

## The Insolvency Act 1986

## Administrator's progress report

2.24B

Name of Company Vitality Group Limited	Company number 01785819
In the, High Court, Chancery Division Companies Court, London	<i>For court use only</i> 12532 of 2009

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

We Andrew Gordon Stoneman and Jason James Godefroy  
MCR  
43-45 Portman Square  
London  
W1H 6LY

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

(b) Insert date

From	To
(b) 26 March 2009	(b) 25 September 2009

Signed

Joint Administrator

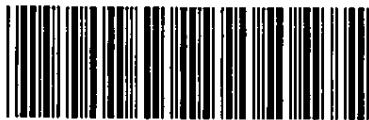
Dated

19/10/09

## 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

MCR  
43-45 Portman Square  
London  
W1H 6LY  
Tel: 020 7487 7240



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26/10/2009

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COMPANIES HOUSE

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

Companies House, Crown Way, Cardiff CF14 3UZ

DX 33050 Cardiff

MONDAY

**Vitality Group Limited  
(In Administration)**

**Joint Administrators' Progress Report to Creditors  
for the period from 26 March 2009 to 25 September 2009  
pursuant to Rule 2.47(1) of the  
Insolvency Rules 1986 (as amended)**

**19 October 2009**

**Names of Joint Administrators:** Andrew Gordon Stoneman  
Jason James Godefroy

**Date of appointment:** 26 March 2009

**Date of report:** 19 October 2009

**Appointed by** Bank of Scotland Plc  
The Mound  
Edinburgh  
EH1 1YZ

**Court reference:** High Court of Justice Number 12532 of 2009

**MCR**  
**43-45 Portman Square**  
**London**  
**W1H 6LY**

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## DEFINITIONS

Insolvency Act 1986 / Insolvency Rules 1986 (as amended)	the Act / the Rules
Her Majesty's Revenue and Customs	HMRC
Andrew Stoneman and Jason Godefroy	the Joint Administrators
Vitality Group Limited	VGL and/or the Company
Bank of Scotland Plc	BOS
Bank of Scotland Cashflow Finance	BOSCF
Retention of Title	ROT
Statement of Affairs	SoA
EC Regulation on Insolvency Proceedings 2000	EC Regulations
Department of Business, Innovation and Skill	DBIS
Rovex Limited	Rovex / the Purchaser
Statement of Insolvency Practice 9	SIP9

## **1. INTRODUCTION**

- 1.1 Andrew Stoneman and Jason Godefroy of MCR were appointed Joint Administrators of the Company on 26 March 2009 by BOS, the holder of a qualifying floating charge pursuant to Paragraph 14 of Schedule B1 to the Act.
- 1.2 In accordance with Paragraph 100(2) of Schedule B1 to the Act the functions of the Joint Administrators are being exercised by any of the Administrators.
- 1.3 The purpose of this report is to provide creditors with details of the progress of the Administration, in accordance with Rule 2.47(1) of the Rules for the six month period to 25 September 2009.

## **2. JOINT ADMINISTRATORS' REPORT AND STATEMENT OF PROPOSALS**

- 2.1 The Joint Administrators issued their Report to Creditors together with their Statement of Proposals ("the Proposals") on 20 May 2009.
- 2.2 In accordance with Paragraph 52(1)(b) of Schedule B1 to the Act, a creditors' meeting was not convened as the Joint Administrators believe that the Company will have insufficient property to enable a distribution to be made to unsecured creditors. The Joint Administrators' proposals were approved by the secured creditor of the Company, BOS. The Proposals were also deemed approved by the creditors.
- 2.3 As advised in the Proposals, the Joint Administrators must perform their functions with the purpose of achieving one of the following hierarchical objectives:
  - Rescuing the Company as a going concern, or
  - Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration), or
  - Realising property in order to make a distribution to one or more secured or preferential creditors.
- 2.4 In accordance with Paragraph 49(2)(b) of the Act, the Joint Administrators advise that it was not possible to achieve the first objective and accordingly the Joint Administrators pursued the second objective.
- 2.5 The Joint Administrators believe that the second objective will be achieved following the sale of certain of the Company's business and assets, as there has been a distribution to the Company's secured creditor.

## **3. PROGRESS OF THE ADMINISTRATION TO DATE**

- 3.1 The manner in which the affairs and business of the Company have been managed since the appointment of the Joint Administrators, and will continue to be managed and financed, are set out overleaf.

### **Sale of certain of the Company's assets**

3.2 The Joint Administrators achieved a sale of certain of the Company's assets to Rovex on 6 May 2009 for a total consideration of £200,000.

3.3 The sale consideration was allocated as follows:

	<b>£</b>
Other assets, including Goodwill, IP, Vehicles	50,000
Stock	150,000
<b>Total</b>	<u><b>200,000</b></u>

3.4 All monies were received upon completion.

### **Book debts**

3.5 The Company's book debts are subject to a factoring agreement with BOSCF.

3.6 MCR Receivables Management Limited ("RM"), a company associated with MCR, has been engaged by BOSCF to collect the Company's book debts.

3.7 As at the date of the Joint Administrators appointment, the Company's book debt ledger indicated outstanding debtors of £1,794,019.

3.8 To date, RM, together with the assistance of the Company's staff members who were employed during the Administration period, have recovered debtor monies totalling £1,061,517. Please note that these debts are assigned to BOSCF and are not an asset of the Company.

3.9 It is anticipated that a surplus from the book debts caught by BOSCF's charge will be available to the Company's estate, however, the timing and quantum of any surplus being available is currently uncertain.

### **Petty cash**

3.10 An additional £667 of petty cash has been banked into the Joint Administrators' estate account. A total of £4,270 of petty cash was collected from the Company's premises.

3.11 No further realisations are anticipated.

### **Racking and Conveyor belt system**

3.12 The Company's racking and conveyor belt system were sold by the Joint Administrator's agents, Edward Symmons & Partners LLP for a total consideration of £10,500 plus VAT to a third party. At the time of writing the report, these funds had not been transferred.

3.13 These funds were received after the six month period to 25 September 2009 and as such have not been included in the receipts and payments account, attached at Appendix 2.

3.14 No further realisations are anticipated.

#### **Nisa's Today share refund**

- 3.15 The Joint Administrators have realised £15,000 in respect of the share refund.
- 3.16 No further realisations are anticipated.

#### **Bank interest**

- 3.17 Bank interest of £272 has been received to date.

#### **Stephens Wholesale Limited (In Liquidation) – dividend distribution**

- 3.18 Gallagher & Co were appointed Liquidators of SWL, in which the Company has filed a claim. It is anticipated, based upon current information from Gallagher & Co that a dividend distribution will be made to the Company from the asset realisations of SWL. Please note that the timing and quantum of this dividend are currently unknown.

#### **Corporation Tax – Terminal Loss Relief Claim**

- 3.19 As previously reported, upon review of the Company's financial accounts, it was discovered that the Company's profits have been overstated since 2003. As such the Company is potentially due a refund of Corporation Tax previously paid to HMRC. The Joint Administrators investigations are at a preliminary stage and the quantum of any realisations remains uncertain at this time.

#### **VAT refund**

- 3.20 A review of the Company's debtors was undertaken by the Company's auditors in 2008, where it was found that the Company may have a claim for VAT Bad Debt Relief. This claim is primarily based on an amount of unrecoverable debts which should have been written off in periods prior to the Joint Administrators' appointment.
- 3.21 In addition, the Company was subject to a VAT investigation by HMRC and the Joint Administrators understand that following the investigations there may be some further VAT refunds due to the Company.
- 3.22 The quantum and timing of any VAT refund is currently uncertain.

#### **Other matters**

- 3.23 The Joint Administrators successfully surrendered the leasehold premises on 28 August 2009.
- 3.24 During the course of the Administration, the Joint Administrators and their staff have been involved in dealing with a number of ROT creditors, including allowing collection of property in the event that their purported claim was deemed valid. As advised previously, the Joint Administrators sold what right, title and interest that the Company had in the Company's stock on 6 May 2009, subject to third party claims.
- 3.25 Under the sale and purchase agreement, the Purchaser was obligated to deal with all potential ROT claims. It is our understanding that almost all ROT claims have been resolved by the Purchaser. Should you have an outstanding claim and wish to pursue it, I advise you to contact the Purchaser at Unit 1 Fitzroy Business Park, Sandy Lane, Sidcup, DA14 5NL.



- 3.26 Please request to speak with Sean Durack of Rovex or your usual contact. In the event that the Purchaser has not dealt with your potential ROT claim, please contact Thomas Lowe of this office in writing.

#### **4. INVESTIGATION**

- 4.1 The Joint Administrators' investigations into the Company's affairs are near completion. The Joint Administrators cannot, at this stage, detail the nature of these investigations as it may hamper any further action that may be required. However, should any of the Company's creditors have information concerning the Company's affairs that they would like to bring to the Joint Administrators' attention, please contact this office.
- 4.2 The Joint Administrators have a statutory obligation to file a report with the DBIS regarding the conduct of all directors of the Company that served in the three years prior to the appointment. The content of this report is confidential and an interim report was submitted to the Insolvency Practitioners Compliance Unit on 23 September 2009.

#### **5. DIVIDEND PROSPECTS / PRESCRIBED PART**

##### BOS

- 5.1 In consideration for the monies advanced to the Company under a term loan agreement and overdraft facility, the Company granted BOS a mortgage debenture which confers fixed and floating charges over all of the assets of the Company, dated 19 December 1984.
- 5.2 At the date of the Joint Administrators' appointment, the Company's indebtedness to BOS was approximately £1,539,000 subject to accruing interest and charges.
- 5.3 It is anticipated that BOS will suffer a significant shortfall under their fixed and floating charges.

##### Kellock Limited ("KL")

- 5.4 In consideration for the monies advanced to the Company under an invoice discounting agreement, the Company granted KL a mortgage debenture, which confers fixed charge over the Company's debts. It should be noted that KL has since changed its trading name to Capital Bank Cashflow Finance Limited, which is a subsidiary of BOSCF.
- 5.5 At the date of the Joint Administrators' appointment, the Company's indebtedness to BOSCF was approximately £1,261,315 subject to accruing interest and charges. Book debt collections have now reduced BOSCF indebtedness by £684,875, leaving a balance outstanding of £576,440 subject to accruing interest and charges.
- 5.6 It is anticipated that there will be sufficient realisations to repay BOSCF in full.

##### **Preferential Creditors**

- 5.7 Pursuant to the directors' SoA, preferential claims are estimated to be £19,391.
- 5.8 Although the Joint Administrators are yet to receive notification of the preferential creditors' claims, at this stage, it is anticipated that there will be insufficient funds available to enable a distribution to preferential creditors.

- 5.9 It is likely that a significant element of the preferential claim will be employees' claims which are mostly subrogated to DBIS, following payment by the Redundancy Payments Office.

**Prescribed Part pursuant to section 176A of the Act**

- 5.10 The provisions of Section 176A of the Act to set aside funds for non-preferential creditors do not apply as the Bank's security was granted prior to 15 September 2003.

**Non-Preferential unsecured Creditors**

- 5.11 According to the directors' SoA, non-preferential unsecured creditors total £3,105,260.
- 5.12 Based upon the current information available, it is anticipated that there will not be sufficient realisations to enable a distribution to the non-preferential unsecured creditors of the Company.

**6. JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT**

- 6.1 A detailed receipts and payments account, for the period 27 March 2009 to 26 September 2009 is shown at Appendix 2.
- 6.2 As at 25 September 2009 there was a cash balance of £236,237.

**7. COSTS AND EXPENSES**

- 7.1 The time costs of the Joint Administrators and their staff are analysed at Appendix 3 in accordance with SIP9. The Joint Administrators time costs total £151,063 for the period 26 March 2009 to 15 October 2009. From the period 26 March 2009 to 25 September 2009, £20,000 has been drawn as remuneration.
- 7.2 The Joint Administrators' Proposals were approved by the creditors and permitted remuneration to be drawn on a time cost basis.

**8. EC REGULATIONS**

- 8.1 It is the Joint Administrators' opinion that the EC Regulation applies and these proceedings are main proceedings as defined in Article 3 of the EC Regulation. The centre of main interest of the Company is in England.

**9. CREDITORS' MEETING**

- 9.1 In accordance with Paragraph 52(1)(b) of Schedule B1 to the Act, a creditors' meeting was not convened as there was insufficient property to enable a distribution to be made to non-preferential creditors.
- 9.2 In addition, the creditors of the Company did not subsequently request a creditors' meeting to be held.

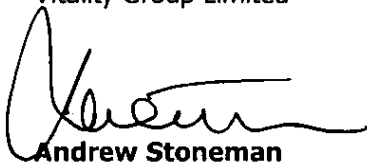
## **10. CONCLUSION AND ENDING THE ADMINISTRATION**

- 10.1 The Joint Administrators' Proposals advised that Administration automatically comes to an end after one year, unless an extension is granted by the Court or with the creditors' consent.
- 10.2 Following distributions to the secured creditors of the Company, there are insufficient realisations with which to make distribution to the non-preferential creditors. Upon completion of the remaining outstanding issues, a Notice to move from Administration to Dissolution – Form 2.35B ("the Notice") will be submitted to the Registrar of Companies pursuant to Paragraph 84 of Schedule B1 to the Act.
- 10.3 Following registration of the Notice by the Registrar of Companies, the Joint Administrators appointment will cease to have effect, and they will be discharged from liability under Paragraph 98(3) of Schedule B1 to the Act.
- 10.4 At the end of three months beginning with the date of the Notice being registered by the Registrar of Companies the Company will be dissolved.

## **11. NEXT REPORT**

- 11.1 The Joint Administrators are required to provide a Progress Report within one month of end of the next six months of the Administration. This report will be provided no later than 25 March 2010 or earlier if the Administration has been finalised.
- 11.2 If you require further information or assistance, please do not hesitate to contact my colleague Thomas Lowe.

Yours faithfully  
For and on behalf of  
Vitality Group Limited



**Andrew Stoneman**  
Joint Administrator

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The affairs, business and property of the Company are being managed by the Joint Administrators, A G Stoneman and J J Godefroy, who act as agents of the Company and without personal liability. Both of the Joint Administrators are licensed by the Insolvency Practitioners Association.

## **APPENDIX 1**

### **Statutory information**

### STATUTORY INFORMATION

<b>Date of incorporation</b>	25 January 1984	
<b>Registered number</b>	01785819	
<b>Company directors</b>	Mr G Rosen Mr A Deacon Mr N Edden	
<b>Company secretary</b>	None	
<b>Shareholders</b>	Mr G Rosen Mr A Deacon Mr S Wilson	201,293 ordinary shares 590,001 ordinary shares 327,000 ordinary shares
<b>Trading address</b>	Garman Road Tottenham London N17 0QN	
<b>Registered Office</b>	Current: 43-45 Portman Square London W1H 6LY	Formerly: Garman Road Tottenham London N17 0QN
<b>Any Other Trading Names</b>	Marsam (Fancy Goods) CBS Genios Stephens Wholesale	
<b>Financial Information</b>	Please see overleaf	

## Consolidated Profit and loss account

	Management Accounts for the Period ended 14 March 2009 (£)	Year ended 30 September 2008 Audited accounts (£)	Year ended 30 September 2007 Audited accounts (As restated) (£)
<b>Turnover</b>	11,747,354	45,162,349	50,888,235
<b>Gross Profit</b>	1,386,978	5,898,638	6,158,510
Administrative expenses	(2,080,199)	(5,369,913)	(6,223,428)
Other operating income	246,044	112,170	112,908
<b>Operating Profit</b>	447,177	640,895	47,990
Exceptional items		(154,964)	(940,053)
Interest receivable and similar income		289	-
Interest payable and similar charges		(423,781)	(447,388)
<b>Profit/(Loss) on ordinary activities before taxation</b>		62,439	(1,339,451)
Tax on profit/(loss) on ordinary activities		40,485	16,512
<b>Profit/(Loss) for the financial year after taxation</b>		21,954	(1,355,963)

## Company Balance Sheet

	Management Accounts for the Period ended 14 March 2009 (£)	As at 30 September 2008 Audited accounts (£)	Year ended 30 September 2007 Audited accounts (As restated) (£)
<b>Fixed Assets</b>	135,717	2,328,426	2,742,962
<b>Current Assets</b>	5,831,163	10,585,211	12,629,415
<b>Creditors due &lt; 1 year</b>	(6,224,339)	(11,775,497)	(14,495,036)
<b>Net current assets/liabilities</b>	(393,176)	(1,190,286)	(1,865,621)
<b>Total assets less current liabilities</b>	482,631	1,138,140	877,341
<b>Creditors due &gt; 1 year</b>	(208,333)	(416,667)	(426,000)
<b>Net assets</b>	<b>274,298</b>	<b>721,473</b>	<b>451,341</b>
Capital and reserves			
Called up share capital	1,118,294	1,118,294	1,118,294
Share premium	999,085	999,085	999,085
Capital redemption reserve	392,999	392,999	392,999
Profit and loss account	(2,236,080)	(1,788,905)	(2,059,037)
<b>Shareholders' funds</b>	<b>274,298</b>	<b>721,473</b>	<b>451,341</b>

## **APPENDIX 2**

### **Joint Administrators' Receipts and Payments account**

**Validity Group Limited  
(In Administration)**

**Joint Administrators' Receipts and Payments Account  
For the period 26 March 2009 to 25 September 2009**

	<b>Statement of Affairs Estimated to Realise Figure £</b>	<b>Fixed Charge £</b>	<b>Floating Charge £</b>	<b>Total £</b>
<b>ASSET REALISATIONS</b>				
Plant and machinery	120,000	0	0	0
Stock	1,270,000	0	150,000	150,000
Other fixed assets	35,750	0	0	0
Corporation tax refund	500,000	0	0	0
Landmark Rebate	24,129	0	0	0
Nisa Today' Share refund	15,000	0	15,000	15,000
Royal mail / Trillium VAT refund	109,376	0	0	0
Stephens Wholesale Limited (In Liquidation)	50,000	0	0	0
Refund from insurance	5,000	0	0	0
Petty cash	4,036	0	4,270	4,270
Goodwill	0	17,500	0	17,500
Customer List	0	2,500	0	2,500
Information Technology	0	0	2,000	2,000
Equipment	0	0	19,499	19,499
Motor Vehicles	0	0	7,500	7,500
Supplier List	0	0	1	1
Business Intellectual Property	0	0	1,000	1,000
Trading surplus / (deficit)	0	0	67,956	67,956
Bank interest	0	3	272	275
VAT payable	0	0	5,374	5,374
	<b>2,133,291</b>	<b>20,003</b>	<b>272,872</b>	<b>292,875</b>
<b>COST OF REALISATIONS</b>				
Joint Administrators' remuneration		0	20,000	20,000
Joint Administrators' disbursements		0	1,543	1,543
Legal fees		5,000	15,000	20,000
Legal disbursements		0	234	234
Statutory Advertising		0	511	511
Debt Collection Costs		0	450	450
Stationery & Postage		0	1,004	1,004
Storage Costs		0	312	312
Re-Direction of Mail		0	104	104
Sundry Payments		0	325	325
Bank Charges		0	50	50
VAT Receivable		0	12,104	12,104
		<b>5,000</b>	<b>51,638</b>	<b>56,638</b>
		<b>15,003</b>	<b>221,234</b>	<b>236,237</b>

**Note:**

Book debts are assigned to Bank of Scotland Cashflow finance and are not an asset for the insolvent Company



**Vitality Group Limited  
(In Administration)**

**Joint Administrators' Trading Receipts and Payments Account  
For the period 26 March 2009 to 25 September 2009**

**£**

**POST APPOINTMENT SALES**

Sales	110,523
	<hr/>
	<b>110,523</b>

**TRADING EXPENDITURE**

Purchases	6
Direct labour	18,818
PAYE and NI	6,628
Rent	10,435
ROT settlement	1,509
ADT Fire & Security	290
Other property expenses	131
Software licences	3,850
Employee consultant services	900
	<hr/>
	<b>42,566</b>

**TRADING SURPLUS/(DEFICIT)**

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**67,956**

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**Notes:**

The trading account has yet to be finalised and is subject to change due to further trading liabilities that have yet to be discharged.

## **APPENDIX 3**

### **Analysis of Joint Administrators' time costs**

**Vitality Group Limited (In Administration)**
**Analysis of Joint Administrators' time costs for the period 26 March 2009 to 15 October 2009**

Classification of Work Function	Hours					Total Hours	Time Cost £	Average Hourly Rate £
	Partner	Manager	Senior	Assistants	Support			
Strategy planning & control	6.60	15.30	14.80	65.30		102.00	20,910.00	205.00
Retention of title	0.40	7.60	1.90	157.20		167.10	19,144.00	114.57
Sale of business		12.20	27.30	51.70		91.20	16,911.00	185.43
Trading - operations	1.00	9.20	44.40	20.10		74.70	16,802.00	224.93
Employee matters	0.40	4.50	5.60	112.60		123.10	15,702.00	127.55
General admin	0.10	6.00	2.60	104.90		113.60	12,987.00	114.32
General correspondence	5.00	13.50	4.70	32.20		55.40	11,785.00	212.73
Cashiering & accounting	1.30	2.70	14.00	37.60		55.60	10,267.50	184.67
CDDA reports	1.60			43.00		44.60	5,841.00	130.96
Unsecured creditors	1.40	1.70	1.70	28.60		33.40	4,804.00	143.83
Meetings	1.00	3.50	4.40	10.00		18.90	3,844.00	203.39
Statutory meetings & reports	0.40		3.30	15.80		19.50	3,238.00	166.05
Floating charge assets	1.10	1.50		10.50		13.10	2,637.00	201.30
Secured Creditors			6.50	5.60		12.10	2,272.00	187.77
Proposals		1.60		5.80		7.40	1,381.50	186.69
Trading - accounting		1.10		2.00		3.10	603.00	194.52
Statement of affairs		0.10		5.40		5.50	586.50	106.64
Book debts		0.20	0.80	2.50		3.50	583.00	166.57
Investigations (inc. antecedent transactions)		0.70	0.30	1.70		2.70	501.00	185.56
IPS set up & maintenance				1.50		1.50	135.00	90.00
Fixed charge assets		0.20				0.20	72.00	360.00
Financial review		0.20				0.20	57.00	285.00
<b>Total Hours</b>	<b>20.30</b>	<b>81.80</b>	<b>132.30</b>	<b>714.00</b>		<b>948.40</b>	<b>151,063.50</b>	<b>159.28</b>
<b>Total Fees Claimed (£)</b>	<b>9,135.00</b>	<b>29,293.50</b>	<b>29,996.00</b>	<b>82,639.00</b>			<b>151,063.50</b>	

**Analysis of category 2 disbursements**

Classification of Work Function	Details of Payee	£
None		
<b>Total</b>		<b>0.00</b>