

The Insolvency Act 1986

Statement of administrator's proposals **2.17B**

Name of Company Tangram Leisure Limited	Company number 03966166
In the High Court of Justice, Chancery Division Companies Court	Court case number 9750 of 2011

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

We David Robert Thurgood, David John Dunckley and James Henry Stewart-Koster of Grant Thornton UK
LLP, 30 Finsbury Square, London, EC2P 2YU,

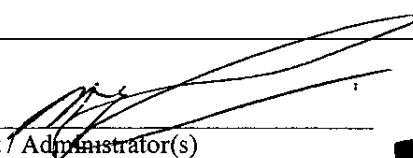
* Delete as applicable

attach a copy of 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

28 December 2011

Signed 
Joint Administrator(s)

Dated 28/12/11

WEDNESDAY



A19 04/01/2012 #364
COMPANIES HOUSE

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.

	Tel
DX Number	DX Exchange

Companies House receipt date barcode

When you 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



Grant Thornton

Our Ref DRT/ECM/DD/PF7

TO THE CREDITORS

28 December 2011

Dear Sir/Madam

Tangram Leisure Limited – In Administration (the Company)
T/A Lifehouse Country Spa Resort, Frinton Road, Thorpe-le-Soken

1 INTRODUCTION

- 1 1 Following my appointment together with James Stewart-Koster and David Dunckley as administrators of the above Company by the directors on 7 November 2011, I am submitting my proposals pursuant to paragraph 49(1) of Schedule B1 to the Insolvency Act 1986 for achieving the objectives of the administration
- 1 2 This report contains the information required by Rule 2.33 of the Insolvency Rules 1986
- 1 3 In accordance with paragraph 100 (2) of Schedule B1 to the Insolvency Act 1986 the functions of the administrators are to be exercised by any or all of them

2 STATUTORY INFORMATION

- 2 1 The Company's statutory details are as follows

Registered number	3966166
Date of incorporation	6 April 2000
Registered office	Thorpe Hall Station Rd Thorpe Le Soken CLACTON-ON-SEA Essex CO16 0HE
Authorised share capital	£ 861,569 50
Issued share capital	£ 861,569 50

Directors:	Shareholding
Paul Ricard Cronk	£ 71,470 20
Peter Martin Tory	£ 40,000 00
Stephen John Thursfield Brown	£ -
Angela Horsman	£ -
Secretary	Shareholding
Peter Martin Tory	£ 40,000 00

- 2 2 The administration constitutes "main proceedings" under the EC Regulation on Insolvency Proceedings

3 BACKGROUND TO ADMINISTRATORS' APPOINTMENT

- 3 1 Grant Thornton UK LLP (the firm) was first consulted by Clydesdale Bank plc, who hold a qualifying floating charge over the assets of the Company, earlier this year with a view to giving advice on the Company's financial position, specifically a review of the Company's cash flow, future trading and property issues
- 3 2 Prior to that consultation, neither I nor the firm, had any dealings or involvement with the Company, the directors or its secretary
- 3 3 The Company operates the Lifehouse Spa Resort in Thorpe-le-Soken (Lifehouse), located near to Frinton-on-Sea and Clacton-on-Sea in North Essex
- 3 4 Lifehouse comprises an original building and a purpose built spa set in grounds of c 130 acres Planning permission was obtained in 2007, following which the spa was developed during 2009 and 2010 and opened at the beginning of 2011
- 3 5 The resort facilities include a spa, swimming pool, 35 treatment rooms, restaurant, juice bar and 89 bedrooms
- 3 6 The first six months of trading in 2011 proved to be extremely difficult and a drain on cash resources with losses of £2 113m in the first six months of trading In addition, there remains, a significant number of snagging items in respect of the construction of the resort which have not yet been fully resolved
- 3 7 Whilst some losses during the initial start-up period were perhaps to be expected, the level of losses together with the considerable development costs led to a breach of covenants with the secured creditor
- 3 8 With the Company unable to secure on-going support from its bank, the directors considered their options and having failed to obtain any other injection of funds, decided they were left with little option other than to place the Company into administration Subsequently, I, together with James Stewart-Koster and David Dunckley were appointed joint administrators on 7 November 2011

4 CONDUCT OF THE ADMINISTRATION

Trading and financing of the administration

4 1 Upon appointment, Grant Thornton UK LLP staff attended the premises to meet with the Financial Controller, General Manager and the board of directors where we discussed recent trading results and our options going forward

4 2 A summary of these results is shown below for your reference

	Apr	May	Jun	Jul	Aug	Sep	Oct
Revenue	204,343	203,269	213,439	296,042	302,766	290,429	360,962
Cost Of Sales	36,997	41,919	55,721	81,255	71,298	71,631	104,207
Gross profit	167,346	161,350	157,718	214,787	231,468	218,798	256,756
Payroll	295,464	294,644	304,977	319,261	311,433	308,202	296,437
Operating expenses	183,220	281,859	218,693	194,634	155,198	184,601	231,062
EBITDA	(311,338)	(415,153)	(365,951)	(299,109)	(235,163)	(274,005)	(270,743)

4 3 We considered all available options and determined that a limited period of trading whilst under Administration would result in greater realisations for the creditors, in the form of a sale of the business and assets, as opposed to a "shut down" scenario

4 4 I discussed the trading and financing of the administration with the Company's board of directors and obtained the support of the Clydesdale Bank to provide the necessary funds

4 5 We met with all staff members, advising them of our appointment and have continued to trade the business on a "business as usual" basis, maintaining pre-appointment staff levels

4 6 We contacted all key suppliers and notified them of our appointment and our willingness to continue to trade

4 7 Once we had secured the support of the Bank, the employees and the suppliers, our next priority was to secure, as far as possible, the assets of the Company and ensure that the both the Property and business's trading activities were adequately insured

4 8 We have also been liaising with the Contract Administrator, The Manser Practice, and the contractor, Hutton Construction Limited, regarding the various snagging and defects that remain outstanding

4 9 We have liaised with agents and the secured creditor regarding the marketing of the business and assets and expect a strategy for the disposal to be confirmed early in the New Year. In the meantime, we have collated some initial information and circulated to those interested parties who have already contacted us ahead of the marketing campaign

4 10 My receipts and payments account covering the period 7 November 2011 to 21 December 2011 is attached (Appendix A). As we have yet to receive the Statement

of Affairs from the directors, there is no comparison to their estimations in this Appendix

5 ASSETS AND LIABILITIES

5 1 The directors have been requested to prepare a statement of affairs of the Company, but have not yet done so

5 2 Pursuant to Rule 2.33 of the Insolvency Act 1986, I am not providing an estimated outcome statement for the creditors at this time as I feel it could prejudice the commercial interests of the Company in light of a potential sale of the business and assets

Assets

5 3 The Company's principal asset is the premises located at Frinton Road, Thorpe-Le-Soken, which we are currently seeking to sell. Other assets will include the premises licenses and any intellectual property rights

5 4 In accordance with Section 176A of the Insolvency Act 1986, where the first floating charge held over the assets post-dates 15 September 2003, a prescribed part is to be carved out of the floating charge assets and made available to the unsecured creditors. The calculation is applied to the net property, thus being the floating charge assets less the preferential creditors. The prescribed part is 50% of the first £10,000 of net realisations and 20% of all net further realisations up to a maximum prescribed part of £600,000

5 5 The prescribed part carve out will only become payable if there is sufficient realisations to facilitate a distribution to the floating charge holder

Liabilities

Secured creditor

5 6 Clydesdale Bank provided the Company with funding prior to our appointment and hold a first ranking fixed and floating charge. Their total outstanding debt is c. £29m

Preferential Creditors

5 7 At this stage there are no known preferential creditors

Unsecured Creditors

5 8 At present I am not yet able to provide an estimate of the total unsecured debt for the creditors as the directors have not yet submitted the Statement of Affairs

6 PROPOSALS FOR ACHIEVING THE OBJECTIVE OF THE ADMINISTRATION

6 1 In accordance with paragraph 3(3) of Schedule B1 to the Insolvency Act 1986, the Joint Administrators must perform their functions with the objective of,

1 rescue the Company as a going concern, or

- 2 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) or,
 - 3 to realise property in order to make a distribution to one or more secured or preferential creditors
- 6 2 The Joint Administrators will pursue the objective of achieving a better result for the company's creditors as a whole than would be likely if the company were wound up
- 6 3 This objective will be achieved by the Joint Administrators continuing to manage the business of the company for so long as it is appropriate in attempting a more advantageous realisation of assets
- 6 1 The Joint Administrators will seek to sell the business as a going concern. It is not envisaged that any purchaser will assume any of the existing liabilities, except to the extent that by law they are compelled to do so (e.g. certain employment related liabilities). However, the Joint administrator will not be restricted in their freedom to structure any sale in such manner as is advantageous to the creditors
- 6 2 It is proposed that the administration will end by the Joint Administrators filing a notice to dissolve the Company, or if more time is needed to complete realisations after any extension of the administration, the Joint Administrators may apply for the liquidation of the Company and seek their appointment as Joint Liquidators

7 ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

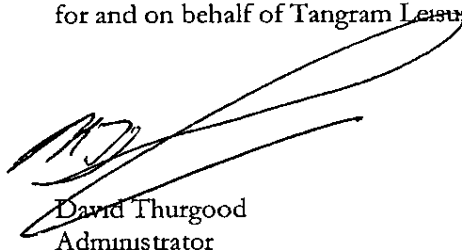
- 7 1 The creditors' committee, if appointed, should determine the basis of the administrator's remuneration. If no committee is appointed, a resolution of the creditors will be required
- 7 2 Pre-administration costs unpaid at the date of appointment of the administrators may also be approved by the creditors committee or creditors under Rule 2.67A to rank as an expense of the administration. Approval of the statement of proposals does not constitute approval either of the administrators' remuneration or of unpaid pre-administration costs
- 7 3 Background information regarding the fees of administrators can be found at <http://www.insolvency-practitioners.org.uk> (navigate via 'Regulation and Guidance' to 'Creditors Guides to Fees'). Alternatively I will supply this information by post on request
- 7 4 The administrators will request that their remuneration be calculated according to the time properly given by the administrators and their staff in attending to matters arising in the administration. Time is charged in 6 minute units
- 7 5 The administrator will charge out of pocket expenses at cost. Mileage is charged at standard rates which comply with HM Revenue and Customs limits or AA recommended rates. VAT is added to disbursement charges as necessary

- 7 6 Payments of the administrator's remuneration and disbursements are to be met from funds held in the administration in priority to the claims of creditors, and, after approval of the basis, the administrator may draw sums on account
- 7 7 Time costs to date amount to £172,918 85. Further details, including a breakdown by category of staff and work done will be given to the creditors' committee, if appointed, or made available at the creditors' meeting

8 MEETING OF CREDITORS

- 8 1 A meeting of creditors has not been convened because, in accordance with paragraph 52(1) of Schedule B1 to the Insolvency Act 1986, I am of the opinion that the company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of section 176A(2)(a)
- 8 2 The proposals contained in this statement will be deemed to have been approved by the creditors unless, within 8 business days of this statement being sent out, a meeting is requisitioned by creditors whose debts amount to at least 10% by value of the total debts of the company

Yours faithfully
for and on behalf of Tangram Leisure Limited



David Thurgood
Administrator

The affairs, business and property of Tangram Leisure Limited are being managed by David Thurgood, Jim Stewart-Koster and David Dunckley, appointed as Joint Administrators on 7 November 2011

APPENDIX A

TANGRAM LEISURE LIMITED - IN ADMINISTRATION
RECEIPTS AND PAYMENTS ACCOUNT
7 NOVEMBER 2011 - 21 DECEMBER 2011

	Notes	£
RECEIPTS		
Sales		304,050 73
Pre-Appointment Sales		57,572 90
VAT Payable		46,932 78
Total		408,556 41
PAYMENTS		
Purchases		85,144 56
Pre Appointment Purchases		13,412 80
Self-Employed Salaries		4,988 86
Staff Agency Costs		1,839 05
Professional Fees		20,134 58
Commission Payable		16,394 71
Leasing and Hire Purchasing Costs		26,562 10
Repairs and Maintenance		2,444 87
Net Wages		200,000 00
Employee Expenses		3,898 96
Bank Charges		895 56
VAT Receivable		22,674 36
Total		398,390 41
Net receipts and payments as at 21 December 2011	1	10,166 00
NOTES		
1 The secured creditor has provided an overdraft facility in the sum of £500,000		

Tangram Leisure Limited - In Administration

SIP 9 WIP ANALYSIS FOR THE PERIOD FROM 7 NOVEMBER 2011 TO 21 DECEMBER 2011		Partner		Manager		Executive		Admin/Support		Total		Average Hourly Rate
		Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£	
Administration and Planning		79 25	36,580 00	7 40	3,480 50	73 66	18,306 10	83 65	12,531 50	243 96	70,898 10	290 61
Creditors						19 20	5,742 50	6 25	937 50	25 45	6,680 00	262 48
Realisation of Assets				9 50	4,037 50	13 00	3,567 00	8 20	1,230 00	30 70	8,834 50	287 77
Trading				97 85	41,586 25	132 70	34,225 00	71 30	10,695 00	301 85	86,506 25	286 59
Grand Total		79 25	36,580 00	114 75	49,104 25	238 56	61,840 60	169 40	25,394 00	601 96	172,918 85	

Less Joint Liquidators' fee drawn to date

Joint Administrators' net outstanding fee to date

172,918 85

Administration & Planning

Includes General administration and planning, reporting, statutory returns, court filings, physical filings, internal compliance review, case planning, statutory obligations, maintenance of cash and estate records and general correspondence

Realisation of Assets

Includes Collection of pre-appointment bank balances, monitoring of book debt collections, dealing with creditors claims to assets of insurance premium / rates refund

Creditors

Includes Correspondence with preferential and unsecured creditors, dealing with creditor correspondence, preparing reports and circulars to creditors, liaising with secured creditor, assistance to the DTI in relation to their preferential claim, dealing with inquiries to redundancies, employee queries and general creditor queries

Trading

Includes General trading activities, liaison with retained staff, site landlords, suppliers and utilities providers