UK. As previously reported, the nightclubs were all closed prior to the date of Administration, with the exception of Vienna's at 20 New Street, Paisley PA1 1YB ("Vienna's") which was operated by CFG2.
- 1 5 The Companies' registered offices were changed from 15 Titan Court, Laporte Way, Luton, Bedfordshire LU4 8EF to One Great Cumberland Place, Marble Arch, London W1H 7LW following our appointment. The registered numbers are 06002186 and 06002067 for CFG1 and CFG2 respectively.
- 1 6 On 25 August 2010 we sent a statement of the Joint Administrators' proposals to all creditors of the Companies. In accordance with paragraph 52 of Schedule B1 of the Act, meetings of creditors were not called as we thought that, on the basis of information available at the time, the Companies would have insufficient property after costs to enable a distribution to be made to unsecured creditors other than by virtue of Section 176(A)(2)(a) of the Act (prescribed part). No meeting of creditors was requisitioned and the proposals of both Companies were therefore deemed to have been approved on 16 September 2010. There have been no major amendments to, or deviations from, those proposals.
- 1 7 The Companies' main centres of operation are based in the UK. The EC Regulation on Insolvency Proceedings applies and the proceedings are main proceedings under the Regulation.

2 STEPS TAKEN DURING THE ADMINISTRATIONS AND PROGRESS TO DATE

- 2 1 This report should be read in conjunction with the Joint Administrators' previous report dated 25 August 2010.
- 2 2 As previously reported, the Companies were both placed into Administration following the insolvency of Helena Leisure Limited ("Helena"). Helena had an agreement to operate the nightclubs and at the time of its insolvency owed the Companies jointly approximately £5,768,570.
- 2 3 The Companies had insufficient funds to continue trading in Administration. On 1 July 2010 a licence to occupy Vienna's was entered into with HLL Group Limited ("HLL") whilst a purchaser of the leasehold interest was sought. HLL has common ownership and management to Helena and is experienced in the operation of nightclubs.

2 4 Francis Wilks & Jones, solicitors, were instructed to assist us in dealing with retention of title claims, where applicable, and on legal matters generally, where necessary. Additionally, a firm of Scottish solicitors, MacRoberts LLP, were instructed to assist with the property transfer.

2 5 **Leasehold Premises**

2 5 1 CFG2's interest in the leasehold premises at Vienna's was immediately marketed by agents and potentially interested parties contacted. As stated above, a short term licence to occupy was granted to HLL the purpose of which was to protect CFG2's interests whilst a purchaser was sought.

2 5 2 After approximately six weeks of marketing, no serious expressions of interest had been received. HLL had indicated that it was willing to take an assignment of the lease, but was not willing to pay any premium.

2 5 3 Negotiations continued and an offer of £125,000 was subsequently received from HLL and recommended by our agents.

2 5 4 Documentation to transfer the leasehold interest has been prepared and the consent of the freehold owner sought. However, delays in receiving the consent have been considerable. The freeholder is a corporate entity based overseas and whilst it is understood that it does not object to the transfer, obtaining completed documentation has become protracted. It is anticipated that this will be received soon and the assignment completed.

2 6 **Rates Refunds**

I have instructed property consultants, CAPA, to review the Companies' former leases, negotiate rate reductions and where possible recover any overpayments that may have been made in respect of rates. This process is ongoing and I am unable to estimate the quantum of recoveries, if any.

2 7 **Secured Creditor**

Sofiya holds debentures dated 3 April 2009 in respect of CFG1 and CFG2 incorporating fixed and floating charges over all assets of the Companies. At the date of appointment Sofiya was owed £220,156. The amount likely to be realised in respect of the assets is at present uncertain, and I am unable to estimate the outcome in respect of the secured creditor.

2 8 We have complied with our statutory obligations under the Company Directors Disqualification Act 1986 and reports have been submitted to the appropriate authority.

2 9 Attached at Appendices A(i) and (ii) are summaries of our receipts and payments account for each company for the period from 1 July 2010 to 31 December 2010. This shows what assets of each company have been realised and for what value and what payments have been made to creditors or others.

2 10 The following expenses, other than category 2 disbursements (see paragraph 4.6 below) have been incurred during the period of this report. Where exact sums are not available the figures have been estimated.

CFG Leisure 1 Limited
CFG Leisure 2 Limited – Both In Administration

Detail	Incurred £ CFG1	Incurred £ CFG2	Paid £ CFG1	Paid £ CFG2	Unpaid £ CFG1	Unpaid £ CFG2
Statutory Advertising	174 60	-	174 60	-	-	-
Insurance	-	144 99	-	-	-	144 99
Bordereau	25 00	-	25 00	-	-	-
Postage	108 24	-	108 24	-	-	-
Storage	257 62	-	257 62	-	-	-
Sundry Expenses & Disbursements	3 95	-	3 95	-	-	-
IT Licence Fee	75 00	-	75 00	-	-	-
Total	644 41	144 99	644 41	-	-	144 99

3 ACHIEVING THE PURPOSE OF ADMINISTRATION

3 1 As advised in our previous report dated 25 August 2010, the Joint Administrators must, in each case, perform their functions with the purpose of achieving one of the following objectives

- (a) rescuing the Company as a going concern, or (if this cannot be achieved)
- (b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration), or (if (a) and (b) cannot be achieved)
- (c) realising property in order to make a distribution to one or more secured or preferential creditors

3 2 In each case we are obliged to perform our functions in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, we have a duty not to unnecessarily harm the interests of the creditors as a whole

3 3 In our opinion it was not possible to achieve the first objective. The Companies had ceased to trade prior to the date of Administration and, quite apart from the contractual problems of reengaging staff, a significant injection of capital would have been required to recommence trading. The directors and shareholders were unable to provide further funding and no third party funder could be identified.

3 4 In our opinion it will not be possible to achieve the second objective, since it is unlikely that funds will be available to enable a dividend to be paid to unsecured creditors.

3 5 The third objective, namely realising property in order to enable a distribution to one or more secured creditors, is likely to be achieved as it is anticipated that Sofiya will receive a distribution from both Companies following the realisation of assets.

3 6 There have been no changes in purpose or significant changes in strategy since our report of 25 August 2010.

3 7 The Administration of CFG1 has been, and will continue to be, financed by monies received from asset realisations. The Administration of CFG2 will be financed from expected asset recoveries.

4 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

4 1 The Joint Administrators' proposals for each Company, as approved, stated that "The Joint Administrators think that the Company will have insufficient property to enable a distribution to be made

to unsecured creditors other than by virtue of Section 176(A)(2)(a) of the Insolvency Act 1986 (prescribed part, if any)"

- 4 2 In view of this the Joint Administrators' remuneration is in each case required to be fixed with the approval of
- (a) each secured creditor of the Company and, if we have made or intend to make a distribution to preferential creditors,
 - (b) preferential creditors whose debts amount to more than 50% of the preferential debts of the Company, disregarding debts of any creditors who do not respond to an invitation to give or withhold approval
- 4 3 In accordance with the provisions of Rule 2 106(2) of the Insolvency Rules 1986 it may be fixed as a percentage of the assets realised and distributed in the Administration, as a set amount or by reference to the time spent. The remuneration basis has not yet been fixed due to the limited realisations in both matters. We have however separately reported to the secured creditor and sought its consent that it be fixed by reference to the time spent in each case although to date this has not been received. We do not anticipate any distribution to be made to the preferential creditors of either Administration and their consent has not been sought.
- 4 4 As advised in our previous report dated 25 August 2010, the Joint Administrators' time costs at 25 August 2010 for CFG1 and CFG2 were £15,032.50 and £15,195 respectively. Since that time further costs of £5,955 and £10,740 have been incurred for CFG1 and CFG2 respectively. These costs are summarised at Appendices B(i) and (ii). The summary for CFG1 at Appendix B(i) shows that total time costs of £20,987.50 have been incurred and comprise of 119.6 hours at an average rate of £175.48 per hour. The summary for CFG2 at Appendix B(ii) shows time costs of £25,935.00 have been incurred and comprise of 138.6 hours at an average rate of £187.12 per hour. No payment has yet been made on account of these costs.
- 4 5 Further details of our company's charge out rates and policy regarding the recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix C.
- 4 6 The Joint Administrators have also sought approval from the secured creditor of the basis upon which we recharge internal disbursements that include an element of allocated costs. These are known as Category 2 costs and the basis of their recharge is also attached at Appendix C. Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as "category 1 disbursement". Category 1 disbursements will generally comprise items such as identifiable telephone calls, postage, advertising, invoiced travel and properly reimbursed expenses, including car mileage at 40p a mile, incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and storage. No costs in this category have been incurred.
- 4 7 We have used the following professional advisors, including subcontractors

CFG1

Name of Professional Advisor	Service Provided	Basis of Fees
AgentCite Limited	Agents and valuation services	Commission
CAPA	Property consultancy	Commission
Francis Wilks & Jones LLP	Legal services	Time costs

CFG2

Name of Professional Advisor	Service Provided	Basis of Fees
AgentCite Limited	Agents and valuation services	Commission
CAPA	Property consultancy	Commission
Francis Wilks & Jones LLP	Legal services	Time costs
MacRoberts LLP	Legal services	Time costs

Details of our company's policy regarding the choice of advisors and the basis for their fees are also attached at Appendix C

5 PRE-ADMINISTRATION COSTS

The following amounts in respect of pre-administration costs have been incurred and approval of the secured creditor sought

CFG1

Charged by	Services provided	Total incurred £	Amount approved and paid £	Amount unpaid £
Leonard Curtis	Financial assessment and discussions with secured creditor	-	-	£1,200

CFG2

Charged by	Services provided	Total incurred £	Amount approved and paid £	Amount unpaid £
Leonard Curtis	Financial assessment and discussions with secured creditor	-	-	£950

6 CREDITORS' RIGHTS

- 6.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors) may request in writing that the Joint Administrators provide further information about their remuneration or expenses (other than pre-administration costs) which have been itemised in this progress report
- 6.2 Within 14 days of receipt of the request, we must provide all of the information asked for, except so far as we consider that -
- the time or cost of preparation of the information would be excessive, or
 - disclosure of the information would be prejudicial to the conduct of the Administration or might reasonably be expected to lead to violence against any person, or
 - we are subject to an obligation of confidentiality in respect of the information

We must also give reasons for not providing all of the information

- 6 3 Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of receipt of this progress report make an application to Court on the grounds that the basis fixed for the Joint Administrator's remuneration, the remuneration charged or the expenses incurred by the Joint Administrators as set out in this progress report are excessive

7 EXTENSION OF ADMINISTRATIONS

- 7 1 The appointment of the Joint Administrators ceases to have effect at the end of the period of one year beginning with the date on which it takes effect

- 7 2 However, it is possible to extend the period of the Joint Administrators' term of office for a specified period not exceeding six months. If this is deemed appropriate, the Joint Administrators may seek consent of the following to such an extension

- (a) each secured creditor of the Company and, if we think that a distribution may be made to preferential creditors,
- (b) preferential creditors whose debts amount to more than 50% of the Company's preferential debts, ~~disregarding debts of any creditor who does not respond to an invitation to give or~~ withhold consent for such extension

- 7 3 In these cases we have not sought an extension. Should it be considered necessary to extend the administration to enable further realisations, the consent of the secured creditor will be sought

8 FURTHER ASSETS TO BE REALISED

The only remaining assets outstanding are the lease interest in Vienna's and any potential rates recoveries. At present I am unable to estimate the final recoverable amounts

9 OTHER RELEVANT INFORMATION

- 9 1 The automatic deadline for the Administrations to end is 30 June 2011

- 9 2 Based on current information, I am unable to estimate the likely outcome for the secured creditor. However I do not anticipate there will be sufficient funds to pay any dividend to either the preferential or unsecured creditors of either Company either by virtue of the prescribed part or otherwise

- 9 3 In the event that there are insufficient monies available to declare a dividend to ordinary unsecured creditors of either Company, which we expect to be the case, we will give notice to Registrar of Companies to move the Companies directly from Administration to dissolution

- 9 4 In the unlikely event that funds do become available to declare a dividend to ordinary unsecured creditors of either Company, we will give notice to the Registrar of Companies to move that Company from Administration into CVL. Following this notice the appointment of the Joint Administrators will cease to have effect and the appointment of a Liquidator will be effective. In accordance with the Joint Administrators' proposals approved by creditors, I will become Liquidator

CFG Leisure 1 Limited
CFG Leisure 2 Limited – Both In Administration

Creditors requiring further information should contact our office, in writing. Electronic communications should also contain a full postal address.

for and on behalf of
CFG LEISURE 1 LIMITED
CFG LEISURE 2 LIMITED



N A BENNETT
Joint Administrator

Licensed in the UK by the Insolvency Practitioners Association

The affairs, business and property of the Companies are being managed by the Joint Administrators, who act as agents of the Companies without personal liability.

APPENDIX A (i)

**Summary of Joint Administrators' Account of Receipts and Payments
for the period 1 July 2010 to 31 December 2010**

	Estimated Financial Position	Fixed	Floating	Total
	£	£	£	£
RECEIPTS				
Tangible Assets	uncertain	-	-	-
Stock	uncertain	-	-	-
Trade Debtors	uncertain	-	-	-
Pre-payments	uncertain	-	-	-
	<u>uncertain</u>	<u>-</u>	<u>-</u>	<u>-</u>
Rates Refund		-	22,092 96	22,092 96
Deposit Interest Gross		-	27 71	27 71
		<u>-</u>	<u>22,120 67</u>	<u>22,120 67</u>
PAYMENTS				
Statutory Advertising		-	174 60	174 60
Postage		-	108 24	108 24
IT Licence Fee		-	75 00	75 00
Bordereau Fee		-	25 00	25 00
Storage		-	257 62	257 62
Sundry Expenses		-	3 95	3 95
VAT Receivable		-	93 82	93 82
		<u>-</u>	<u>738 23</u>	<u>738 23</u>
Balance in Hand		-	21,382 44	21,382 44
		<u>-</u>	<u>21,382 44</u>	<u>21,382 44</u>

APPENDIX A (ii)

**Summary of Joint Administrators' Account of Receipts and Payments
for the period 1 July 2010 to 31 December 2010**

	Estimated Financial Position	Fixed	Floating	Total
	£	£	£	£
RECEIPTS				
Tangible Assets	uncertain	-	-	-
Leasehold Property	125,000	-	-	-
Stock	uncertain	-	-	-
Debtors	uncertain	-	-	-
Inter-company loan	-	-	-	-
Pre-payments	-	-	-	-
	<u>uncertain</u>	<u>-</u>	<u>-</u>	<u>-</u>
PAYMENTS				
		-	-	-
Balance in Hand		-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>

CFG Leisure 1 Limited
(In Administration)

Summary of Joint Administrators' Time Costs from 1 July 2010 to 31 December 2010

	Director		Principal Manager		Manager 1		Manager 2		Administrator		Support		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	20	900 00	-	-	23	575 00	15	300 00	100	1,000 00	-	-	158	2,775 00	175 63
Receipts & Payments	-	-	-	-	-	-	-	-	30	300 00	-	-	30	300 00	100 00
Insurance	-	-	-	-	-	-	-	-	103	1,030 00	-	-	103	1,030 00	100 00
Assets	-	-	-	-	76	1,900 00	-	-	50	500 00	-	-	126	2,400 00	190 48
Liabilities	10	450 00	-	-	103	2,575 00	-	-	206	2,060 00	1	7 50	320	5,092 50	159 14
Landlords	10	450 00	8	280 00	40	1,000 00	-	-	75	750 00	-	-	133	2,480 00	186 47
Debenture Holder	10	450 00	-	-	20	500 00	-	-	20	200 00	-	-	50	1,150 00	230 00
General Administration	-	-	-	-	50	1,250 00	-	-	35	350 00	-	-	85	1,600 00	188 24
Appointment	30	1,350 00	-	-	20	500 00	-	-	95	950 00	-	-	145	2,800 00	193 10
Post Appointment Creditor Reporting	10	450 00	6	210 00	-	-	-	-	-	-	-	-	16	660 00	412 50
Investigations	-	-	-	-	20	500 00	10	200 00	-	-	-	-	30	700 00	233 33

Total 90 4,050 00 14 490 00 352 8,800 00 25 500 00 714 7,140 00 1 7 50 20,987 50

Average Hourly Rate (£)

450 00 350 00 250 00 200 00 100 00 75 00 175 48

All Units are 6 minutes

CFG Leisure 2 Limited
(In Administration)

Summary of Joint Administrators' Time Costs from 1 July 2010 to 31 December 2010

	Director		Principal Manager		Manager 1		Manager 2		Administrator		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	20	900 00	-	-	53	1,325 00	15	300 00	100	1,000 00	188	3,525 00	187 50
Receipts & Payments	-	-	-	-	10	250 00	-	-	25	250 00	35	500 00	142 86
Insurance	-	-	-	-	20	500 00	-	-	123	1,230 00	143	1,730 00	120 98
Assets	30	1,350 00	-	-	38	950 00	-	-	50	500 00	118	2,800 00	237 29
Liabilities	10	450 00	-	-	58	1,450 00	-	-	184	1,840 00	252	3,740 00	148 41
Landlords	10	450 00	8	280 00	123	3,075 00	-	-	105	1,050 00	246	4,855 00	197 36
Debenture Holder	10	450 00	-	-	30	750 00	-	-	15	150 00	55	1,350 00	245 45
General Administration	-	-	-	-	113	2,825 00	-	-	45	450 00	158	3,275 00	207 28
Appointment	30	1,350 00	-	-	20	500 00	-	-	95	950 00	145	2,800 00	193 10
Post Appointment Creditor Reporting	10	450 00	6	210 00	-	-	-	-	-	-	16	660 00	412 50
Investigations	-	-	-	-	20	500 00	10	200 00	-	-	30	700 00	233 33

Total	120	5,400 00	14	490 00	485	12,125 00	25	500 00	742	7,420 00	1,386	25,935 00
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Average Hourly Rate (£)

	450 00	350 00	250 00	200 00	100 00	187 12
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All Units are 6 minutes

APPENDIX C

CHARGE OUT RATES AND POLICY REGARDING STAFF ALLOCATION, SUPPORT STAFF, THE USE OF SUBCONTRACTORS AND THE RECHARGE OF DISBURSEMENTS

The following information relating to the policy of Leonard Curtis is considered to be relevant

Charge out Rates

The following hourly charge out rates apply to all assignments undertaken by Leonard Curtis

Director	£450
Principal Manager	£350
Senior Manager	£325
Manager 1	£250
Manager 2	£200
Manager 3	£175
Senior Administrator	£150
Administrator	£100
Support	£75

Staff Allocation, Support Staff and the Use of Subcontractors

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is charged. Details of any subcontractor(s) used are given in the attached report.

Professional Advisors

Details of any professional advisor(s) used are given in the attached report. Unless otherwise indicated the fee arrangement for each will be based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements.

The choice of professional advisors will be based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

Disbursements

Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as a "category 1 disbursement". Category 1 disbursements will generally comprise supplies of incidental services specifically identifiable to the case, typically for items such as identifiable telephone calls, postage, case advertising, invoiced travel and properly reimbursed expenses, including car mileage at 40p a mile, incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and document storage.

Where we propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, documents storage or communication facilities provided by us) they must be disclosed and be authorised by those responsible for approving the joint administrators' remuneration. Such expenditure is referred to as a "category 2 disbursement". The following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision.

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Room Hire	£100
Storage of office files (6 years)	£88.75 per box