

The Insolvency Act 1986

Administrator's progress report

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

Name of Company Kenmore Capital 2 Limited

Company number SC319318

(a) Insert full name(s)
and address(es) of
administrator(s)I / We (a) Rob Caven of Grant Thornton UK LLP, 95 Bothwell Street, Glasgow, G2
7JZ and Martin Ellis of Grant Thornton UK LLP, 30 Finsbury Square, EC2P 2YU

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

(b) Insert dates

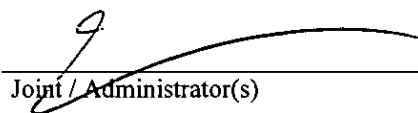
from

to

(b) 12 November 2009

(b) 11 May 2010

Signed


Joint / Administrator(s)

Dated 11 June 2010

t 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

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

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COMPANIES HOUSE

FRIDAY



Grant Thornton

Our Ref RXC/SWP/ST/K30291022/7

To All Known Creditors

11 June 2010

Dear Sirs

Recovery and Reorganisation

Grant Thornton UK LLP
95 Bothwell Street
Glasgow G2 7JZ

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Kenmore Capital 2 Limited - In Administration ("the Company")

1 Introduction

- 1.1 Following the appointment of Martin Ellis and I as Joint Administrators of the Company on 12 November 2009, I now report on progress of the Administration for the period ended 11 May 2010.
- 1.2 This report contains the information required by Rule 2.38 of the Insolvency (Scotland) Rules 1986 (including a receipts and payments account for the period of the report).
- 1.3 In accordance with Paragraph 100 (2) of Schedule B1 to the Insolvency Act 1986, the functions of the Joint Administrators are to be exercised by any or both of them.

2 Statutory information

- 2.1 Martin Ellis and I were appointed Joint Administrators of the Company on 12 November 2009 by the Directors of the Company. Notice of Appointment was lodged at Court of Session, Edinburgh.
- 2.2 The Company's registered office was changed from 33 Castle Street, Edinburgh, EH2 3DN to c/o Grant Thornton UK LLP, 95 Bothwell Street, Glasgow, G2 7JZ. The registered number of the Company is SC319318.

Chartered Accountants

Member firm within Grant Thornton International Ltd

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A list of personnel permitted by Grant Thornton to accept appointments as insolvency practitioners and of their respective authorising bodies may be inspected at the above address.

3 Progress report

Trading/asset realisation strategy

- 3.1 The Joint Administrators' Report and Statement of Proposals ("**the Proposals**") dated 5 January 2010 outlined the proposed trading strategy for the wider Kenmore Group ("**the Group**").
- 3.2 Following the date of the Proposals, we continued to trade the business and prepared (in conjunction with management of the Group) a medium term work out strategy for the various assets within the Kenmore Capital Fund together with the assets held by Kenmore Snowhill Limited (and subsidiaries) and MK Manchester Limited.
- 3.3 A shorter term marketing and sale strategy was also prepared for such assets (in conjunction with our agents) outlining the likely return from a short term disposal of these assets.
- 3.4 As you will be aware from the Proposals, Bank of Scotland ("**the Bank**") is a secured creditor of the Company and related Kenmore entities which own the relevant assets. In such circumstances, it was appropriate to obtain approval from the Bank as to the strategy to be adopted. Following lengthy discussions, the Bank confirmed its approval for the shorter term disposal strategy, i.e. immediate marketing and sale of the majority of the property portfolio.
- 3.5 Following a period of marketing, a number of offers were submitted for certain of the properties. We have sold certain properties held by related Kenmore entities, exchange on others and we are continuing to work towards exchange of contracts and completion of sale on a number of remaining assets.
- 3.6 We are also continuing to seek buyers for the properties which are not currently subject to offer.

Disposal of the Company's assets

- 3.7 The only material assets held by the Company are investments in (and inter company loans to) its various subsidiaries.
- 3.8 It is unlikely that a sale of the Company's investments will be possible however, depending upon the final outcome in the Administrations of its subsidiaries, there may be a small return to the Company on its inter company loans.

Receipts and payments account

- 3.9 A summary of the Joint Administrators' receipts and payments for the period from 12 November 2009 to 11 May 2010 is attached at Appendix A.

- 3.10 This shows negative net funds in hand at 11 May 2010 of £56,364. All costs to date have been funded by way of an inter company loan from Kenmore Investments Limited.

Objectives of Administration

- 3.11 Given the current strategy for the wider Kenmore Group it is unlikely that the Company will be rescued as a going concern and, accordingly, it will not be possible to achieve the first objective of Administration.
- 3.12 In accordance with the terms of the Proposals, the Joint Administrators continue to pursue the second objective of Administration, i.e. achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration).

4 Administrators' time costs and remuneration

- 4.1 Time costs for the period from 12 November 2009 to 11 May 2010 total £38,804 representing 152.40 hours at an average rate of £255 per hour.
- 4.2 Appendix B includes a time analysis which provides details of the activity costs incurred by staff grade for the period from 12 November 2009 to 11 May 2010.
- 4.3 In accordance with Rule 2.39 of the Insolvency (Scotland) Rules 1986, the Administrators' remuneration requires the approval of the Bank in its capacity as secured creditor.
- 4.4 The Bank has confirmed its approval for the Administrators to draw a fee of £27,125 for the period ended 14 March 2010.
- 4.5 On 22 May 2010 the Bank approved a further fee of £2, for the period from 15 March 2010 to 2 May 2010. These fees will be drawn down during the next accounting period.
- 4.6 In addition to Administrators' fees, we have incurred the following disbursements:
- Category 1 disbursements: out of pocket expenses of £11.00 were reimbursed in the period to 11 May 2010.
- 4.7 In accordance with Rule 2.39 of the Insolvency (Scotland) Rules 1986, these disbursements were approved by the Bank in its capacity as secured creditor.
- 4.8 A copy of "A Creditors' Guide to Administrators' Remuneration" can be downloaded from the Insolvency Practitioners Association website (www.insolvency-practitioners.org.uk - navigate via "Technical" to "Creditors' Guide to Fees"). Alternatively, I can supply this information by post on request.

5 Estimated recovery Prospects

General

- 5.1 We would draw your attention to the debt/security structure of the Group as outlined in the Proposals.
- 5.2 For the purpose of this report we have not included an estimated outcome statement (reflecting the confidential nature of the discussions surrounding the sale of the properties owned by the Company's related companies). It is likely that an estimated outcome statement will be included in the next progress report.

Secured creditor

- 5.3 The Company has granted a floating charge to the Bank. The debt and security structure is outlined in the Proposals however it should be noted that the Company is indebted to the Bank in the sum of c.£351.0 million (although this debt is also secured against the properties held by the Company's subsidiaries).
- 5.4 The Bank is expected to suffer a significant shortfall against this debt.

Preferential creditors

- 5.5 The Company has no employees and no preferential creditors.

Unsecured creditors

- 5.6 The bond and floating charge granted to the Bank post-dates commencement of the Enterprise Act 2002.
- 5.7 Section 176A of the Insolvency Act 1986 provides that, in these circumstances, a Prescribed Part be set aside for payment to the unsecured creditors. This entitles unsecured creditors to a percentage share of realisations from floating charge assets, after deducting any costs of realisation and settling any preferential claims.
- 5.8 Per the Directors' Statement of Affairs total unsecured creditor claims are estimated to be c.£28.6 million.
- 5.9 It is expected that floating charge realisations will be minimal (if any) and, accordingly, there is unlikely to be any funds available for distribution to the unsecured creditors.

6 Extension of Administration

- 6.1 The Company's most significant assets are the inter company loans made to its various related companies (all of which are subject to Administration). Any return on these loans will only be certain once all assets of these related companies have been realised and any distribution made to the Company in its capacity as unsecured creditor.
- 6.2 Accordingly the Administration will not be finalised by 11 November 2010 (being the automatic end of Administration).
- 6.3 The Proposals were deemed to be approved on 5 January 2010. These Proposals provide the Joint Administrators with the authority to seek an extension of the Administration period, if necessary.
- 6.4 The Joint Administrators would therefore propose to apply to the Court to obtain an extension of at least twelve months to enable the Company's assets to be realised for distribution to its creditors.
- 6.5 Should any creditor wish to object to this extension, they should submit this objection to me in writing by no later than 31 July 2010.
- 6.6 In the event that an extension is granted by the Court, we will notify the creditors within six weeks of the end of the next accounting period (being 11 November 2010).

7 Ending the Administration

- 7.1 The final outcome to unsecured creditors is not yet clear and, accordingly, it is not possible to make a definitive statement as to the likely exit from Administration.
- 7.2 The Proposals provide the Joint Administrators with the option to either (i) move from Administration to Creditors' Voluntary Liquidation or (ii) move from Administration to Dissolution.
- 7.3 The most appropriate course of action will be determined in due course. The Joint Administrators may be in a position to provide a further update in the next progress report.

8 Next Report

- 8.1 The Joint Administrators are required to provide a progress report within six weeks of the end of the next accounting period (being 11 November 2010), or earlier if the Administration has been finalised.

Yours faithfully
For and on behalf of
Kenmore Capital 2 Limited

A handwritten signature in black ink, appearing to be 'Rob Caven', written in a cursive style.

Rob Caven
Joint Administrator

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

Appendix A: Receipts & payments account as at 11 May 2010

Kenmore Capital 2 Limited - In Administration Joint Administrators' Abstract of Receipts and Payments

	From 6-Jan-10 To 11-May-10	From 12-Nov-09 To 11-May-10
Floating Asset Realisations		
Bank Interest	7.98	8.04
Total Floating Asset Realisations	7.98	8.04
Floating Costs of Realisation		
Specific Bond	(36.00)	(36.00)
Administrators' Fees	(27,124.87)	(27,124.87)
Administrators' Expenses	(11.00)	(11.00)
Legal Fees	(28,866.92)	(28,866.92)
Statutory Advertising	-	(317.75)
Advertising - Other	-	(15.00)
Total Floating Costs of Realisation	(56,038.79)	(56,371.54)
	(56,030.81)	(56,363.50)
Represented by:		
VAT Receivable		2,759.46
Fixed Current Account		7,040.90
Floating Current Account		9.30
Inter Company Loan - KIL		(66,173.16)
		(56,363.50)

Appendix B: Time and cost analysis as at 11 May 2010

Charge Out Rates

Remuneration is charged on the basis of the time costs of the insolvency practitioner and his staff.

We set out below our firm's current charge out rates from 1 July 2009

Staff Category	Hourly Rate (£)
Partner	410 - 510
Director	365 - 400
Associate Director	335
Manager	225 - 330
Assistant Manager	220
Executive	165 - 185
Administrator	110 - 125
Support Staff	85 - 110

Work is allocated to staff members based upon their experience, grade and the complexity of the task involved.

Summary of Time Costs Incurred

A summary of our time costs are set out below :

Standard	Partner/Director			Associate Director/Manager			Assistant Manager/Executive			Administrator/Support			Total	
	Hrs	£	Avg. Hourly Rate	Hrs	£	Avg. Hourly Rate	Hrs	£	Avg. Hourly Rate	Hrs	£	Avg. Hourly Rate	Hrs	£
Administration and Planning	1.95	799.50	410.00	13.90	4,450.50	320.57	78.00	17,215.00	220.71	15.40	1,765.50	114.64	109.25	24,430.50
Creditors	-	-	-	3.50	1,172.50	335.00	-	-	-	-	-	-	3.50	1,172.50
Investigations	2.90	1,189.00	410.00	-	-	-	0.70	129.50	185.00	1.30	149.50	115.00	4.90	1,468.00
Realisation of Assets	3.75	1,537.50	410.00	11.70	3,919.50	335.00	-	-	-	1.00	115.00	115.00	16.45	5,572.00
Trading	5.70	2,337.00	410.00	10.30	3,450.50	335.00	1.50	277.50	185.00	0.80	96.00	120.00	18.30	6,161.00
Total	14.30	5,863.00	410.00	39.40	13,193.00	334.85	80.20	17,622.00	219.73	18.50	2,126.00	114.93	152.40	38,804.50

The time costs are split into 5 standard categories. A guide as to what might be included in each category is as follows :

Administration and planning: this includes work such as case planning, case reviewing, administrative set-up, appointment notification, maintenance of records, statutory reporting and compliance.

Investigations: this includes work such as investigating directors' conduct and antecedent transactions.

Realisation of assets: this includes work such as identifying, securing and insuring assets, administering retention of title claims, debt collection, property, business and asset sales for property covered by both fixed and floating charges.

Trading: this includes work such as managing operations, planning strategy, preparing and monitoring trading forecasts, accounting for trading and administering any landlord and employee issues

Creditors: this includes work such as communication and meetings with creditors, reviewing and adjudicating on creditors preferential and ordinary unsecured claims, corresponding with secured creditors, reviewing security documentation issues and preparing, recording, reviewing and adjudicating on employees' preferential and unsecured claims.

Classification of Disbursements

Category 1 disbursements: these generally comprise external supplies of incidental services specifically identifiable to the case, typically for items such as identifiable telephone calls, postage, case advertising, invoiced travel and properly reimbursed expenses incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and storage.

Where Category 1 disbursements are paid by the insolvency practitioners' firm these are reimbursed as and when funds are available.

Category 2 disbursements: these comprise cost allocations which may arise on some Category 1 disbursements where supplied internally: typically, items such as room hire and document storage. Also typically included will be routine or more specialist copying or printing, and allocated communication costs provided by the insolvency practitioners or their firm.

Category 2 disbursements are paid as and when approval is obtained.

Use of agents and subcontractors

Agents and subcontractors are utilised where there is the need for specialist knowledge. Only agents and subcontractors with the appropriate qualifications are employed. Where possible their fees and expenses are agreed in advance.



Grant Thornton

Our Ref DW/JM/Debtors

Mitton Aftercare Ltd
Ronnie Hellewell
451 Cleckheaton Road
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Recovery and Reorganisation

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Dear Sirs

**AC199 Realisations Limited (formerly known as Airchannel Limited)
In Administration ("Airchannel" or "the Company")**

I write to advise you that Rob Caven and I, of Grant Thornton UK LLP were appointed Joint Administrator of the above company on 23 March 2010.

Motivair Compressors Limited have been appointed to act as agents to collect the trade debtors on our behalf. Payment for the outstanding debt should be made to Account No 67528139; Sort Code 60-08-46; Account Name: Airchannel Limited at National Westminster Bank, High Street, Feltham, Middlesex. Cheques made payable to Airchannel Limited should continue to be sent to the address shown on the invoice.

I understand that as at **16 June 2010 Airchannel's debt of £ 719.22** remains overdue. Accordingly, I would remind you that this liability remains fully payable and request that you settle the Airchannel debt as soon as possible.

If you have any questions on this matter then please contact David Watson (0141 223 0615) or write to me at the above address.

Yours faithfully
for and on behalf of AC199 Realisations Limited in Administration

John Montague
Joint Administrator

The affairs, business and property of AC199 Realisations Limited are being managed by John Montague and Rob Caven of Grant Thornton UK LLP, appointed as joint administrators on 23 March 2010, who act as agents of the company and without personal liability.

Chartered Accountants

Member firm within Grant Thornton International Ltd

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