

Administrator's progress report

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company

Drumoig Limited

Company number

SC154273

We

Colin Peter Dempster and Andrew James Davison

of Ernst & Young LLP, Ten George Street, Edinburgh, EH2 2DZ

administrators of the above company attach a progress report for the period

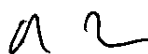
from

to

14 December 2011

13 June 2012

Signed



Joint Administrator

Dated

23 July 2012

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

Matthew Lloyd

Ernst & Young LLP, Ten George Street, Edinburgh, EH2 2DZ

Tel: 0131 777 2464

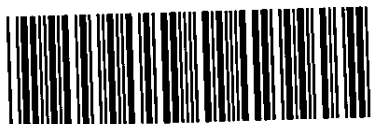
DX Number:

DX Exchange:

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

Companies House, 139 Fountainbridge, Edinburgh, EH3 9FF

DX 235 Edinburgh / LP 4 Edinburgh-2



S1DZ4Q8H

SCT

26/07/2012

#483

COMPANIES HOUSE

THURSDAY

TO ALL KNOWN CREDITORS

23 July 2012

Ref: CPD/CR/AL/ML

Direct line: 0131 777 2464
Direct fax: 0131 777 2213
Email: crobertson3@uk.ey.com

Dear Sirs

Drumoig Limited (In Administration) ("the Company")
Registered office address: Ernst & Young LLP, Ten George Street, Edinburgh EH2 2DZ

I write, in accordance with Rule 2.38 of the Insolvency (Scotland) Rules 1986, to provide the creditors with a report on the progress of the administration. This report covers the period from 14 December 2011 to 13 June 2012 and should be read in conjunction with the Joint Administrators' Statement of Proposals dated 4 February 2010 ("the Administrators' Proposals") and the Administrators' progress reports of 13 July 2010, 11 January 2011, 20 July 2011 and 20 January 2012.

Drumoig Limited, registered number SC154273, entered administration on 14 December 2009 and C P Dempster and A J Davison ("the Administrators") of Ernst & Young LLP, Ten George Street, Edinburgh, EH2 2DZ were appointed to act as Administrators. The appointment was made by the Company's Directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986. The Notice of Appointment was lodged in the Court of Session, Edinburgh. Under the terms of the appointment, any act required or authorised to be done by the Administrators can be done by either of them.

Summary of progress

As advised in the Administrators' Proposals, the Company's main assets at the date of administration were the Drumoig hotel and lodges, Drumoig House, the golf driving range and potential development land at Drumoig. Following the appointment, the Administrators secured these assets and appointed advisers to assist with the formulation of strategies to maximise realisations.

The Administrators were approached shortly after their appointment by a potential purchaser to acquire the Drumoig hotel and lodges. The Drumoig hotel and lodges were sold on 5 February 2010 for £420,000.

Since our appointment, our agents have been marketing the Company's remaining assets at Drumoig, Fife, being Drumoig House, the golf driving range and potential development land ("the Drumoig Assets").

As advised in our previous reports, the Company was notified by the Scottish Ministers ("the Ministers") that an application had been made by the Drumoig Community Trust ("DCT") in relation to registering a Community Right to Buy ("CRB") for the Drumoig Assets. We were informed by the Ministers that the Administrators were prohibited from marketing and selling the Drumoig Assets while they considered the application made by the DCT for a CRB. This application and a further application were rejected and our agents have renewed marketing to sell the Drumoig Assets. However, the two applications to register a



INVESTOR IN PEOPLE

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

CRB meant that the Administrators were prohibited from marketing or selling the Drumoig Assets for a period of approximately 3 months for the period to 30 September 2010.

The Administrators received various offers for the Drumoig Assets following the remarketing and entered into negotiations with the interested parties seeking to purchase the Drumoig Assets. Unfortunately, negotiations with the party looking to acquire Drumoig House and the golf driving range were not successful and these assets were again remarketed by our agents in October 2011. A further offer for these assets was then received and the Administrators began negotiations with this interested party. Regrettably, negotiations with this party did not progress to a sale of these assets.

However, in April 2012, the Administrators have now received a further offer from a new set of interested parties for all of the Drumoig Assets and negotiations have been progressing with these parties with a view to a sale in the near future.

Other assets

The Directors' Statement of Affairs indicates that there is an intercompany loan due from Torith Developments Limited (In Administration) ("Torith Developments") of approximately £493,000. However, the administration of Torith Developments has now come to end and as there was no dividend to ordinary creditors from this administration, there has been no recovery to the Company from this balance.

No further realisations are expected once the Company's properties have been realised.

Extensions to the initial period of appointment

As you will be aware from our previous progress report, an extension to the initial period of the administration was required as there were outstanding issues to be resolved. The Administrators petitioned the Court for a 12 month extension which was heard on 9 December 2011 and the Court extended the period of administration to 13 December 2012.

As noted above, the realisation of the Company's assets located in Drumoig, Fife remains the main outstanding matter in the administration. It is hoped that the sale of the Drumoig Assets will be completed within the current period of the administration. Consequently, the Administrators hope not to make an application to the Court of Session for further extension of the administration once the current twelve month period ends. However, we may need to seek an extension if the properties are not sold within the anticipated timeframe. Should any creditors have any objection to this application, they should provide details of their objection to the Administrators by writing to Ernst & Young LLP, 10 George Street, Edinburgh, EH2 2DZ by 12 October 2012.

Receipts and payments account

I enclose receipts and payments accounts in respect of the Company for the period 14 December 2011 to 13 June 2012 at Appendix 1. These receipts and payments accounts do not reflect estimated future costs including the Joint Administrators' remuneration and disbursements.

Joint Administrators' remuneration and disbursements

Based on our latest view of the likely realisations from the assets of the Company, the Administrators believe that there will be no funds available to ordinary unsecured creditors. Accordingly, in terms of

Rule 2.39(3)(a) of the Insolvency (Scotland) Rules 1986 the Administrators' remuneration in respect of the Company shall be agreed by the Secured Creditor.

Details of time spent and charge out rates have been and will be provided to the secured creditor and are summarised at Appendix 2. To date, £16,473.75 plus VAT of fees have been drawn in this case.

The statutory provisions relating to remuneration are set out in Rule 2.39 of the Insolvency (Scotland) Rules 1986. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors Guide to Administrators Fees' a copy of which may be accessed from the website of the Insolvency Practitioners Association at <http://www.insolvency-practitioners.org.uk> (follow 'Regulation and Guidance' then 'Creditors' Guides to Fees'), or is available in hard copy upon written request to the Administrators.

A statement of the Administrators' policy in relation to charging time and disbursements is attached at Appendix 3.

Secured Creditor

The Royal Bank of Scotland plc had indebtedness at 14 December 2009 of £5.3m due by Torith Limited, Torith Developments Limited and Drumoig Limited (together "the Companies"). This is secured by way of standard securities over the properties and floating charges over the assets of the Companies together with cross guarantees from the Companies in respect of the debts due by each of the Companies to the Bank. This indebtedness is subject to ongoing interest and charges. We estimate that the Bank will not recover its debts in full.

Preferential Creditors

As the Company had no employees we do not expect there to be any preferential creditors.

Non-preferential Creditors

We understand that the operation of the business at the Company's properties was conducted by other group companies and, as such, it is anticipated that the only ordinary creditor claims against the Company will be inter-company claims.

The Directors' Statements of Affairs indicated there were creditor balances due to the Company's other group companies of £1.35m.

The prescribed part

The prescribed part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The prescribed part applies to floating charges created on or after 15 September 2003.

The Royal Bank of Scotland holds a floating charge over the Company dated 3 September 2007. No prescribed part has been set aside on the basis that after costs of the Administration, there are no funds available under the prescribed part.

Distributions to creditors

We are of the opinion that there will be no funds available to enable a distribution to ordinary unsecured creditors.

I trust that you have found this report informative. I will report to you again at the conclusion of the Administration or in six months' time, whichever is the sooner. However, in the meantime, should you require any further information, please do not hesitate to contact Matthew Lloyd on 0131 777 2464.

Yours faithfully
for Drumoig Limited (In Administration)

A J Davison
Joint Administrator

Enc: Joint Administrators' Receipts and Payments Account
Summary of Joint Administrators' time costs and disbursements
Office holders' charging policy for fees and disbursements

A J Davison and C P Dempster are licensed in the United Kingdom to act as Insolvency Practitioners by the Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, A J Davison and C P Dempster, who act as agents of the Company only and without personal liability.

We may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998.

Appendix 1

Drumoig Limited (In Administration)
Joint Administrators' Abstract of Receipts and Payments
from 14 December 2011 to 13 June 2012

Estimated to Realise per Director's Statement of Affairs £		Period from 14/12/2009 to 13/12/2011 £	Period from 14/12/2011 to 13/06/2012 £	Total £
	Receipts			
1,795,000	Property Sales	421,997.50		421,997.50
18,505	Plant, machinery & equipment	8,053.14		8,053.14
	Bank Interest Received	3,820.91	1,172.02	4,992.93
	Total	<u>433,871.55</u>	<u>1,172.02</u>	<u>435,043.57</u>
	Payments			
	Material Purchases	(5,250.00)		(5,250.00)
	Water Rates	(565.38)		(565.38)
	Administrators' Fees	(16,473.75)		(16,473.75)
	Insurance costs		(21,856.14)	(21,856.14)
	Legal costs	(3,900.00)		(3,900.00)
	Specific Bond	(1,056.00)		(1,056.00)
	Other Professional Fees	(662.00)		(662.00)
	Corporation tax		(658.78)	(658.78)
	VAT	(4,784.81)		(4,784.81)
	Distribution to secured creditor	(250,000.00)		(250,000.00)
	Total	<u>(282,691.94)</u>	<u>(22,514.92)</u>	<u>(305,206.86)</u>
	Balance	<u>151,179.61</u>	<u>(21,342.90)</u>	<u>129,836.71</u>
	Represented by:			
	I/B Current Account			<u>129,836.71</u>

Note: Receipts and payments are stated net of VAT.

Appendix 2

Drumoig Limited (In Administration)

**Summary of Joint Administrators' time-costs and disbursements
from 14 December 2009 to 13 June 2012**

Classification of work function	Hours					Time cost £	Average hourly rate £
	Partner/ Exec Director	Director / Senior Manager / Manager	Other senior professionals	Assistants	Total hours		
Accounting & Administration	0.7	9.2	5.2	17	32.1	5,731.00	178.54
Bank & Statutory Reporting	2.2	45.2	7.2		54.6	16,678.50	305.47
Creditors	0.5	1.3			1.8	620.50	344.72
Debtors			1.3		1.3	286.00	220.00
Employee Matters		1			1	370.00	370.00
Other Matters			2.3		2.3	290.00	126.09
Property	29.2	90.2	30.5	10	159.9	48,844.50	305.47
Statutory Duties	2.7	7.5	3.1		13.3	4,740.00	356.39
VAT & Taxation		17.8	25.7	11.6	55.1	15,017.00	272.54
Trading		0.8			0.8	416.00	520.00
Investigations & CDDA		4.8			4.8	1,377.00	286.88
Public Relations Issues		2			2	580.00	290.00
Total	35.30	179.80	75.30	38.60	329.0	94,950.50	
Total fees claimed for period	15,405.50	58,494.00	16,958.50	4,092.50			
Average Hourly rate	436.42	325.33	225.21	106.02			
Average chargeout rate					288.60		

Current charge out rates

	£
Partner	545
Executive Director	520
Director	445
Manager	390
Assistant Director	305
Senior Executive	240
Other senior professionals	175
Executive	125-175
Assistant Executive	110
Analyst	
Accounting and Treasury Executive	

Expenses Summary

Category 1 Disbursements incurred but not drawn

Bonding	1056.00
Meals	2.20
Rail travel	19.80
	<u>1078.0</u>

Category 2 Disbursements

There were no category 2 expenses during this period

Appendix 3

Office holders' charging policy for fees

In accordance with Rule 2.39 of the Insolvency (Scotland) Rules 1986, the joint Administrators' remuneration will be fixed by the secured creditor. The joint Administrators have requested that their remuneration be fixed on the basis of time properly spent by the joint Administrators and their staff in attending to matters arising in the Administration.

The joint Administrators have engaged a manager and other staff to work on the cases. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executive dealing with the Company's bank accounts and statutory compliance issues. Work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time.

Office holders' charging policy for disbursements

Statement of Insolvency Practice No. 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the Administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the secured creditor. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as the secured creditor requires to support the disbursements drawn.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from the secured creditor as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.