

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company FIREBLADE 2010 LIMITED (IN ADMINISTRATION)	Company number 06929914
In the HIGH COURT OF JUSTICE	Court case number 4292 / 2010

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

I/ We (a)

**SIMON FRANKLIN PLANT AND DANIEL PLANT
9 ENSIGN HOUSE
ADMIRALS WAY
MARSH WALL
LONDON
E14 9XQ**

* Delete as applicable

attach a copy of ~~my~~ / our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

(b) Insert date

(b) 24 June 2010

Signed

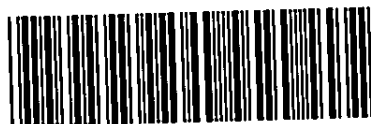
Joint Administrator(s)

Dated

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.

S F P, 9 Ensign House, Admirals Way, Marsh Wall, London, E14 9XQ	
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DX Number	DX Exchange



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25/06/2010

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Fireblade 2010 Limited (In Administration)

**Report to Creditors and
Statement of Proposals
Pursuant to Paragraph 49(1) of
Schedule B1 to the Insolvency Act 1986**

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Fireblade 2010 Limited (In Administration)
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Pursuant to Paragraph 49(1) of Schedule B1 of the Insolvency Act 1986

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1 Executive Summary

SECTION/APP REFERENCE

- | | |
|--|---|
| <p>1.1 The Company was placed into Administration on 21 May 2010. The purpose of rescuing the Company as a going concern was not achievable. The primary purpose of the Administration was therefore to achieve 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).</p> | <p>Section 5</p> |
| <p>1.2 The Company was incorporated on 10 June 2009 to act as a vehicle to purchase and sell FIFA endorsed World Cup merchandise. Its registered office and trading premises is located at Unit 4 Oakham Business Park, Oakham, Rutland, LE15 7GH.</p> | <p>Section 4
and Appendix I</p> |
| <p>1.3 To assist the company's cash flow position it entered into an invoice discounting arrangement and stock purchase agreement with Bibby Financial Services Limited ("Bibby") in September 2009. The company subsequently entered into a further stock finance purchase agreement with Synergy In Trade Limited ("Synergy") in March 2010 without Bibby's consent.</p> | <p>Section 4
and Appendix II</p> |
| <p>1.4 It is understood that the Company failed to maintain the facility with Bibby in accordance with agreed terms. Bibby became extremely concerned about the Company's circumstances and accordingly looked to demand repayment of all outstanding sums from the Company. The demand was not satisfied and Bibby sought to appoint administrators pursuant to its qualifying floating charge.</p> | <p>Section 4
and Appendix II</p> |
| <p>1.5 It was envisaged that the primary purpose of the Administration would be achieved through maximising realisation of the debtor's ledger and completion of work in progress.</p> | <p>Section 6</p> |
| <p>1.6 The purpose of Administration is still in the process of being achieved and there is still a significant amount of work to be undertaken. This includes, effecting realisations in respect of debtor recoveries and continued investigations into the Company's affairs. The Joint Administrators consider that it may be advisable for the Company to continue in Administration for the time being. However, they require the option of placing it into Creditors' Voluntary Liquidation for distribution purposes in the unlikely event that there are sufficient realisations in the Administration for a dividend to unsecured creditors. Alternatively, the Joint Administrators will file notice of dissolution of the Company at Companies House should they take the view that the Company has no property which might permit a distribution to its creditors, unless they believe that they should present a winding up petition at court, so that a liquidator can be appointed to further investigate the Company's affairs. It is not proposed to convene a meeting of creditors.</p> | <p>Sections 7, 11 and 12</p> |
| <p>1.7 There has been a limited response to the questionnaire that was sent to creditors. Responses may assist the Joint Administrators with their general investigation duties. Accordingly, those who have not replied are urged to do so.</p> | <p>Section 13</p> |

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2. Introduction

- 2.1 This Report and Statement of Proposals ("the Report") is prepared pursuant to Schedule B1, Paragraph 49 of the Insolvency Act 1986, ("the Act") in relation to Fireblade 2010 Limited (In Administration) ("the Company"), the purpose of which is to provide creditors with a full update as to the present position and seek creditors approval of the next stage of proceedings
- 2.2 The Report also includes information required to be provided to creditors pursuant to Rule 2.33 of the Insolvency Rules 1986 ("the Rules") All statutory information pertaining to the Company is set out in **Appendix I**

3 The Joint Administrators' Appointment

- 3.1 On 21 May 2010, Notice of Appoint of an Administrator by Holder of Qualifying Floating Charge ("the Notice") was presented to the High Court of Justice by solicitors Francis Wilks & Jones ("FWJ"), on behalf of Bibby Financial Services Limited ("Bibby")
- 3.3 The Notice was endorsed with case number 4292 of 2010 Both Simon Franklin Plant and Daniel Plant of SFP, 9 Ensign House, Admirals Way, Marsh Wall, London E14 9XQ were appointed Joint Administrators ("the Joint Administrators") Pursuant to Schedule B1, Paragraph 100(2) of the Act, the Joint Administrators act jointly and severally

4 Company History and Events Leading to the Administration Order

- 4.1 Albeit that statutory information is contained in **Appendix I**, this report provides brief details in relation to the Company's history
- 4.2 Fireblade 2010 Limited ("the Company") was incorporated on 10 June 2009 to act as a vehicle to purchase and sell FIFA endorsed World Cup merchandise According to Companies House records, the Company has no previous names As at the date of Administration, Duncan Johnson ("Mr Johnson") was appointed as sole director A Company Secretary has not been registered at Companies House
- 4.3 The Company's registered office and trading premises is located at Unit 4 Oakham Business Park, Oakham, Rutland, LE15 7GH ("the Trading Premises") The Joint Administrators' property division, SFP Property Limited ("SFP Property") has been instructed to determine the basis of occupation and to assist with any subsequent assignment or surrender
- 4.4 An associated company, Fireblade UK Limited ("FUL") is based at 3 North Street, Oadby, Leicester, LE2 5AH FUL was incorporated on 10 August 2005 Once again, Mr Johnson is listed as sole director and there is no listed Company Secretary at Companies House
- 4.5 In November 2008, FUL was granted a license agreement ("the License") by Global Brands (Football) Pte Limited ("Global Brands"), permitting the distribution of FIFA endorsed goods It is understood that in early 2009 FUL had become involved in a number of disputes with creditors, as a result the Company was incorporated to trade under the License Mr Johnson has advised that FUL ceased to trade in 2009
- 4.6 From inception, the Company traded by sourcing goods from the Far East, to be sold to high street supermarkets such as Tesco, Morrisons, Asda, Aldi, Lidl, Sainsburys and Marks & Spencer
- 4.7 The Company entered into a factoring and trade finance facility with Bibby in September 2009 in order to fund purchases for the manufacture of FIFA merchandise in accordance with the License and improve its working capital position Accordingly, Bibby registered a fixed and floating charge debenture at Companies House on 29 September 2009, by way of security
- 4.8 It is understood that the Company became dissatisfied with the level of funding provided by Bibby and accordingly, Mr Johnson sought additional funding from an alternative provider, Synergy Despite Bibby

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not formally consenting to Synergy's involvement it is understood that Synergy began to finance certain stock purchases anyway. It is further understood that Synergy took security by way of trade finance agreements, trust certificates and a personal guarantee from Mr Johnson.

- 4 9 It is understood that the Company failed to maintain the facility with Bibby in accordance with agreed terms and accordingly, Bibby became extremely concerned about the Company's circumstances. Accordingly, Bibby sought the appointment of administrators pursuant to its qualifying floating charge, as soon as possible. Solicitors, Francis Wilks and Jones LLP ("FWJ") were instructed to assist with this process.
- 4 10 Accordingly, Bibby looked to serve demand upon the Company and FUL, whom had provided a cross guarantee, for immediate repayment of the facility in full ("the Demands"). In the event that the Demands were not settled, FWJ would proceed to file the Notice.
- 4 11 Following non-payment of the Demand, the Notice was filed by FWJ in the High Court of Justice on behalf of Bibby. At 16.25 on 21 May 2010, the Notice was endorsed with case number 4292, appointing Simon Plant and Daniel Plant as Joint Administrators.
- 4 12 At **Appendix II** is an Estimated Statement of Affairs as at the date that the Company was placed into Administration ("the Statement of Affairs"). The Statement of Affairs indicates that the Company was insolvent on a balance sheet basis with a deficiency to creditors of £640,131.

5 The Purpose of the Administration

- 5 1 The purposes of an Administration are set out in Schedule B1, Paragraph 3(1) of the Act. In short, this provides that an Administrator of a company must perform his functions with the objective of
- 5 1 1 rescuing the Company as a going concern, or
- 5 1 2 achieving a better result for the creditors as a whole than would be likely to be achieved if the company were wound up (without first being in Administration), or
- 5 1 3 realising assets in order to make a distribution to one or more secured or preferential creditors.
- 5 2 The purposes are therefore a hierarchy of objectives. The rescue of a company is the priority. Next is to instead achieve a better return to the creditors as a whole. In the event that this cannot be achieved then the Administrator is permitted to realise assets for the benefit of the preferential or secured creditors.
- 5 3 In light of the insolvency of the Company, the initial purpose relating to its rescue could only be achieved through a company voluntary arrangement. This was not considered to be achievable, although it appeared that the second purpose was a viable option. Full details concerning progress in respect of this purpose are set out in **Section 7**.

6 Events Following the Joint Administrators' Appointment Leading to Initial Strategy

- 6 1 As a rescue of the Company was not possible, the primary purpose of the Administration was to obtain a better result for the creditors as a whole than would be achieved if the Company was simply wound up (without first being in Administration). This would potentially be achieved with the assistance of a statutory moratorium, which protects a company when it is placed into Administration. The moratorium effectively prevents all creditors' actions being taken or progressed without leave of the Court or the Administrator's consent, thereby providing a company with breathing space in which a strategy can be invoked to maximise realisations.
- 6 2 Upon appointment, members of the Joint Administrators' Administration department and associated entities, SFP Recoveries Limited ("SFP Recoveries"), (collectively, "the Team") attended the Trading Premises. Upon meeting the Director he was provided with the standard Directors pack explaining the

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impact of the Administration and his fiduciary duties going forward. It was explained to Mr Johnson that he was required to assist the Administration team in obtaining further information that would enable the discharge of the Joint Administrators' duties.

- 6.3 Valuation agents, Winterhill Asset Limited ("Winterhill") were instructed to attend the Trading Premises in order to prepare an inventory and valuation of the Company's business and assets on both an in-situ and ex-situ basis. Further, to provide advice in relation to ongoing trading during the administration period.
- 6.4 It was Winterhill's opinion that the value of the business was predominantly attributable to the work in progress to supply FIFA endorsed goods for the 2010 World Cup. Accordingly, should the Company cease to trade, significantly lower realisations would be achieved than would be attainable if the Company completed the work in progress. In addition, it was Winterhill's opinion that there was no prospect of being able to sell the business as a going concern considering the company's sole function and purpose since incorporation was to sell FIFA branded goods for the 2010 World Cup.
- 6.5 Further, it was the opinion of SFP Recoveries that the risk of debtors disputing invoices due to subsequent orders not being fulfilled would be substantially reduced if the Company completed the pending orders.
- 6.6 The Team produced an estimated cashflow to look at the costs required versus the realisations that could be achieved on the basis that the Company could continue to trade. In the event that funding could be secured for payment of trading costs it was apparent that the benefits of continuing to trade far outweighed the costs of shutting the Company down.

7 General Progress In Relation to the Administration

Books and Records

- 7.1 The books and records of the Company were essentially non-existent and what few records there were, were found to be in complete disarray. Accordingly, the Team set about reconstructing the pre appointment accounting records in order to establish the true position. Further, by reconstructing the records the Team was able to discover additional liabilities incurred by the Company, such as customer deposits paid for orders that had not been fulfilled and outstanding matters requiring attention. Please see section 7.16 below for further details.

Global Brands

- 7.2 The Company obtained the right to distribute FIFA endorsed goods in the UK from Global Brands. Global Brands is the FIFA worldwide Master Licensee. Accordingly, Global sub license the right to distribute the goods on a country by country basis.
- 7.3 Shortly after the date of appointment, the Team obtained a copy of the license agreement that entitled the Company to distribute FIFA endorsed goods. It was quickly established that the license agreement was in the name of FUL and not of the Company.
- 7.4 Global Brands were immediately contacted in order to explain the position and the proposed strategy of completing pending orders to ensure total realisations were maximised.
- 7.5 Under the license agreement with FUL a royalty fee is payable to Global Brands for the distribution of the FIFA endorsed goods. Further details in relation to Global Brands claim in this Administration can be found in the subsequent section under the heading Competing Interest and Priority Rights.

Continued Trading

- 7.6 The initial strategy would be to complete all work in progress which amounted to circa £704,000. The Company imported goods from Far East to supply to large retailers. The typical order to cash process is as follows
- 7.6.1 customer order is received by the Company for goods,
 - 7.6.2 the Company sends an order to a manufacturer located in the Far East for production of goods,
 - 7.6.3 goods are completed and passed to shipping line,
 - 7.6.4 goods arrive in UK and are sent to a packaging agent,
 - 7.6.5 packaging agent finishes goods to customer specifications,
 - 7.6.6 goods are collected by a logistics company from the packaging agent,
 - 7.6.7 logistics company delivers goods to retailer's depot or store,
 - 7.6.8 logistics company passes proof of delivery to the Company,
 - 7.6.9 the Company invoices the customer for the goods delivered, and
 - 7.6.10 customer pays invoice to credit terms less any agreed discounts
- 7.7 At the date of appointment a number of orders had been delivered and invoiced details of which can be found in the subsequent debtor section. The remainder of the orders had only been part completed as they were either being held by the packaging agent or the logistics company.
- 7.8 Planned orders to customers including Tesco, LIDL and Makro were delivered as normal and on schedule. Accordingly, the Team monitored the deliveries to ensure that they took place as scheduled and that the proof of delivery notes were collected.
- 7.9 Following the completion of the Tesco, LIDL and Makro deliveries a number of pressing matters emerged regarding warehouse liens and overdue accounts being demanded by delivery agents, impacting upon the process.
- 7.10 My Manufacturing Company (UK) Limited ("My-Pack") would not release the goods they were holding until invoices totaling £8,815.51 for work they had previously completed was paid for. Accordingly, the Team established that the value of the customer invoices that could be raised if the goods were released and delivered was £85,519.45. As a result of the substantial realisation that could be achieved and the short amount of time available to meet the customer's delivery deadlines, MyPack's ransom demand for outstanding invoices was paid. Further, an undertaking to pay, but limited to £5,000 for additional work completed was provided to ensure that the current goods were released in a saleable condition and safely delivered to the Customer.
- 7.11 Johnston's Logistics Limited ("Johnston's") insisted upon payment up front in order to conduct their delivery of goods they were holding. Their costs were circa £2,790. Once again due to the substantial realisations that could be achieved and the short timescales available it was decided that it was in the best interest of the administration that the account was settled. Accordingly, Johnston's signed an agreement that would ensure delivery of the goods would take place safely and on time. For that reason the account was settled by way of credit card. Invoices raised following the delivery of these goods totaled £22,639.92.

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- 7.12 The most pressing order to be delivered was due to Aldi on 1 June 2010. These goods were held with a packer called Ex-Press Processing Limited ("Ex-press"). Once these deliveries had been completed further invoicing of circa £320,000 would be raised. Wilkie Transport Limited ("Wilkie"), the delivery agent instructed to complete the delivery of these goods, was seeking payment of its outstanding bills of £4,124 and confirmation that its future costs would be settled. Accordingly, once an undertaking to confirm the goods would be delivered without issue was signed and returned by Wilkie, the payment of £4,124 for their outstanding balance was paid.
- 7.13 Following Ex-press being made aware of the administration, and despite the fact that none of their invoices were due for payment, they informed the Joint Administrators that they would not be prepared to release the goods they were holding until their balance had been satisfied in full. Despite FWJ advising Ex-press that under the Moratorium in place they were not entitled to hold goods to ransom, a speedy commercial view was needed in order to protect the order so not to jeopardise the level of invoicing which would be generated once deliveries took place to Aldi. There was a very small time frame of circa one day within which to resolve this before losing the Aldi order. As Express' costs related to the processing of the Aldi order, it made sense to make a timely payment in order to complete the job.
- 7.14 The level of Ex-press's invoices totaled circa £74,000. Given that there were no readily available funds with which to settle this liability from the administration, as all other ransom payment had exhausted the cash at bank position the Joint Administrator's secured funding from Synergy to settle the debt in exchange for them being reimbursed as a trading expense within the administration. Accordingly, Synergy settled the Ex-press debt on 1 June 2010, totaling £70,000. As a result of the settlement, Ex-press duly released goods and deliveries to Aldi depots were completed throughout the course of Wednesday morning on 2 June 2010. Wilkie confirmed safe delivery to each Aldi depot.
- 7.15 A further delivery of promotional footballs from a Chinese supplier was due to arrive at a Felixstow terminal by container ship on 3 June 2010. The Customer, Hyundai Motor UK Limited ("Hyundai") had already paid the Company for the goods. Accordingly, Hyundai were contacted regarding the arrival of their goods into the UK and advised that there were no funds available within the administration to pay the freight forwarding and HMRC costs to get the goods released from the port. Accordingly, Hyundai agreed to pay for the charges to obtain their goods which were subsequently delivered.
- 7.16 Upon delivery of all remaining goods to customers, the Team set about
- 7.16.1 collecting the remainder of the proof of deliveries from transport companies,
 - 7.16.2 invoicing customers for the goods delivered,
 - 7.16.3 reconstructing the companies book and records,
 - 7.16.4 investigating various issues highlighted by customers and suppliers,
 - 7.16.5 reviewing book and records to establish the extent of the Company's liabilities, and
 - 7.16.6 accounting for the trading period.

Customer deposits

- 7.17 Upon the completion of the work in progress, the Team set about reviewing the books and records in further detail. It was soon established that there were a number of orders that had not been fulfilled. Accordingly, the Team contacted the customers to confirm whether or not any goods had been received. From the initial findings a number of customers had paid deposits and not received any goods. Immediate investigations were undertaken to establish whether there were any other goods being held on the Company's behalf. No further goods have been located and investigations are ongoing.

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Debtors

- 7.18 As at the date of appointment, SFP Recoveries have found invoices raised by the Company prior to the Administration totaling £553,211. This invoicing should have been passed to Bibby under its factoring agreement.
- 7.19 As a result of completing all the work in progress the Team have raised £599,724 of additional invoicing. Further, £104,370 will be raised upon receipt of proof of deliveries being received from the logistics companies.
- 7.20 SFP Recoveries have been instructed to collect the outstanding debts due to the Company as well as pursue customers for orders that have recently been completed by the Team.

The Company's Trading Premises

- 7.21 The Joint Administrators' property division, SFP Property has been instructed to review the position of the Company's Trading Premises, in order to provide a valuation and assist with the disposal of any formal agreements. It looks to be the case that there is no value for the benefit of the Administration.
- 7.22 The Joint Administrator's have utilised the Trading Premises to trade the business to complete the work in progress in order to maximise realisations for the benefit of creditors. Final deliveries of stock were completed before the 11 June 2010, being the start of the World Cup. Accordingly, the Trading Premises will be vacated shortly.

Competing Interests and Priority Rights

- 7.23 There are three separate parties who are seeking priority rights over asset realisations. These are Bibby, (who provided a factoring facility and trade purchase agreement), Synergy In Trade Limited (who also provided a trade purchase agreement) and Global Brands (who provided a license to enable the company to sell FIFA branded goods).
- 7.24 Solicitors instructed by the Administrators consider that Bibby will have initial priority to all recoveries, followed by Synergy in relation to certain debtor receipts and lastly, Global Brands will have an unsecured claim in the Administration even though the license agreement was in the name of FUL.
- 7.25 The Administrators have held meetings with each party to explain their initial findings and agree that at this stage the focus should be placed on realisation of the sales ledger in order to maximise recoveries, with a view to holding further meetings with each party once this has been achieved in the hope of reaching an overall agreement.
- 7.26 Accordingly and at this stage, none of these claims have been agreed by the administrators.

Investigation into the Company's Affairs Prior to the Administration

- 7.27 Investigations into the Company's affairs prior to it being placed into Administration are being undertaken by another entity associated with the Joint Administrators firm, SFP Forensic Limited ("SFP Forensic") and are presently ongoing. However, the Joint Administrators do not wish to divulge any further information in relation to this at this stage since it may hamper enquiries / future recoveries.

Miscellaneous

- 7.28 The Company's books and records have been recovered from the Trading Premises by another entity associated with the Joint Administrators firm, SFP Datastore Limited ("SFP Datastore"). An inventory has been prepared and the books and records will continue to be stored by them.

8. The Statement of Affairs and the Outcome for Creditors / Joint Administrators Receipts and Payments

- 8.1** Based upon current information, it is unlikely that there will be a dividend to unsecured creditors. At **Appendix II** is an Estimated Statement of Affairs as at the date that the Company was placed into Administration, completed by the Joint Administrators.
- 8.2** In addition to this is a list of creditors whose details have been obtained from the Company's records and whose claims have been lodged. Please note that the £0.00 balances denote claims that are yet to be lodged onto the Joint Administrators system and does not mean that the claim has been rejected or agreed.
- 8.3** Attached at **Appendix III** is the Joint Administrators Income and Expenditure Account for the period 21 May 2010 to 18 June 2010.

9. The Joint Administrators' Costs

- 9.1** From the outset the Joint Administrators arranged for members of their team to be present at the Company's trading premises in order to react to any immediate issues.
- 9.2** To date, the Joint Administrators have undertaken, inter alia, the following actions:
- 9.2.1** initial review of the trading position and ascertaining the feasibility of continued trading,
 - 9.2.2** liaising with Mr Johnson and associated parties in order to deal with immediate issues,
 - 9.2.3** trading the business to complete the work in progress and fulfil customer's orders,
 - 9.2.4** liaising with employees concerning the Administration,
 - 9.2.5** reconstructing the pre appointment financial position by compiling and reviewing the Company's books and records,
 - 9.2.6** liaising with SFP Recoveries and Bibby concerning the sales ledger, and
 - 9.2.7** undertaking all statutory measures including updating creditors, advertising and filing requisite documents and forms at Companies House.
- 9.3** At **Appendix IV** is a breakdown of the time that has been incurred by SFP to date. At **Appendix XI** is a Guide to Administrators Fees, being Statement of Insolvency Practice 9.
- 9.4** At **Appendix V** is a breakdown of the time that has been incurred by SFP Property to date.
- 9.5** At **Appendix VI** is a breakdown of the time that has been incurred by SFP Recoveries to date.
- 9.6** At **Appendix VII** is a breakdown of the time that has been incurred by SFP Datastore to date.
- 9.7** At **Appendix VIII** is a breakdown of the time that has been incurred by SFP Forensic to date.
- 9.8** At **Appendix IX** is a guide to SFP and its associated entities charge out rates and disbursement rates.
- 9.9** The Joint Administrators do not anticipate a distribution to unsecured creditors as detailed in **Section 11** and are seeking to dispense with a creditors' meeting pursuant to Schedule B1, Paragraph 52 Rule 2.106.

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(5A) of the Rules provides that in the event of a creditors' meeting not being held, remuneration may be fixed by the approval of

9 9 1 each secured creditor of the company, or

9 9 2 if the administrator has made or intends to make a distribution to preferential creditors,

9 9 2 1 each secured creditor of the company, and

9 9 2 2 preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval

9 10 The Joint Administrators propose that their remuneration be on a time cost basis, being the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration under Rule 2 106(2) of the Rules

9.11 In accordance with the above, each secured creditor has been provided with a copy of these proposals. In addition and for the sake of good order, authority from the unsecured creditors is also being sought. Unless any objection to the proposed basis of remuneration is notified to the Joint Administrators within 8 business days from the date on which the proposals are sent out, the Joint Administrators will deem the basis of their remuneration to have been approved by both the secured creditors and the unsecured creditors.

9 12 Disbursements and specific expenditure relating to the administration of an insolvent estate and payable to an independent third party are recoverable without creditor approval. Such expenditure is made, if funds are available from the insolvent estate. If funds are not available the payment is made from this firm's office account and this firm is reimbursed from the insolvent estate if and when funds become available.

9.13 Payments made out of a firm's office account and re-charged to an insolvent estate are defined as 'Category 1 Disbursements'. This disbursement is explained further under the expenses and Disbursements heading in the Guide to Administrators and Liquidators fees at **Appendix XI**. There have been no Category 1 disbursements incurred to date.

9.14 Expenditure incidental to the administration of the insolvent case, which by its nature includes an element of shared or allocated costs, are recoverable with creditor approval. These payments are defined as 'Category 2 Disbursements' and, once again, this disbursement is explained further in the Guide to Administrators and Liquidators fees at **Appendix XI**. There have been no Category 2 disbursements incurred to date.

9 15 The fees incurred by Winterhill, SFP Forensic, SFP Recoveries, SFP Property and FWJ are on a time cost basis. SFP Datastore's fees are calculated on a fixed fee basis for storage and retrieval of books and records and an hourly rate for any further work carried out.

9.16 SFP Forensic, SFP Recoveries, SFP Property and SFP Datastore are entities which are associated with the Joint Administrators firm, SFP ("the Associated Entities"). Pursuant to SIP 9 payments made to outside parties in which the office holder or his firm or any associate has an interest should be treated as a Category 2 Disbursement. In accordance with SIP 9 the following information is provided concerning the Associated Entities:

9 16 1 the Associated Entities have been established by SFP to perform functions to which either the office holder or outside agencies could undertake. It is considered that by virtue of their specialist nature and close proximity to SFP they will achieve better results than the office holder, his team or any outside agencies would be able to accomplish.

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9 16 2 the Associated Entities remuneration is on an hourly time cost basis, divided into 6 minute units and calculated as follows

Entity	Basis of Remuneration	Staff Charge Out Rates
SFP Forensic	Time Cost	£75 - £450*
SFP Property	Time Cost	£75 - £275*
SFP Recoveries	Time Cost	£75 - £450*
SFP Datastore	Fixed Fee and Time Cost	£25-£75*

*The charge out rates detail the bands that will be applied dependent upon the grading of staff required to deal with any one specific assignment. Please note that these may fluctuate/alter during the course of the Administration or the placing of the Company into a subsequent insolvency regime

9 16 3 the proposals to creditors seek the approval of the payment of SIP 9 Category 2 Disbursements. Approval will entitle the office holder to settle these as and when deemed necessary without the need for any further authorisation

10 Additional Points Required to Be Made Pursuant to the Rules

- 10 1** For creditors' general information, the EC Regulations on insolvency proceedings do apply in this case, and these proceedings are the main proceedings
- 10 2** Pursuant to Schedule B1, Paragraph 47(1) of the Act, the Joint Administrators may request one or more relevant persons to provide a Statement of Affairs of the Company
- 10.3** The Joint Administrators do not consider that the prescribed part defined under section 176A of the Act will be payable

11. The Dispensing Of A Meeting of Creditors

- 11 1** Pursuant to Schedule B1, Paragraph 51(1) a copy of the Administrator's statement of proposals must be accompanied by an invitation to a creditors meeting. However, this requirement may be dispensed with in circumstances where there is likely to be nothing of substance that the creditors meeting could decide
- 11 2** These circumstances are set out in Paragraph 52(1) which provides that the need to convene a meeting shall not apply where the statement of proposals states that the Administrator thinks that
- 11 2 1** the company has sufficient property to enable each creditor of the company to be paid in full,
- 11.2 2** the company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of payment through the prescribed element of floating charge realisations, or
- 11 2 3** the only objective of the Administration which the Administrator thinks is capable of achievement is realising property in order to make a distribution to one or more secured or preferential creditors
- 11.3** In this instance the Joint Administrators are of the view that 11 2 3 will apply in relation to the Company
- 11.4** Notwithstanding this, the Joint Administrators shall be required to summon a meeting of creditors if it is requested by the Company's creditors whose debts amount to at least 10% of the total debts of the Company, by way of service of a Form 2 21B, within 8 business days from the date on which the proposals are sent out

Fireblade 2010 Limited (In Administration)
Report to Creditors and Statement of Proposals
Pursuant to Paragraph 49(1) of Schedule B1 of the Insolvency Act 1986

- 11.5** If such meeting is requested it must be held within 28 days of the request being received by the Joint Administrators. Security must be given for the expenses of summoning and holding the meeting. At **Appendix XII** is a copy of the Form 2.21B should any creditor wish to request a meeting. If no meeting is requested the proposals will be deemed to be accepted pursuant to Rule 2.33(5) of the Rules.

12 The Joint Administrators' Proposal

- 12.1** Albeit that the trading period of the administration has come to an end, the protection of the Administration is still required in order to finalise all outstanding matters. The prescribed time limit for an Administration is 12 months. In the event that an Administration lasts in excess of 12 months, the Joint Administrators have to obtain creditors approval or make an application to Court to extend its length.
- 12.2** It is a requirement, notwithstanding the fact that a company is left in Administration for the Joint Administrators to investigate the company's affairs and submit the appropriate D form to the Department of Business Innovation and Skills concerning the director's conduct.
- 12.3** In the event that there are or may be further realisations that result in a dividend to unsecured creditors the Joint Administrators shall seek to place the Company into Creditors Voluntary Liquidation in order to effect a distribution. In such circumstances they will be looking to take the appointment as Liquidators. In accordance with Schedule B1, Paragraph 83(7) of the Act and Rule 2.117(3), creditors are able to nominate a different person or persons as proposed Liquidator or Liquidators, provided that the nomination is made after the receipt of the proposals and before they are approved. As an alternative, and should there be no likely funds to distribute to unsecured creditors, that the Joint Administrators may seek to place the Company into Compulsory Liquidation in order to bring proceedings that only a Liquidator may commence for the benefit of the estate.
- 12.4** It is proposed that the Creditors' Voluntary Liquidation would commence from the date of acknowledgement by the Registrar of Companies that the relevant notice has been filed at Companies House. This procedure, which is permitted by the Act would circumvent the need for an additional creditors meeting and keep costs to a minimum.
- 12.5** In light of the above, and in accordance with Schedule B1, Paragraph 49(1) of the Act, it is proposed by the Joint Administrators that
- 12.5.1** the Administration of the Company continue in order to recover the substantial debtor book and finalise any additional matters which require the assistance of the moratorium,
 - 12.5.2** the Joint Administrators' remuneration be fixed by the time properly spent by them and their staff in attending to matters arising out of the Administration in accordance with Statement of Insolvency Practice 9 and that the Joint Administrators be authorised to draw remuneration as and when funds become available,
 - 12.5.3** the Joint Administrators be authorised to recover all disbursements including category 2 disbursements as defined by the Statement of Insolvency Practice 9,
 - 12.5.4** in the event that the Joint Administrators think that the Company has no property which might permit a distribution to its creditors, they shall be authorised to file a notice of dissolution of the Company pursuant to paragraph 84 of Schedule B1 to the Act,
 - 12.5.5** in the event of a potential distribution being available to unsecured creditors, the Joint Administrators be appointed Joint Liquidators of the Company pursuant to paragraph 83 of Schedule B1 to the Act without further recourse to the creditors with the purpose of making a distribution to unsecured creditors and to continue investigation into the Company's affairs,

Fireblade 2010 Limited (In Administration)
Report to Creditors and Statement of Proposals
Pursuant to Paragraph 49(1) of Schedule B1 of the Insolvency Act 1986

- 12.5.6 as an alternative to paragraphs 12.5.4 and 12.5.5 the Joint Administrators be able to seek to place the Company into Compulsory Liquidation in order to pursue such actions and bring proceedings that only a Liquidator is permitted to bring pursuant to the Act,
- 12.5.7 upon the placing of the Company into Liquidation under paragraph 12.5.5 or 12.5.6 or the necessary form being filed for the Company to be dissolved, the Joint Administrators be discharged from liability in respect of any action undertaken by them pursuant to Schedule B1, paragraph 98 of the Act, and
- 12.5.8 upon the placing of the Company into Liquidation, the Joint Liquidators' be authorised to act in a joint and several capacity

13. Ancillary

Creditors Questionnaires

- 13.1 The response that has been forthcoming from the questionnaire provided to creditors has proved to be helpful in relation to the events that transpired up to the date that the Company was placed into Administration
- 13.2 As previously stated in the first circular to the Company's creditors, responses that are received may prove integral to assist with investigations into the Company's affairs. Accordingly, if you have not previously provided a completed questionnaire, please do so, at your earliest convenience

Directors Conduct

- 13.3 Pursuant to the Company Directors Disqualification Act 1986, it is the Joint Administrators and any subsequently appointed Liquidator's duty to submit a requisite report/form to the Department for Business Innovation and Skills concerning the directors' conduct
- 13.4 The report/form must address all persons holding the position as director during the three years up to the date of the onset of insolvency. Please note that this is a standard requirement. Responses to creditors' questionnaires may prove extremely helpful concerning this

If any creditor has any queries in relation to the above, please do not hesitate to contact either the Joint Administrators or the Administrator dealing with this matter, Lloyd Smith on 020 7538 2222

Dated this 18th day of June 2010



Daniel Plant
Joint Administrator

Fireblade 2010 Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX I

- **Statutory Information**

Fireblade 2010 Limited – In Administration

Statutory Information As Reflected At Companies House

Company Number: 06929914

Date of Incorporation: 10 June 2009

Previous Names: None registered at Companies House

Nature of Business None supplied

Issued Share Capital No share capital information registered

	Name	Appointed	Resigned
Director(s)	Duncan Johnson	21/02/2010	-
	Deborah Johnson	10/06/2010	09/04/2010

Company Secretary	None appointed	-	-
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Current Registered Office 9 Ensign House
Admirals Way
Marsh Wall
Docklands
London E14 9XQ

Previous Registered Office: Number 4 Oakham Business Park
Oakham
Rutland
LE15 7GH

Trading Address Same as registered office

Accountants No accountants registered on Companies House

Schedule of Outstanding Mortgages or Charges:

Name	Type of Charge	Registered	Satisfied
Bibby Financial Services Limited	Debenture	29/09/2009	Outstanding

Fireblade 2010 Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX II

- **Estimated Statement of Affairs as at 21 May 2010 / Creditors Details**

FIREBLADE 2010 (IN ADMINISTRATION)

ESTIMATED STATEMENT OF AFFAIRS AS AT 21 MAY 2010

	Notes	Book Value £	Estimated to realise £
Assets (specifically pledged)			
Debtors	1	553,211	553,211
Less, Bad and Doubtful Debt Provision	2	(55,321)	(55,321)
Less, Bibby Financial Services Limited	3	(247,000)	(247,000)
Less, Synergy In Trade Limited	4	(334,934)	(334,934)
	4	<u>(84,044)</u>	<u>(84,044)</u>
Work In Progress	5	704,094	704,094
Less, Costs to Complete	6	(238,290)	(238,290)
Less, Bad Debt Provision	2	(70,409)	(70,409)
Less, Synergy In Trade Limited	4	<u>(395,105)</u>	<u>(395,105)</u>
Surplus c/d		290	290
Assets (not specifically pledged)			
Cash at bank	7	22,000	22,000
Office furniture and equipment	8	<u>3,000</u>	<u>3,000</u>
<i>Estimated total surplus available to creditors</i>		<u>25,290</u>	25,290
LIABILITIES			
Unsecured Creditors			
HM Revenue & Customs - PAYE & NIC / VAT	9	(100,000)	
Global Brands Royalty Fee	10	(280,612)	
Trade & expense	11	<u>(284,809)</u>	<u>(665,421)</u>
<i>Estimated deficiency as regards to creditors</i>			<u><u>(640,131)</u></u>

NB Subject to the costs and expenses of the Administration

Fireblade 2010 Limited (in Administration) ("the Company")
Notes To Estimated Statement of Affairs as at 21 May 2010

1. SFP Recovers found invoices raised by the Company prior to appointment totalling £553,211. This invoicing should have been passed to Bibby Financial Services Limited under its factoring agreement.
2. It is understood that a number of customers experienced a shortfall in the number of goods received, compared to the quantity invoiced. Further, a number of discounts were agreed prior to the Joint Administrator's appointment. Accordingly, a bad debt provision has been estimated at 10% of the ledger.
3. The Company operated an invoice discounting facility and trade finance agreement with Bibby Financial Services Limited ("Bibby").
4. Synergy in Trade Limited provided additional funding to the Company which was secured by Trust Receipts and Letters of Pledge as detailed in paragraph 4.8 of the Report and as further detailed in the section headed "Competing Interests and Priority". Our solicitors, FWJ, are reviewing documents detailing Synergy's security and are providing us with advice in relation to Synergy's claims against the Company.
5. As a result of completing all the work in progress, additional invoicing of £599,724 has been raised. Further, £104,370 will be raised upon receipt of proof of deliveries being received from the logistics companies.
6. The costs to complete the work in progress included the following:
 - VAT payable on the invoices raised,
 - employees' salaries and associated tax costs,
 - ransom payments to suppliers in order to complete work required in order for the goods to be delivered to customers on time, and
 - costs to secure the trading premises of the Company.
7. Cash at bank of £22,000 was realised from the Company's bank account. The bank account was held at Clydesdale Bank Plc, trading as Yorkshire Bank.
8. The value of the fixtures and fittings has been included on an ex-situ basis as a result of it being unlikely that the Company will continue to trade after the World Cup.
9. The Crown has lost its preferential status. Full details of its indebtedness have yet to be received. Nevertheless, from reviewing the Company's books and records, it is estimated that their total liability is £100,000.
10. Global Brands claim of £280,612 relates to the royalty fee payable in relation to the supply of FIFA endorsed merchandise; this balance has been estimated based on the terms found within the agreement.
11. The trade and expense figure has simply been lifted from the company's records and is subject to change once creditors come forward and submit their proof of debt forms.
12. There will also be employee claims which at this stage, due to the incomplete records, have not been calculated.

Fireblade 2010 Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX III

- **Joint Administrators Income and Expenditure Account to 18 June 2010**

Fireblade 2010 Limited
(In Administration)

INCOME AND EXPENDITURE ACCOUNT

	Statement of affairs £	From 21/05/2010 To 18/06/2010 £
RECEIPTS		
Sales	0 00	5,675 25
WIP	704,904 00	0 00
Book Debts	553,221 00	8,918 25
Cash at Bank	22,000 00	22,000 00
Office furniture and equipment	3,000 00	0 00
 PAYMENTS		
Direct Labour		1,745 52
Supplier Payments		21,298 25
Re-Direction of Mail		52 05
Statutory Advertising		140 17
Other Property Expenses		3,753 75
PAYE & NI		462 13
Bank Charges		100 00
Vat Receivable		681 44
 BALANCE		 8,360.19

Fireblade 2010 Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX IV

- **Breakdown of Administrators Fees / Activity Codes**

SFP



FIREBLADE 2010 LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 21 MAY 2010 TO 18 JUNE 2010

CLASSIFICATION OF WORK FUNCTION	Managing Partner	Partner	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Administration and Planning	8 00	28 90	-	3 10	113 20	14 00	5 80	173 00
Investigation	-	-	-	-	-	-	-	0 00
Realisation of assets	7 20	35 30	-	-	0 90	-	-	43 40
Trading	-	-	-	0 30	204 00	-	-	204 30
Creditors	1 50	26 60	-	4 10	20 50	0 10	2 70	55 50
Total hours	16 70	90 80	-	7 50	338 60	14 10	8 50	476 20
Average rate £ per hour	450 00	400 00	-	250 00	225 00	150 00	75 00	261 75
Total costs £	7,515 00	36,320 00	-	1,875 00	76,185 00	2,115 00	637 50	124,647 50

Remuneration drawn on account

See Appendix for Summary Charge Out Rates for staff

SIP 9 STANDARD ACTIVITY SUMMARIES

Standard Activity	Examples of Work
Administration and Planning	Case Planning Administrative set up Appointment and notification Maintenance of records Statutory reporting Estate accounting Schedule company books and records
Investigation	SIP 2 CDDA report Investigating antecedent transactions
Realisation of assets	Identifying, securing, insuring assets Retention of title Debt collection – pre and post appointment Property, business and asset sales Communication and negotiations with secured creditors
Trading	Planning Management of operation Communication/negotiation with suppliers Communication/negotiation with landlord Communication/negotiation with third parties Monitor goods outward/inwards Stock take On-going employee issues Travel
Creditors	Communication with creditors Creditor claims (including employees and other preferential creditors)

Fireblade 2010 Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX V

- **Breakdown of SFP Property Limited Fees**



FIREBLADE 2010 LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 21 MAY 2010 TO 18 JUNE 2010

CLASSIFICATION OF WORK FUNCTION

	Managing Director	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Property Issues	5 50	-	-	-	-	7 00	3 20
							15 70
Total hours	5 50	-	-	-	-	7 00	3 20
Average rate £ per hour	275 00	-	-	-	-	90 00	75 00
Total costs £	1,512 50	-	-	-	-	630 00	240 00
							2,382 50

Remuneration drawn on account

See Appendix for Summary Charge Out Rates for staff

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Fireblade 2010 Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX VI

- **Breakdown of SFP Recoveries Limited Fees**



FIREBLADE 2010 LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 21 MAY 2010 TO 18 JUNE 2010

CLASSIFICATION OF WORK FUNCTION

	Managing Director	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Debt Collection	-	-	-	-	125 60	0 30	126 30
Total hours	-	-	-	-	125 60	0 30	126 30
Average rate £ per hour	-	-	-	-	200 00	100 00	199 60
Total costs £	-	-	-	-	25 120 00	30 00	25 210 00

Remuneration drawn on account

See Appendix for Summary Charge Out Rates for staff

Fireblade 2010 Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX VII

- **Breakdown of SFP Datastore Limited Fees**

SFP



DATASTORE

FIREBLADE 2010 LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 21 MAY 2010 TO 18 JUNE 2010

CLASSIFICATION OF WORK FUNCTION

Boxing Up / Collection / Inventorising of Records

Storage Tasks Staff Costs	Inventorising Staff Costs	Total
7 70	13 60	21 30
<hr/>		
Total hours	7 70	13 60
Average rate £ per hour	25 00	75 00
Total costs £	192 50	1020 00
		1212 50

Remuneration and disbursements drawn on account

See Appendix for Summary Charge Out Rates for staff

Disbursements	£
Storage boxes purchased 0 boxes @ £5 00 per box	
Mileage 247 8 miles @ £1 10 per mile	272 58
Retrieval costs	50 00
Storage cost	
PC storage cost	
Disbursements incurred	0 00
Disbursements drawn on account	322 58

Fireblade 2010 Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX VIII

- **Breakdown of SFP Forensic Limited Fees**



FIREBLADE 2010 LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 21 MAY 2010 TO 18 JUNE 2010

CLASSIFICATION OF WORK FUNCTION

	Managing Partner	Partner	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Administration and Planning	-	-	-	-	-	-	3 00	3 00
Investigation	-	-	-	6 70	0 20	9 30	-	16 20
Realisation of assets	-	-	-	-	-	-	-	0 00
Trading	-	-	-	-	-	-	-	0 00
Creditors	-	-	-	-	-	-	-	0 00
Total hours	-	-	-	6 70	0 20	9 30	3 00	19 20
Average rate £ per hour	-	-	-	250 00	200 00	100 00	75 00	149 48
Total costs £	-	-	-	1,675 00	40 00	930 00	225 00	2,870 00

Remuneration drawn on account

See Appendix for Summary Charge Out Rates for staff

Fireblade 2010 Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX IX

- **Charge out Rates for SFP main practice and associates entities**

SFP

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Charge out Rates for SFP main practice and associated entities

SFP and the Associated Entities remuneration is calculated on an hourly time cost basis, divided into 6 minute units and calculated as follows

Main Practice			SFP Forensic Limited			SFP Property Limited			SFP Recoveries Limited		
Grade	Rate p/hr		Grade	Rate p/hr		Grade	Rate p/hr		Grade	Rate p/hr	
Managing Partner	450		Managing Director	450		Managing Director	275		Managing Director	450	
Partner 2	400		Senior Manager 2	325		Senior Manager 2	250		Senior Manager 2	325	
Partner 1	350		Senior Manager 1	300		Senior Manager 1	225		Senior Manager 1	300	
Senior Manager 2	325		Manager 2	275		Manager 2	200		Manager 2	275	
Senior Manager 1	300		Manager 1	250		Manager 1	175		Manager 1	250	
Manager 2	275		Senior Administrator 2	225		Senior Administrator 2	150		Senior Administrator 2	225	
Manager 1	250		Senior Administrator 1	200		Senior Administrator 1	130		Senior Administrator 1	200	
Senior Administrator 2	225		Administrator 2	150		Administrator 2	110		Administrator 2	150	
Senior Administrator 1	200		Administrator 1	100		Administrator 1	90		Administrator 1	100	
Administrator 2	150		Assistant	75		Assistant	75		Assistant	75	
Administrator 1	100										
Assistant	75										

SFP Datastore Limited		
Grade	Rate p/hr	Retrieval Rates Guide
Storage Tasks (Retrieval and Collection)		Box Storage
		A4
		A3
Staff Costs	25	Transit Cases
		Retrieval costs from site
		Same Day Delivery (up to 10 items)
		Next Day Delivery (up to 10 items)
Inventorising and Additional		
Staff Costs	75	Delivery to third party offices (up to 10 items / £1.50 per item thereafter)

Fireblade 2010 Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX X

- **Proof of Debt form**

PROOF OF DEBT - GENERAL FORM

**In the matter of Firebalde 2010 Limited (in Administration)
and in the matter of the Insolvency Act 1986**

1	Name of Creditor	
2	Address of Creditor	
3	Total amount of claim, including any Value Added Tax and outstanding uncapitalised interest as at the date the company went into administration	£
4	Details of any document by reference to which the debt can be substantiated [Note the administrator may call for any document or evidence to substantiate the claim at his discretion]	
5	If the total amount shown above includes Value Added Tax, please show - (a) amount of Value Added Tax (b) amount of claim NET of Value Added Tax	£ £
6	If total amount above includes outstanding uncapitalised interest please state amount	£
7	If you have filled in both box 3 and box 5, please state whether you are claiming the amount shown in box 3 or the amount shown in box 5(b)	
8	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986 (as read with schedule 3 to the Social Security Pensions Act 1975)	Category Amount(s) claimed as preferential £
9	Particulars of how and when debt incurred	
10	Particulars of any security held, the value of the security, and the date it was given	£
11	Signature of creditor or person authorised to act on his behalf	
	Name in BLOCK LETTERS	
	Position with or relation to creditor	

Fireblade 2010 Limited (in Administration)

Report to Creditors & Statement of Proposals

APPENDIX XI

- **Guide to Administrators Fees**



A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

ENGLAND AND WALES

1 Introduction

- 1 1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees, explain the basis on which fees are fixed and how creditors can seek information about expenses incurred by the administrator and challenge those they consider to be excessive.

2 The nature of administration

- 2 1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:

- rescuing the company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration,

or, if the administrator thinks neither of these objectives is reasonably practicable

- realising property in order to make a distribution to secured or preferential creditors

3 The creditors' committee

- 3 1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's remuneration

- 4 1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed

- as a percentage of the value of the property which the administrator has to deal with,
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration, or
- as a set amount

Any combination of these bases may be used to fix the remuneration, and different bases may be used for different things done by the administrator. Where the remuneration is fixed as a percentage, different percentages may be used for different things done by the administrator.

It is for the creditors' committee (if there is one) to determine on which of these bases, or combination of bases, the remuneration is to be fixed. Where it is fixed as a percentage, it is for the committee to determine the percentage or percentages to be applied, and where it is a set amount, to determine that amount. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case,
- any responsibility of an exceptional kind or degree which falls on the administrator,
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties,
- the value and nature of the property which the administrator has to deal with

4 2 If there is no creditors' committee, or the committee does not make the requisite determination (and provided the circumstances described in paragraph 4 3 do not apply), the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as apply in the case of the committee. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator, but the administrator may not make such an application unless he has first tried to get his remuneration fixed by the committee or creditors as described above, and in any case not later than 18 months after his appointment

4 3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets

In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of –

- each secured creditor of the company, or
- if the administrator has made or intends to make a distribution to preferential creditors –
 - each secured creditor of the company, and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval,

having regard to the same matters as the committee would

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company

4 4 A resolution of creditors may be obtained by correspondence

5 Review of remuneration

5 1 Where there has been a material and substantial change in circumstances since the basis of the administrator's remuneration was fixed, the administrator may request that it be changed. The request must be made to the same body as initially approved the remuneration, and the same rules apply as to the original approval

6 Approval of pre-administration costs

6 1 Sometimes the administrator may need to seek approval for the payment of costs in connection with preparatory work incurred before the company went into administration but which remain unpaid. Such costs may relate to work done either by the administrator or by another insolvency practitioner. Details of such costs must be included in the administrator's proposals

6 2 Where there is a creditors' committee, it is for the committee to determine whether, and to what extent, such costs should be approved for payment. If there is no committee or the committee does not make the necessary determination, or if it does but the administrator, or other insolvency practitioner who has incurred pre-administration costs, considers the amount agreed to be insufficient, approval may be given by a meeting of creditors. Where the circumstances described in

paragraph 4.3 apply, the determination may be made by the same creditors as approve the administrator's remuneration

- 6.3 The administrator must convene a meeting of the committee or the creditors for the purposes of approving the payment of pre-administration costs if requested to do so by another insolvency practitioner who has incurred such costs. If there is no determination under these provisions, or if there is but the administrator or other insolvency practitioner considers the amount agreed to be insufficient, the administrator may apply to the court for a determination

7 What information should be provided by the administrator?

7.1 When seeking remuneration approval

- 7.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on

- the nature of the approval being sought,
- the stage during the administration of the case at which it is being sought, and
- the size and complexity of the case

- 7.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case

- 7.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain



- Any significant aspects of the case, particularly those that affect the amount of time spent
- The reasons for subsequent changes in strategy
- Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement
- Any existing agreement about fees
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

- 7.1.4 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff

7.2 After remuneration approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution (see further paragraph 8.1 below). Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 7.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 7.1.4 above regarding work which has been sub-contracted out.

7.3 Disbursements and other expenses

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements, but there is provision for the creditors to challenge them, as described below. Professional guidance issued to insolvency practitioners requires that, where the administrator proposes 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, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

8 Progress reports and requests for further information

- 8.1 The administrator is required to send a progress report to creditors at 6-monthly intervals. The report must include
- details of the basis fixed for the remuneration of the administrator (or if not fixed at the date of the report, the steps taken during the period of the report to fix it),
 - if the basis has been fixed, the remuneration charged during the period of the report, irrespective of whether it was actually paid during that period (except where it is fixed as a set amount, in which case it may be shown as that amount without any apportionment for the period of the report),
 - if the report is the first to be made after the basis has been fixed, the remuneration charged during the periods covered by the previous reports, together with a description of the work done during those periods, irrespective of whether payment was actually made during the period of the report,
 - a statement of the expenses incurred by the administrator during the period of the report, irrespective of whether payment was actually made during that period,

- the date of approval of any pre-administration costs and the amount approved,
- a statement of the creditors' rights to request further information, as explained in paragraph 8 2, and their right to challenge the administrator's remuneration and expenses

8 2 Within 21 days of receipt of a progress report a creditor may request the administrator to provide further information about the remuneration and expenses (other than pre-administration costs) set out in the report. A request must be in writing, and may be made either by a secured creditor, or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors (including himself) or the permission of the court

8 3 The administrator must provide the requested information within 14 days, unless he considers that

- the time and cost involved in preparing the information would be excessive, or
- disclosure would be prejudicial to the conduct of the administration or might be expected to lead to violence against any person, or
- the administrator is subject to an obligation of confidentiality in relation to the information requested,

in which case he must give the reasons for not providing the information

Any creditor may apply to the court within 21 days of the administrator's refusal to provide the requested information, or the expiry of the 14 days time limit for the provision of the information

9 Provision of information – additional requirements

The administrator must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company

The information which must be provided is –

- the total number of hours spent on the case by the administrator or staff assigned to the case,
- for each grade of staff, the average hourly rate at which they are charged out,
- the number of hours spent by each grade of staff in the relevant period

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office

10 What if a creditor is dissatisfied?

10 1 If a creditor believes that the administrator's remuneration is too high, the basis is inappropriate, or the expenses incurred by the administrator are in all the circumstances excessive he may, provided certain conditions are met, apply to the court

10 2 Application may be made to the court by any secured creditor, or by any unsecured creditor provided at least 10 per cent in value of unsecured creditors (including himself) agree, or he has the permission of the court. Any such application must be made within 8 weeks of the applicant receiving the administrator's progress report in which the charging of the remuneration or incurring of the expenses in question is first reported (see paragraph 8 1 above). If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing

10 3 If the court considers the application well founded, it may order that the remuneration be reduced, the basis be changed, or the expenses be disallowed or repaid. Unless the court orders otherwise, the costs of the application must be paid by the applicant and not as an expense of the administration



11 What if the administrator is dissatisfied?

- 11.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient or that the basis used to fix it is inappropriate he may request that the amount or rate be increased, or the basis changed, by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient or that the basis used to fix it is inappropriate, he may apply to the court for the amount or rate to be increased or the basis changed. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

12 Other matters relating to remuneration

- 12.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.
- 12.2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.
- 12.3 If a new administrator is appointed in place of another, any determination, resolution or court order which was in effect immediately before the replacement continues to have effect in relation to the remuneration of the new administrator until a further determination, resolution or court order is made.
- 12.4 Where the basis of the remuneration is a set amount, and the administrator ceases to act before the time has elapsed or the work has been completed for which the amount was set, application may be made for a determination of the amount that should be paid to the outgoing administrator. The application must be made to the same body as approved the remuneration. Where the outgoing administrator and the incoming administrator are from the same firm, they will usually agree the apportionment between them.

13 Effective date

This guide applies where a company enters administration on or after 6 April 2010, except where

- the application for an administration order was made before that date, or
- where the administration was preceded by a liquidation which commenced before that date

Creditor's request for a meeting

Name of Company
FIREBLADE 2010 LIMITED
(IN ADMINISTRATION)

Company number
06929914

In the
HIGH COURT OF JUSTICE

Court case number
4292 / 2010

(a) Insert full name and
address of the creditor making
the request

I (a) _____

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

request a meeting of the creditors of (b) _____

(c) Insert amount of claim

My claim in the administration is (c) _____

(d) Insert full name(s) and
address(es) of creditors
concurring with the request (if
any) and their claims in the
administration if the
requesting creditor's claim is
below the required 10%

(d) _____

concur with the above request, and I attach copies of their written confirmation of concurrence

(e) Insert details of the
purpose of the meeting

The purpose of the meeting is (e) _____

Signed _____

Dated _____