

The Insolvency Act 1986

Notice of move from administration to creditors' voluntary liquidation

2.34B

| |
|-----------------------------|
| Name of Company |
| Merchant Inns Group Limited |

| |
|----------------|
| Company number |
| 6244330 |

| |
|--|
| In the High Court of Justice, Chancery Division, Companies Court |
|--|

| |
|------------------------------------|
| Court case number 19502 of 2009 |
|------------------------------------|

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

We, Neville Barry Kahn
Deloitte LLP
PO Box 810
66 Shoe Lane
London
EC4A 3WA

Nicholas Guy Edwards
Deloitte LLP
PO Box 810
66 Shoe Lane
London
EC4A 3WA

(b) Insert name and
address of the
registered office of
company

having been appointed Joint Administrators of Merchant Inns Group Limited

(c) Insert date of
appointment

on 12 October, 2009

(d) insert name of
appointor/applicant

by High Court of Justice, Chancery Division, Companies Court

(e) Insert name(s)
and address(es) of
liquidator(s)

hereby give notice that

the provisions of paragraph 83(1) of Schedule B1 to the Insolvency Act 1986 apply, and it is
proposed that Ian David Holland of Ian Holland & Co, Business Recovery + Insolvency, The Clock
House, 87 Paines Lane, Pinner, Middlesex HA5 3BZ
will be the liquidator of the company (IP No 002346)

We attach a copy of the final progress report

Signed

Joint Administrator

Dated

8 APRIL 2011

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 record

Neville Barry Kahn
Deloitte LLP
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66 Shoe Lane
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DX Number LDE DX599

Tel 020 7936 3000
DX Exchange

SATURDAY



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09/04/2011

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COMPANIES HOUSE

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Registrar of Companies at -
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

The Insolvency Act 1986

Administrators' progress report

Name of Company

Merchant Inns Group Limited

Company number

6244330

In the
High Court of Justice, Chancery Division,
Companies Court

(full name of court)

Court case number
19502 of 2009(a) Insert full
name(s) and
address(es) of
administrator(s)

We

Neville Barry Kahn
Deloitte LLP
PO Box 810
66 Shoe Lane
London
EC4A 3WANicholas Guy Edwards
Deloitte LLP
PO Box 810
66 Shoe Lane
London
EC4A 3WA

Joint Administrators of the above company attach a final progress report for the period

From

12/10/2009

To

08/04/2011

(b) Insert date

Signed

Joint Administrator

Dated

8 APRIL 2011

08/04/2011
COMPANIES HOUSE

**Merchant Inns Group Limited
Merchant Inns Limited**

**Case No. 19502 of 2009
Case No. 19529 of 2009**

(Both In Administration) ("the Companies")

**FINAL PROGRESS REPORT TO CREDITORS
PURSUANT TO RULE 2.110 OF THE INSOLVENCY RULES 1986**

8 April 2011

This report has been prepared for the sole purpose of advising the Creditors. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by Creditors for any purpose other than advising them, or by any other person for any purpose whatsoever.

The Joint Administrators act as agents of the Companies and without personal liability

All licensed Insolvency Practitioners of Deloitte LLP are licensed in the UK to act as Insolvency Practitioners

**Neville Barry Kahn and Nicholas Guy Edwards
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APPENDICES

- 1 Statutory information**
- 2. Joint Administrators' Receipts and Payments accounts for the period from 12 October 2009 to 8 April 2011**

ABBREVIATIONS

For the purpose of this report the following abbreviations shall be used

| | |
|-----------------------|---|
| "The Act" | Insolvency Act 1986 (as amended) |
| "The Rules" | Insolvency Rules 1986 (as amended) |
| "the Administrators" | Refers to the Joint Administrators, Neville Barry Kahn and Nicholas Guy Edwards, both of Deloitte |
| "the Liquidator" | Refers to Mr Ian David Holland of Holland & Co |
| "Coutts" / "the Bank" | Coutts & Co, first ranking secured creditor of both MIGL and MIL |
| "the Companies" | Merchant Inns Group Limited and Merchant Inns Limited |
| "Deloitte" | Deloitte LLP |
| "HMRC" | HM Revenue & Customs |
| "MIGL" | Merchant Inns Group Limited |
| "MIL" | Merchant Inns Limited |
| "the Secured Lenders" | The Bank and Wallace |
| "Wallace" | Wallace Estates Limited, second ranking secured creditor of MIL only |
| "the Court" | High Court, Chancery Division, Companies Court |
| "k" | Thousand |
| "m" | Million |

1 INTRODUCTION

1.1 Introduction

This report has been prepared in accordance with Rule 2.110 of The Rules to provide creditors with a summary of the Administrations of the Companies

Given the information already provided to creditors in the previous Progress Reports, no detailed background information has been included in respect of the Companies. This report focuses on the progress of the Administrations since the last report dated 10 November 2010. If required, a copy of earlier reports may be obtained free of charge from the Administrators.

A schedule of statutory information in respect of the Companies is attached at Appendix 1.

1.2 Details of the appointment of the Joint Administrators

Neville Barry Kahn and Nicholas Guy Edwards, both partners of Deloitte LLP, were appointed Joint Administrators of the Companies on 12 October 2009. The appointments were made following the filing of a Notice of Appointment of Administrators by the Qualifying Floating Charge Holder, Coutts & Co, 440 Strand, London, WC2R 0QS.

For the purposes of Paragraph 100 (2) of Schedule B1 of the Act the Joint Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly or severally.

Following applications to the Court, on 6 October 2010 an extension of six months to each Administration was granted, and by order of the Court, the Administrations will cease on or before 12 April 2011.

2 THE ADMINISTRATORS' PROPOSALS

2.1 Introduction

As previously reported to creditors, the Administrators concluded that the first part of the prescribed objective under Rule 3(1) (a) namely "rescuing the companies (the legal entities) as a going concern" would not be achievable in respect of the Companies

Consequently the Administrators have performed their functions in relation to the Companies with the objective set out in Paragraph 3(1) (b) of Schedule B1 of the Act which is "to achieve a better result for the Companies' creditors as a whole than would be likely if the Companies were wound up"

The Administrators' proposals in order to achieve this objective were deemed to be approved by the creditors of the Companies on 19 December 2009

The Administrators subsequently wrote to all creditors of the Companies on 21 September 2010 to seek their approval to make a substantial revision to the original proposals. Following a meeting of all creditors for both Companies, which was held by correspondence, a revision to proposal nine was agreed and the following are the revised approved proposals

| Proposal Number | Proposal |
|-----------------|---|
| 1 | The Administrators continue to manage the affairs and any remaining assets of the Companies and the settlement of all Administration expenses, |
| 2 | The Administrators continue with their enquiries into the conduct of the directors of the Companies and continue to assist any regulatory authorities with their investigation into the affairs of the Companies, |
| 3 | The Administrators be authorised to agree the claims of the secured, preferential and unsecured creditors against each of the Companies unless the Administrators conclude, in their reasonable opinion, that a Company will have no assets available for distribution, |
| 4 | The Administrators be authorised to distribute funds to the secured and preferential creditors as and when claims are agreed and funds permit and, in relation to distributions to unsecured creditors, if the Court gives permission following an appropriate application, |
| 5 | That, in the event the creditors of each Company so determine, at meetings of creditors, a Creditors Committee be appointed in respect of each or any Company comprising of not more than five and not less than three creditors of that Company or Companies, |
| 6 | That, in respect of each Company, the Creditors' Committee, if one is appointed, shall be asked to agree that the Administrators' fees be fixed by reference to the time given in attending to matters arising in the Administrations and asked to agree the Administrators' expenses, |
| 7 | In the absence of a Creditors' Committee, the secured creditors of the Companies shall be asked to agree the Administrators' fees, in accordance with Rule 2.106(5A)(b), by reference to the time given in attending to matters arising in the Administration and that the Administrators' expenses for mileage be calculated by reference to mileage properly incurred by the Administrators and their staff in attending to matters arising in the Administrations, at the prevailing standard mileage rate used by Deloitte LLP at the time when the mileage is incurred (presently up to 40p per mile), |

| Proposal Number | Proposal |
|-----------------|---|
| 8 | That, following the realisation of assets and resolution of all matters in the Administrations, and as quickly and efficiently as is reasonably practicable, the Administrators implement the most cost effective steps to formally conclude the Administrations. This may include the distribution of funds to unsecured creditors (provided Court permission is obtained) and then the dissolution of the Companies or alternatively, seeking to put each or any of the Companies into Creditors' Voluntary Liquidation ("CVL") or Compulsory Liquidation, depending on which option will result in a better realisation for creditors, |
| 9 | That if the Company were to be placed into CVL, the Administrators propose that Ian Holland of Ian Holland & Co be appointed Liquidator and any Creditors' Committees appointed will become Liquidation Committees pursuant to R4 174 of the Rules. As per paragraph 83(7) of Schedule B1 of the Act and R2 117 (3) of the Rules, the creditors may nominate a different person to be Liquidator(s) provided the nomination is made before the amended proposal is approved by creditors, and |
| 10 | In the absence of Creditors' Committees, the secured creditors of the Companies shall be asked to agree that the Administrators be discharged from liability per paragraphs 98 and 99 of Schedule B1 of the Act immediately upon the Administrators' filing their final report to creditors |

2.2 Update on the Administrators' proposals for Merchant Inns Group Limited

When circulating the proposals to creditors on 19 December 2009 the Administrators were of the opinion that there would be no distribution to the unsecured creditors of MIGL. In accordance with Paragraph 52(1)(b) of Schedule B1 of the Act it was deemed unnecessary to call a meeting of creditors as the Company was unlikely to have sufficient property to enable a distribution to unsecured creditors.

However, during the course of the Administration of MIGL it became apparent that there were surplus funds of £9,728, which would be available for unsecured creditors of MIGL.

The Directors' Statement of Affairs for MIGL indicated that the only unsecured creditor of MIGL was Wallace Estates Limited. Therefore, in order to not diminish the small amount available to unsecured creditors it was determined that no further action should be taken to convene a meeting of creditors in order to approve the proposals. Wallace had previously provided their express consent in respect of proposals number 7, 8 and 9, and their deemed consent of the remainder of the proposals.

2.3 Progress on and achievement of the approved proposals

The summary below provides the progress and current status in respect of each of the approved proposals.

| Proposal Number | Current status |
|-----------------|---|
| 1 | <p>The business and assets of the Companies were sold on 30 July 2010 to West Register (Hotels Number 3) Limited ("West Register")</p> <p>There was a transitional arrangement in place for the provision of merchant credit and charge card facilities which ceased in November 2010 when the buyers entered into new contracts. To date approximately £1.1m of receipts collected on behalf of West Register have been passed over to them. However, there remains an amount of approximately £35k that West Register believes are owed to them. This amount is</p> |

| Proposal Number | Current status |
|-----------------|---|
| | <p>shown in the current period Trading Sales on the Receipts and Payments account Further investigation is to be carried out to assess whether these funds belong to MIL or West Register</p> <p>The majority of outstanding pre appointment and post appointment debts that are able to be recovered have been realised Details of outstanding debtors will be passed to the Liquidator, who will be able to continue to pursue any debtors that may be deemed recoverable However, further material recoveries are unlikely</p> <p>The Corporation Tax returns for the trading period and the subsequent period during the Administrations have been submitted to HMRC There is no liability for Corporation Tax due from either Company The Administrators have received tax clearance for MIL and are currently awaiting clearance for MIGL</p> <p>As far as possible, the Administrators have completed their tasks on both Companies and the surplus funds at closure will be passed to the Liquidator</p> <p>There are a small number of outstanding Administration expenses that remain unpaid at the date of the Liquidation of MIL of approximately £15k Details of these expenses will be passed to the Liquidator who has undertaken to settle them</p> |
| 2 | As required by the regulatory authorities, the Administrators have submitted their report on the conduct of the directors (see section 6.1) |
| 3 & 4 | <p>The Administrators agreed the Secured Lenders claims and paid a distribution to the Bank of £14.6m</p> <p>MIGL MIGL has no preferential creditors</p> <p>Currently MIGL has surplus assets of £9,728 available for the benefit of unsecured creditors These funds will be passed to the Liquidator who may distribute any surplus amounts to the unsecured creditor</p> <p>MIL The Administrators have agreed the preferential creditors' claims against MIL and have paid a first and final dividend of 100p in the £ to all preferential creditors</p> <p>The Administrators believe there are insufficient funds to enable a distribution to unsecured creditors of MIL, other than under the Prescribed Part Funds comprising the Prescribed Part will be passed to the Liquidator to enable him to distribute the Prescribed Part to the unsecured creditors of MIL</p> |
| 5 & 6 | No Creditors' Committee was appointed |
| 7 | <p>Approval was sought and obtained from the Secured Lenders and preferential creditors of MIL for the Administrators to draw fees on a time cost basis</p> <p>Approval was sought and obtained from the Secured Lenders and unsecured creditor (being Wallace Estates Limited) of MIGL for the Administrators to draw fees on a time cost basis</p> |

| Proposal Number | Current status |
|-----------------|--|
| 8 & 9 | The Administrators, having concluded their tasks for each Company, intend to file this final report as well as Form 2 34B (being a Notice of move from Administration to Creditors' Voluntary Liquidation) at Companies' House Ian Holland of Ian Holland & Co has consented to act as the sole Liquidator of each Company |
| 10 | In the absence of Creditors' Committees, the Administrators will seek the agreement of the Secured Lenders, and also in MIL the agreement of the preferential creditors, for the Administrators to be discharged from liability per paragraphs 98 and 99 of Schedule B1 of the Act |

3. JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNTS

3.1 Introduction

Attached at Appendix 2 are Receipts and Payments account covering the period from 12 October 2009 to 8 April 2011 for each of the Companies

The statement has been prepared on the basis that

- 1 All trading income and expenditure has been recognised in MIL only
- 2 Distress payments were made to suppliers in respect of pre-appointment balances where there was no alternative in order to realise the trading strategy of the business
- 3 The Companies are registered for VAT and the current net amount repayable of £9,680 will be paid to the Liquidator once repayment is received from HMRC

Following the Administrators last Progress Report of 10 November 2010, additional work on MIL has resulted in a re-evaluation of the revenue and a change in the presentation of wages and VAT, as detailed in the notes to the Receipts and Payments account

This section summarises the main asset realisations during the period of the Administrations

3.2 Asset Realisations

On 30 July 2010 the entire business and assets of the Companies were sold to West Register (Hotels Number 3) Limited

Pre-appointment trade debtors of MIL of £119,152 have been recovered

The Administrators of MIL have passed certain trade debtors to Michael Conn Goldsobel, lawyers acting on behalf of Wallace, the second ranking charge-holder of MIL, with the authority to pursue these debts. Any realisations of these trade debtors will fall under the floating charge and, if collected, will contribute 20% of the net proceeds to the Prescribed Part distribution. The Administrators have an undertaking that the relevant funds will be passed to the Liquidator. Currently, the contribution payable stands at £5,305. Unfortunately, the debts are contentious and no reliance can be placed on further realisations.

As mentioned in section 2.3, there remains an amount of approximately £35k that West Register believes are owed to them. This amount is shown in the current period Trading Sales on the Receipts and Payments account of MIL. Further investigation is to be carried out to assess whether these funds belong to MIL or West Register.

3.3 Outstanding Unpaid Trading Liabilities

The Administrators traded the business of MIL from the date of appointment, 12 October 2009, to the date of the sale of the business and assets on 30 July 2010. To facilitate this trading, the Administrators provided undertakings to trade suppliers and utilities to settle any costs for their services utilised during the trading period. Subsequently, the majority of these costs have been settled, however, in some cases the Administrators have not been invoiced for the services and as a result these costs remain unpaid.

In addition, due to the closure of the Administrations all bank accounts must be closed. It is therefore necessary to cancel any un-presented cheques and treat these items as unpaid liabilities.

Details of all the above outstanding payments have been given to the Liquidator, who has undertaken to settle any amounts due. The estimated sum due is in the region of £15k.

3.4 Administration Surplus'

At the termination of the Administrations the Administrators will transfer the closing balances to the Liquidator. The individual surplus' for MIGL and MIL are £9,728 and £316,843 respectively.

The Administrators have received an indemnity from the Liquidator in respect of monies transferred to the Liquidator.

4. DISTRIBUTIONS TO CREDITORS

4.1 Secured Creditors

The Companies' secured debt due to Coutts and Wallace at the date of the appointment of the Administrators was approximately £21.8m. In addition, Coutts had a cross-guarantee in place for any debt between MIL and MIGL, and Wallace has a second ranking charge for MIL debt only.

Following the sale of the Companies' business and assets on 30 July 2010, Coutts were paid a total of £14.6m from MIL and MIGL, which represented their total indebtedness. The Administrators have made no further distributions to the Secured Lenders.

Any surplus funds available in MIL at the end of the Liquidation will be returned to Wallace as the second ranking chargeholder. This includes any surplus amounts provided by Wallace in respect of the Administration funding of £200k.

4.2 Preferential Creditors

Claims were received from preferential creditors in the Administration of MIL in relation to arrears of wages and holiday pay. Claims totalling £39,371 have been agreed and preferential creditors have received a first and final dividend of 100p in the £.

4.3 Prescribed Part

The Prescribed Part (section 176A of the Insolvency Act 1986 (Prescribed Part) Order 2003) applies where there are floating charge realisations, net of costs to be set aside for unsecured creditors. This equates to:

- 50% of net property up to £10,000
- 20% of net property in excess of £10,000
- Subject to a maximum of £600,000

At present it is anticipated that there will be a distribution of the Prescribed Part to unsecured creditors of MIL. The Prescribed Part is anticipated to be in the region of £17k, which includes the Prescribed Part of debts collected by Wallace's lawyers (as detailed in section 3.2 above).

4.4 Unsecured creditors

4.4.1 MIGL

The Statement of Affairs submitted by the directors of MIGL estimated an amount of £9.1m due to the unsecured creditor. The Administrators have not agreed any unsecured claims, and all proof of debt forms received will be passed to the Liquidator.

Once the costs of the Liquidation have been settled out of the remaining assets of MIGL, which are currently £9,728, there may be funds available for distribution to unsecured creditors.

4.4.2 MIL

The Statement of Affairs submitted by the directors of MIL estimated an amount of £3.5m due to the unsecured creditors. The Administrators have not agreed any unsecured claims, and all proof of debt forms received will be passed to the Liquidator.

The Administrators anticipate that the only amount available for distribution to unsecured creditors of MIL will comprise the Prescribed Part. As detailed in section 4.3 above, this is expected to be in the region of £17k, less any costs of agreeing claims and distributing these funds.

5. JOINT ADMINISTRATORS' FEES AND EXPENSES

5.1 Joint Administrators' Fees

In the Administrators last Progress Report to creditors of 10 November 2011 a full report and analysis of the time costs incurred for each of the Administrations from 12 October 2009 to 30 September 2010 was provided. The information provided in that report outlined and explained the nature and extent of the tasks undertaken by the Administrators and their staff.

Since the date of the last Progress Report no further fees have been drawn from either Company in the final period of the Administrations.

Following is a summary of the Administrators' fees for each Company.

5.1.1 MIGL

In the report of 10 November 2011 the Administrators provided a report of their time costs of £340,522.49, in accordance with Statement of Insolvency Practice 9. Total fees of £340,451.49 have been drawn.

In the final period of the Administration, from 1 October 2010 to date, additional time and costs incurred by the Administrators and their staff were 42.5 hours and £22,349 respectively. The Administrators are not seeking to recover these costs, which will be written off.

5.1.2 MIL

In the report of 10 November 2011 the Administrators provided a report of their time costs of £691,994, in accordance with Statement of Insolvency Practice 9, which have been drawn in full.

In the final period of the Administration, from 1 October 2010 to date, additional time and costs incurred by the Administrators and their staff were 521 hours and £196,724 respectively. The Administrators are not seeking to recover these costs, which will be written off.

5.2 Joint Administrators' Expenses

5.2.1 MIGL

Administrators' expenses drawn in the period covered by this report total £1,334.18. The analysis of these expenses is as follows:

| | £ |
|-------------------------|-----------------|
| Administrators' bonding | 1,056.00 |
| Courier | 15.00 |
| Storage costs | 263.18 |
| | <u>1,334.18</u> |

5.2.2 MIL

In our previous report details of expenses totalling £17,164.02 were provided. Of this amount £16,482.76 had been drawn by the Administrators. The balance of unpaid expenses will be written off.

5.3 Other Professional Costs

Farrer & Co were instructed by the Administrators to advise on appropriate legal matters. Fees and Disbursements of £217,845.74 (plus VAT) have been paid to Farrer & Co.

SJ Berwin LLP reviewed security and other documents, and drafted the appointment documents for the Administrators. Fees and disbursements of £12,562.32 (plus VAT) have been paid to SJ Berwin.

Michael Conn Goldsobel Solicitors ("MCG") were instructed by the Administrators to advise on appropriate legal matters in relation to the conduct of the directors. Fees of £18,960 (plus VAT) have been paid to MCG.

Joelson Wilson LLP, a firm of solicitors that specialise in the licensed sector, were instructed by the Administrators to arrange the novation of the premises licenses for all of the units following our appointment. Fees of £8,171.59 (plus VAT) have been paid to Joelson Wilson LLP.

To advise on the valuation of the freehold units and to run the sales process of all the units, the Administrators instructed Colliers Robert Barry ("Colliers"), a firm of agents with appropriate expertise and experience in dealing with businesses of this size and nature. Following the sale of the business and assets, MIL has paid £42,989.62 (plus VAT) and MIGL has paid £21,267.38 (plus VAT) to Colliers.

Christie & Co ("Christies"), a firm of valuers, were instructed to comment on the sales and marketing process undertaken by Colliers. Fees of £7,500 (plus VAT) have been paid to Christies.

Licensed Solutions, a firm of consultants specialising in the licensed trade, were engaged. Fees of £27,548.19 (plus VAT) have been paid to Licensed Solutions.

All professional costs were reviewed and analysed before payment was approved.

6. OTHER MATTERS AND INFORMATION TO ASSIST CREDITORS

6.1 Investigations

As required by legislation, reports on the conduct of the Directors' in the three years prior to the Administrators' appointment have been submitted to the Department for Business, Innovation and Skills

The reports and their contents are confidential and cannot be disclosed to creditors

6.2 Extensions to Original Period of Appointment

An Administration lasts for an initial period of one year, but may be extended by the Court or creditors, if further time is required for the Administrators to complete their duties and achieve the purpose of the Administration

As previously reported, applications to Court were made for extensions of six months in respect of each appointment. By order of the Court extensions were granted to 12 April 2011

6.3 Exit Route

At the conclusion of the Administrations and, in accordance with paragraph 83 (1) of Schedule B1 to the Act, the Administrators will file Form 2 34B, in respect of both companies, being the Notice of move from Administration to a Creditors' Voluntary Liquidation. Mr Ian David Holland of Holland & Co will be appointed sole Liquidator of the Companies

6.4 SIP 13 – Transactions with Connected Parties

The Companies trade with certain entities that are connected by virtue of common shareholders. Transactions included the provision of staff services to the Companies

6.5 EC Regulations

As stated in the appointment documentation in respect of the Companies, Council Regulation (EU) No 1346/2000 applies and these are the main proceedings as defined in Article 3(1) of that regulation

Statutory Information

| | | |
|---|--|---|
| Company Name | Merchant Inns Group Limited (In Administration) | Merchant Inns Limited (In Administration) |
| Company Number | 06244330 | 03872646 |
| Date of Incorporation | 11 May 2007 | 3 November 1999 |
| Trading Names | Carnarvon Arms, Lambert Arms, Talbot Inn, Horse & Groom, Black Boy, Saracens Head and The Mermaid Inn | |
| Directors | Colin Barry Wagman and Gareth Wilson Jones | Colin Barry Wagman |
| Company Secretary | Howard Goldsobel | Howard Goldsobel |
| Ordinary issued and called up share capital | 1,000,000 A Ordinary Shares of £1 each 1,000,000 B Ordinary Shares of £1 each 1 Preference Share of £1 | 15,030,207 Deferred Shares of £0.05 each 5,352,880 Ordinary Shares of £0.05 each |
| Shareholders | Sir John Henry Ritblat – 1,000,000 Ordinary shares Robert Roddick Ackrill Breare – 1,000,000 Ordinary shares Creditincome Limited – 1 Preference share | Merchant Inns Group Limited – 100% |
| Bankers | Coutts & Co HSBC Bank PLC | |
| Auditors | Baker Tilly UK Audit LLP | |
| Registered Office | Hill House, 1 Little New Street, London EC4A 3TR | |
| Court Ref (High Court, Chancery Division, Companies Court) | 19502 of 2009 | 19529 of 2009 |
| Administrators | N B Kahn and N G Edwards | |
| Date of Appointment | 12 October 2009 | |
| Date of Court Extension | 6 October 2010 | |
| Person who made the application | Coutts & Co | |
| Joint appointment provisions pursuant to paragraph 100(2) of Schedule B1 of IA86 | The Administrators are authorised to carry out all functions, duties and powers either jointly or severally | |

Merchant Inns Limited (In Administration)
Summary of Joint Administrators' Receipts & Payments Account
For the Period 12 October 2009 to 8 April 2011

| | Notes | 12 October 2009 to 11 October 2010 | 12 October 2010 to 8 April 2011 | Total to 8 April 2011 |
|---|-------|--|---------------------------------------|--------------------------|
| | | £ | £ | £ |
| RECEIPTS | | | | |
| Trading Sales | 1, 6 | 4,710,504 | 55,156 | 4,765,660 |
| Pre-appointment Debt Realisations | 1 | 109,839 | 9,314 | 119,153 |
| Administration Funding from Wallace | | 200,000 | - | 200,000 |
| Freehold Land & Property | | 9,299,995 | - | 9,299,995 |
| Fixtures | | 800,000 | - | 800,000 |
| Stock | | 35,151 | - | 35,151 |
| Goodwill | | 1 | - | 1 |
| Intellectual Property Rights | | 1 | - | 1 |
| Chattels | | 5 | - | 5 |
| Rental Income | | - | 8,000 | 8,000 |
| Insurance Refund | | - | 3,721 | 3,721 |
| Bank Interest Gross | | 3,836 | 1,203 | 5,039 |
| Refunds | | 13,336 | - | 13,336 |
| Cash Floats | | 1,000 | - | 1,000 |
| Booking Fees | | 1 | - | 1 |
| Customer Contracts | | 1 | - | 1 |
| West Register (Hotels Number 3) Limited | | (10,369) | 10,369 | - |
| | | <u>15,163,301</u> | <u>87,763</u> | <u>15,251,064</u> |
| PAYMENTS | | | | |
| Wages & Salaries | 2 | (2,420,494) | 243 | (2,420,251) |
| Sub Contractors | | (9,573) | 800 | (8,773) |
| Booking Agency Payments | | (30,651) | 4 | (30,647) |
| Sales and Marketing | | (33,760) | 342 | (33,418) |
| Utilities | | (171,698) | 13,004 | (158,694) |
| Food & Beverage Suppliers | | (1,218,087) | (1,260) | (1,219,347) |
| Telecommunications | | (85,789) | (6,255) | (92,044) |
| Events | 3 | (41,950) | 38 | (41,912) |
| Other Suppliers | 3 | (452,102) | (2,863) | (454,965) |
| Distress Payments | | (39,031) | 1 | (39,030) |
| Lease/HP Payments | | (5,669) | - | (5,669) |
| Hire of Equipment | | (56,531) | (4,565) | (61,096) |
| Repairs & Maintenance | | (54,804) | 73 | (54,731) |
| Sundry Expenses | | (4,790) | 1 | (4,789) |
| Sales Commission | | (14,716) | (2,965) | (17,681) |
| Insurance | | (2,547) | (69,333) | (71,880) |
| Advertising | | (12,995) | 50 | (12,945) |
| Stationery | | (8,771) | (2,711) | (11,482) |
| Postage | | (2,610) | (1,301) | (3,911) |
| Licence Fees | | (10,462) | - | (10,462) |
| Rent | | (16,438) | - | (16,438) |
| Rates | | (154,152) | 3,671 | (150,481) |
| Bank Charges | | (41,819) | 306 | (41,513) |
| Heat and Light | | (57,152) | 2,582 | (54,570) |
| Interest | | (9,271) | - | (9,271) |
| Consultancy Fees | 3 | (45,440) | - | (45,440) |
| Agents Fees | | (42,990) | - | (42,990) |
| Legal and Professional Fees | 3 | (159,442) | (18,250) | (177,692) |
| Joint Administrators' Fees | | (691,995) | - | (691,995) |
| Joint Administrators' Expenses | | (16,483) | - | (16,483) |
| Total Carried Forward | | <u>(5,912,212)</u> | <u>(88,388)</u> | <u>(6,000,600)</u> |

Merchant Inns Limited (In Administration)
Summary of Joint Administrators' Receipts & Payments Account
For the Period 12 October 2009 to 6 April 2011

| | Notes | 12 October 2009 to 11 October 2010 | 12 October 2010 to 6 April 2011 | Total to 6 April 2011 |
|---|-------|--|---------------------------------------|--------------------------|
| | | £ | £ | £ |
| PAYMENTS | | | | |
| Total Brought Forward | | (5,912,212) | (88,388) | (6,000,600) |
| Telephone Telex & Fax | | (1,935) | - | (1,935) |
| Storage Costs | | - | (321) | (321) |
| Bank Charges | | (252) | (128) | (380) |
| VAT Control Account | 4 | (65,743) | 56,063 | (9,680) |
| | | <u>(5,980,142)</u> | <u>(32,774)</u> | <u>(6,012,916)</u> |
| DISTRIBUTIONS TO CREDITORS | | | | |
| Secured Lender - Coutts & Co | | (8,881,934) | - | (8,881,934) |
| Preferential Creditors' Dividend of 100p in the £ | | - | (39,371) | (39,371) |
| | | <u>(8,881,934)</u> | <u>(39,371)</u> | <u>(8,921,305)</u> |
| Balance in hand payable to the Liquidator | 5 | | | <u><u>£316,843</u></u> |

Notes

1 Further work on revenue collection for the trading and pre-appointment periods, has resulted in a reanalysis of the amounts reported in the progress report dated 10 November 2010

2 The Wages and Salaries now includes the separate account which disclosed the associated Paye and NI

3 Corrections to the expenditure analysis at 11 October 2010 have been made between these accounts

4 VAT Receivable and Payable Accounts have been consolidated, with the VAT Control Account showing a repayment due of £9,679 84

5 The balance payable to the Liquidator does not include debtor amounts collected by Michael Conn Goldsobel lawyers upon which a Prescribed Part is payable

6 At present West Register (Hotels Number 3) Limited believe that the Joint Administrators are holding some additional £35k of merchant credit and charge card facilities passed to the Administrators in the period following the sale of the business and assets on 30 July 2010 This amount requires reconciliation

Merchant Inns Group Limited (In Administration)
Summary of Joint Administrators' Receipts & Payments Account
For the Period 12 October 2009 to 8 April 2011

| | 12 October 2009 to 11 October 2010 | 12 October 2010 to 8 April 2011 | Total to 8 April 2011 |
|--|--|---------------------------------------|--------------------------|
| | £ | £ | £ |
| RECEIPTS | | | |
| MIL Funding of Credit Card Charges | 21,122 | - | 21,122 |
| Property | 5,999,998 | - | 5,999,998 |
| Fixtures | 150,000 | - | 150,000 |
| Stock | 21,404 | - | 21,404 |
| Goodwill | 1 | - | 1 |
| Intellectual Property Rights | 1 | - | 1 |
| Chattels | 2 | - | 2 |
| Bank Interest Gross | 168 | 547 | 715 |
| Cash Floats | 500 | - | 500 |
| Booking Fees | 1 | - | 1 |
| Customer Contracts | 1 | - | 1 |
| | <u>6,193,198</u> | <u>547</u> | <u>6,193,745</u> |
| PAYMENTS | | | |
| Bank Charges | (21,122) | - | (21,122) |
| Agents Fees | (21,267) | - | (21,267) |
| Legal Fees | (83,864) | - | (83,864) |
| Joint Administrators' Fees | - | (340,452) | (340,452) |
| Joint Administrators' Expenses | - | (1,334) | (1,334) |
| VAT Receivable | (18,081) | 18,081 | - |
| | <u>(144,334)</u> | <u>(323,705)</u> | <u>(468,039)</u> |
| DISTRIBUTIONS TO CREDITORS | | | |
| Secured Lender - Coutts & Co | (5,715,978) | - | (5,715,978) |
| | <u>(5,715,978)</u> | <u>-</u> | <u>(5,715,978)</u> |
| Balance in hand payable to the Liquidator | | | <u><u>£9,728</u></u> |