

The Insolvency Act 1986

Administrator's progress report

Name of Company

Tangram Leisure Limited

Company number

03966166

In the
High Court of Justice, Chancery Division

(full name of court)

Court case number

9570 of 2011

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

I/We (a)

David R Thurgood
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YUDavid J Dunckley
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

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

From

To

(b) Insert date

(b) 7 November 2011

(b) 6 May 2012

Signed

Joint / Administrator(s)

Dated

30/5/12

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

David R Thurgood
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

DX Number

Tel/Fax
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

THURSDAY



QIQ

Q1AJON6G

07/06/2012

COMPANIES HOUSE

#44



Our Ref JSK/EEM/CPK/JET/T00502/
Your Ref

To the Creditors

Recovery and Reorganisation

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

T +44 (0)20 7383 5100
F +44 (0)20 7184 4308
www.grant-thornton.co.uk

30 May 2012

Dear Sirs

Tangram Leisure Limited - In Administration (the Company)
T/A Lifehouse Country Spa Resort, Frinton Road, Thorpe-le-Soken,
Essex
No 9570 of 2011

1 Introduction

1.1 Following my appointment together with David Dunkley and James Stewart-Koster as administrators of the above Company on 7 November 2011, I now report on the progress of the administration to date and attach

- Appendix A, Form 2.24B, together with an account of our receipts and payments for the period from 7 November 2011 to 6 May 2012
- Appendix B, a statement of the remuneration charged by the joint administrators in the period 7 November 2011 to 6 May 2012 and a statement of expenses incurred in the period
- Appendix C, an analysis of our time costs as required by Statement of Insolvency Practice 9
- Appendix D, an extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the administrator (Rule 2.48A)
- Appendix E, an extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the administrator's remuneration or expenses, if excessive (Rule 2.109)

1.2 Please note that we are all authorised by The Insolvency Practitioners Association to act as insolvency practitioners

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

1.4 This report should be read in conjunction with our Statement of Proposals, sent to all known creditors on 28 December 2011

Chartered Accountants
Member firm within Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales No OC307742. Registered office Grant Thornton House, Milton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business

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.

2 Statutory information

2.1 The company's statutory details are as follows

Registered number	3966166
Date of incorporation	6 April 2000
Registered office	30 Finsbury Square London EC2P 2YU
Authorised share capital	£ 861,569 50
Issued share capital	£ 861,569 50
Directors:	Shareholding
Paul Richard Cronk	£ 71,470 20
Peter Martin Tory	£ 40,000 00
Stephen John Thursfield Brown	£ -
Angela Horsman	£ -
Secretary	Shareholding
Peter Martin Tory	£ 40,000 00

3 Progress report

- 3.1 As you will be aware, the Company owned and operated the Lifehouse Country Spa Resort in Thorpe-le-Soken, Essex (Lifehouse)
- 3.2 Background to the administrators' appointment is detailed in the Statement of Proposals
- 3.3 Following our appointment on 7 November 2011 we continued to trade the business
- 3.4 Shortly after our appointment, we engaged Christie + Co to assist us with the proposed disposal of the spa. It was anticipated that marketing would commence at the beginning of 2012. In the meantime, we prepared some brief particulars of the spa and circulated this information to those parties who had contacted us direct and expressed an interest in the business and assets
- 3.5 However, just prior to Christmas 2011 we received an offer from a company in the name of Thorpe Hall Leisure Limited (THLL). THLL is connected to Castle Hotel Management Company Limited who had been instructed to undertake a review of Lifehouse by the secured creditor, prior to our appointment. THLL offered £12m for the business and assets
- 3.6 Advice was sought from our agents and having taken into account the substantial, on-going trading losses, the up-to-date valuation that Christie + Co prepared and their views on the level of interest for such a specialist business as Lifehouse, along with the views of the secured creditor, the offer from THLL was accepted
- 3.7 Due to the level of debt due to the secured creditor, i.e. £29m, it was clear that they would be the only creditor with an economic interest in the outcome and therefore their views were of paramount importance

- 3 8 THLL subsequently undertook a period of due diligence, following which we completed a sale of the Company's business and assets to THLL on 8 March 2012
- 3 9 Due to the structure of the sale, the entire sale proceeds were remitted to the secured creditor on completion. Of the £12m, £11.8m was apportioned to the freehold property which was due to the secured creditor, Clydesdale Bank plc, pursuant to its fixed charge
- 3 10 The remaining £200,000 has been apportioned between chattel assets and stock and as these are both floating charge assets, the secured creditor had to account to the administration estate for these monies. In addition, the secured creditor has also had to remit sufficient monies to the administration to cover trading losses and professional fees incurred during the course of the administration
- 3 11 Whilst the £12m paid by THLL was not received into the administration estate, the overall impact of the sale is shown in the receipts and payments account at Appendix A
- 3 12 During the administration trading period, the business incurred a total trading loss of £1.050m. As detailed in section 3.9 above, these losses have been covered by the secured creditor

Assets

- 3 13 As detailed in the Statement of Proposals, the principal asset of the Company was the freehold property in Thorpe-le-Soken. The directors have submitted a Statement of Affairs, a copy of which has been filed at Companies House

s176A Insolvency Act 1986 – Prescribed Part

- 3 14 In accordance with Section 176A of the Insolvency Act 1986, as the floating charge which is held over the assets of the Company 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 of the Company. The calculation is applied to the net property, this being the floating charge assets less preferential creditors and administration expenses. The prescribed part is 50% of the first £10,000 of realisations and 20% of all net realisations up to a maximum prescribed part of £600,000
- 3 15 The prescribed part carve out will only become payable if there is sufficient realisations to facilitate a distribution to the floating charge holder
- 3 16 Due to the losses incurred during the administration trading period and minimal floating charge assets realised, we do not anticipate there will be any monies available for the unsecured creditors

Liabilities

Secured Creditor

- 3 17 Clydesdale Bank plc provided the Company with funding prior to our appointment and hold a first ranking fixed and floating charge. Their total outstanding debt at the date of appointment was c £29m

Preferential Creditors

- 3 18 Preferential claims have been estimated at £11,000
- 3 19 I expect to receive a revised preferential claim from the Redundancy Payments Office within the month and will be in a position to begin processing the first and final distribution to preferential creditors
- 3 20 I currently anticipate that preferential claims will be paid in full

Unsecured Creditors

- 3 21 According to the Statement of Affairs submitted by the directors, total unsecured creditor claims for the Company are £1,640,762
- 3 22 As detailed in section 3 16 above, I currently do not anticipate a distribution to unsecured creditors of the Company

4 Exit Routes

- 4 1 As discussed in my proposals, and above at section 3 16, sale consideration for the chattels and stock will not exceed the trading deficit. Therefore, I do not anticipate a distribution to the unsecured creditors
- 4 2 The Administration will subsequently end upon the filing of a notice to dissolve the Company

5 Joint administrators' remuneration and expenses

- 5 1 As a meeting of creditors was not convened, there is no creditors' committee to determine the basis of the administrators' remuneration
- 5 2 Pursuant to Rule 2 106(5A), in a case where an administrator has made a statement under paragraph 51(1)(b), if there is no creditors' committee, or the committee does not make the requisite determination, the administrators' remuneration may be fixed by the approval of
- i each secured creditor of the company, or
 - ii if the administrator has made or intends to make a distribution to preferential creditors –
 - a each secured creditor of the Company, and
 - b preferential creditors whose debts amount to more than 50% of the preferential debts of the Company, disregarding debts to any creditor who does not respond to an invitation to give or withhold approval

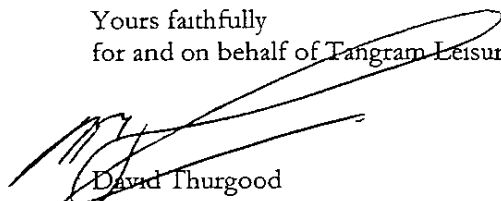
- 5 3 I have sought approval to draw my fees from the secured creditor, although I have not drawn any fees to date
- 5 4 Our fees for acting as joint administrators have been calculated by reference to our time costs. You will note from the SIP 9 table attached at Appendix C that the time costs for this administration for the period from 7 November 2011 to 6 May 2012 are £406,630.95 and the expenses, further detailed at Appendix C, are £5,717.56
- 5 5 Background information regarding the fees of administrators can be found at www.insolvency-practitioners.org.uk (navigate via 'Regulation and Guidance' to 'Creditors Guides to Fees'). Alternatively, we will supply this information by post on request. Time is charged in 6 minute units

6 Other expenses incurred by the joint administrators

- 6 1 Since appointment my legal advisers, DLA Piper, has incurred costs of £82,000 which relate to general insolvency advice, specific advice relating to retention of title claims, employment contracts and, predominantly, the sale of business
- 6 2 Professional fees include
- 6 2 1 £7,937 to Charles Russell who provided advice to the directors in the lead-up to administration and for the actual appointment process,
- 6 2 2 £6,450 to Rapleys who prepared a report on the various snagging and defects issues identified by the Contract Administrator, and
- 6 2 3 £7,451 to Edward Symmons who prepared an inventory of the various chattel assets that was required as part of the sale process
- 6 3 Insurance costs of £13,250 have been paid in respect of a medical malpractice policy, albeit a refund of £9,883 is due to be received shortly. Further general insurance costs of £23,238 relating to the period of administration trading were paid on 16 May 2012, however, this is not yet reflected in the attached receipts and payments account —

Should you have any queries regarding this report, please contact Craig King of this office on 020 7865 2648

Yours faithfully
for and on behalf of Tangram Leisure Limited



David Thurgood
Joint Administrator

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

Enc

A Abstract of the administrators' receipts and payments

APPENDIX A

TANGRAM LEISURE LIMITED - IN ADMINISTRATION
RECEIPTS AND PAYMENTS ACCOUNT
7 NOVEMBER 2011 TO 6 MAY 2012

	Notes	Statement of Affairs £	£
RECEIPTS			
Freehold and Property	7,189,000 00		11,800,000 00
Fixtures and Fittings	1,269,000 00		140,000 00
Stock	53,600 00		60,000 00
Book Debts	166,552 00		-
Cash at Bank	1,124 00		-
Sales	-		1,070,309 31
Total	8,679,276 00		13,070,309 31
PAYMENTS			
Cost of Sales			223,786 20
Payroll			968,062 89
Maintenance			41,425 36
Bank and Credit Card Charges			11,462 93
Lease Cost			91,165 79
Third Party Commission			64,857 44
Room Amenities			8,969 15
Cleaning Materials			20,474 74
Spa / Retail Consumables			45,420 00
Contract cleaning			18,378 92
Stationery/Postage			7,952 63
Staff Related Costs			11,797 11
Guests/Public Areas Related Costs			29,456 10
Subscriptions			340 07
Phones			4,039 71
Utilities			43,850 53
Rates			87,132 38
Insurance			13,250 00
Sales & Marketing			33,207 13
Maintenance - H & S			9,453 00
Legal Fees			3,839 40
Consultancy Fees			28,803 11
Professional Fees			47,746 52
Pre-Administration			122,655 85
Freehold and Property to Bank			11,800,000 00
VAT			1,891 53
Refundable Deposits			20,000 00
Total			13,759,418 49
Receipts and payments as at 6 May 2012			-689,109 18
Funds Received from Bank to Cover Trading Losses and Professional Fees			1,500,000 00
Net receipts and payments as at 6 May 2012			810,890 82

B Remuneration charged and expenses incurred by
the administrators in the period

Tangram Leisure Limited – in Administration

	Paid in period of report (£)	Charged/accrued in period but not yet paid (£)	Total (£)
<hr/>			
Joint Administrators fees:			
Time costs	-	406,630 95	406,630 95
Expenses	-	5,717 56	5,717 56
Professional fees			
Charles Russell	7,937	-	7,937
Edward Symmons	7,451	-	7,451
Rapleys	6,450	-	6,450
Legal fees			
DLA Piper	-	82,000	82,000
Insurance			
JLT	13,250	17,635	30,885
Total	35,088	511,983.51	547,071 51

**Joint Administrators' disbursements incurred in the period &
Grant Thornton UK LLP charge out rates in respect of
Tangram Leisure Limited**

Introduction

The following information is provided in connection with the Administrators remuneration and disbursements in accordance with SIP 9

Explanation of Grant Thornton LLP Charging Policies

All partners and staff are charged out at hourly rates applied appropriately to their grade, as shown below. Support staff (secretaries, cashiers and filing clerks) are charged to the case for the time they work on it.

Grade	Period 01/07/10 – 30/06/11	Period 01/07/11 – 30/06/12
	£	£
Partner	535	560
Partner – Tax	625	650
Director	440	460
Associate director – Tax	500	510
Associate director	405	425
Manager	340	360
Assistant Manager	285	300
Senior	260	275
Administrator	195	205
Support	135	140

Breakdown of disbursements

Category 2 Disbursements for the period from 17 November 2011 to 30 April 2012	£
Bordereau	320 01
Courier	18 80
Subsistence	762 60
Travel	3,511 92
Land Registry	20 00
Accommodation	1,084 23
Total	5,717 56

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	157 90	75,270 00	26 14	11,406 25	176 87	42,070 95	255 35	38,413 00	616 26	167,160 20		271 25
Creditors			12 95	5,503 75	34 40	9,645 00	24 95	3,742 50	72 30	18,891 25		261 29
Investigations					0 50	137 50	3 00	450 00	3 50	587 50		167 86
Realisation of Assets	32 50	14,950 00	107 81	45,819 25	23 60	6,482 00	33 40	5,010 00	197 31	72,261 25		366 23
Trading			169 71	72,126 75	208 60	53 599 00	146 70	22,005 00	525 01	147 730 75		281 39
Grand Total	190 40	90,220 00	316 61	134,856 00	443 97	111,934 45	463 40	69,620 50	1,414 38	406,630 95		287 50

Less Joint Administrators' fee drawn to date -

Joint Administrators' net outstanding fee to date

406,630 95

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

Investigations

Includes Initial consideration of approach to investigation into the Companies and directors

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

D An extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the administrator

Rule 2 48A

- (1) If
 - (a) within 21 days of receipt of a progress report under Rule 2 47 -
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
 - (b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2 47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2)
- (2) The administrator complies with this paragraph by either -
 - (a) providing all of the information asked for, or
 - (b) so far as the administrator considers that
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
 - (iii) the administrator is subject to an obligation of confidentiality in respect of the information,giving reasons for not providing all of the information
- (3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of -
 - (a) the giving by the administrator of reasons for not providing all of the information asked for, or
 - (b) the expiry of the 14 days provided for in paragraph (1),and the court may make such order as it thinks just
- (4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2 109(1B) by such further period as the court thinks just

E An extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the administrator's remuneration or expenses if excessive

Rule 2 109

- (1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)
- (1A) Application may be made on the grounds that -
 - (a) the remuneration charged by the administrator,
 - (b) the basis fixed for the administrator's remuneration under Rule 2 106, or
 - (c) expenses incurred by the administrator,is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate
- (1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")
- (2) The court may, if it thinks that no cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly
- (3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it
- (4) If the court considers the application to be well-founded, it must make one or more of the following orders -
 - (a) an order reducing the amount of remuneration which the administrator was entitled to charge
 - (b) an order fixing the basis of remuneration at a reduced rate or amount
 - (c) an order changing the basis of remuneration
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration
 - (e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specifyand may make any other order that it thinks just, but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report
- (5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration