

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,
Companies Court

(full name of court)

Court case number
9570 of 2011(a) Insert full
name(s) and
address(es) of
administrator(s)

We (a)

David Thurgood
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YUDavid Duncley
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YUJames Stewart-Koster
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YUadministrator(s) of the above company attach ~~a~~ progress report for the period ~~X~~

From

(b) 5 March 2013

To

(b) 2 May 2013

(b) Insert date

Signed

Joint Administrator(s)

Dated

2/5/13

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

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

DX Number

Tel/Fax 0161 953 6900
DX Exchange



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Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff



Grant Thornton

Our Ref DJD/EEM/CPK/JET/T00502/

To the Creditors

Recovery and Reorganisation

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2 May 2013

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 as administrator of the above Company on 7 November 2011, I am pleased to submit my final progress report in respect of this matter. I am now in a position to conclude the administration. In this regard, please find attached the following

- Appendix A, an account of our receipts and payments for the period from 7 November 2011 to 2 May 2013
- Appendix B, a statement of the remuneration incurred by the joint administrators in the period 7 November 2011 to 2 May 2013 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)
- Appendix F, Form 2.24B notice of Administrator's progress report
- Appendix G, Form 2.35B, notice of move from administration to dissolution

1.2 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

1.3 This report should be read in conjunction with the Statement of Proposals dated 28 December 2011 and my previous progress reports

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, Mutton 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 Conduct Authority

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 Full background to the administrators' appointment, together with details of the administration trading period, are detailed within my previous reports
- 3.2 Following my appointment on 7 November 2011 I continued to trade the Lifehouse Country Spa Resort whilst a purchaser of the business and assets was sought
- 3.3 As previously reported, a sale of the Company's business and assets to Thorpe Hall Leisure Limited (THLL) was completed on 8 March 2012
- 3.4 Due to the structure of the sale, the entire sale proceeds were remitted to the secured creditor on completion. Of the £12m paid for the business and assets, £11.8m was apportioned to the freehold property which was due to the secured creditor, Clydesdale Bank plc, pursuant to its fixed charge
- 3.5 The remaining £200,000 has been apportioned between chattel assets and stock and as these are 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
- 3.6 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
- 3.7 During the administration trading period, the business incurred a trading loss of £941,645, prior to taking into account any pre-appointment liabilities paid as an administration expense

- 3 8 As detailed in section 3 5 above, these losses have been covered by the secured creditor

Assets

- 3 9 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 10 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 11 The prescribed part carve out will only become payable if there is sufficient realisations to facilitate a distribution to the floating charge holder. Please note there are no monies available for distribution to the unsecured creditors

Liabilities

Secured Creditor

- 3 12 Clydesdale Bank plc provided the Company with funding prior to our appointment and held a first ranking fixed and floating charge. Their total outstanding debt at the date of appointment was c £29m

Preferential Creditors

- 3 13 Total preferential claims received amounted to £9,756, which have been paid in full

Unsecured Creditors

- 3 14 According to the Statement of Affairs submitted by the directors, total unsecured creditor claims for the Company are £1,640,762
- 3 15 As detailed in my previous reports and 3 11 above, due to the losses incurred during the administration trading period and minimal floating charge assets realised, there will not be any monies available for the unsecured creditors

4 Extension

- 4 1 In accordance with paragraph 76(2)(b) of Schedule B1 to the Insolvency Act 1986 I sought and received consent of the secured creditors for an extension of my term in office as Administrator for a maximum of six months to conclude various outstanding issues, including submission of tax returns for the administration period
- 4 2 In addition, I have had to liaise with Hutton Construction Limited regarding a remaining credit balance in a retention account

4 3 These outstanding matters have now been resolved

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 As all preferential claims were settled in full, we did not require the permission of the preferential creditors

5 4 I received approval from the secured creditors to draw fees £320,000 plus disbursements of £5,961 41

5 5 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 the administration for the period from 7 November 2011 are £502,998

5 6 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, incurred costs of £79,000 which relate to general insolvency advice, specific advice relating to retention of title claims, employment contracts and, predominantly, the sale of business. These costs have been paid as an expense of the administration. Further legal fees of £7,243 have been incurred dealing with final outstanding issues, prior to concluding the administration. These fees have been settled from the retention monies, as mentioned in 4 2 above, and are therefore not reflected in the receipts and payments account attached

6 2 Other professional fees include

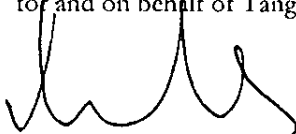
6 2 1 £7,937 to Charles Russell who provided advice to the directors in the lead-up to administration and for the actual appointment process,

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 and valuation of the various chattel assets that was required as part of the sale process

Should you have any queries regarding this report, please contact Ellen McRoberts of this office on 020 7865 2277

Yours faithfully
for and on behalf of Tangram Leisure Limited

A handwritten signature in black ink, appearing to read 'David Dunkley', with a long horizontal stroke extending to the right.

David Dunkley
Joint Administrator

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

Enc

Tangram Leisure Limited - in administration
Summary of receipts and payments
from 7 November 2011 to 2 May 2013

	Statement of Affairs	From 07-Nov-11 to 04-Mar-13 £	From 05-Mar-13 to 02-May-13 £	Total £
Receipts				
Sales		1,017,567 16	0 00	1,017,567 16
Pic-Appointment Sales		61,985 00	0 00	61,985 00
Trade Payments		52 00	0 00	52 00
Freehold Land & Property	7,189,000 00	11,800,000 00	0 00	11,800,000 00
Furniture and Equipment	331,000 00	0 00	0 00	0 00
Furniture & Equipment	938,000 00	140,000 00	0 00	140,000 00
Stock	53,660 00	0 00	60,000 00	60,000 00
Book Debts	166,552 00	0 00	0 00	0 00
Cash at Bank	2,560 00	0 00	0 00	0 00
Misc Float Receipts		75 78	0 00	75 78
Stationery & Postage		71 92	0 00	71 92
Distribution from Secured Creditor		1,394,415 00	(182,416 10)	1,211,998 90
Vat Payable		209,063 44	0 00	209,063 44
		<u>14,623,230 30</u>	<u>(122,416 10)</u>	<u>14,500,814 20</u>
Payments				
Purchases		209,717 68	64,196 41	273,914 09
Purchases - Pre Appointment		183,204 85	0 00	183,204 85
Room & Guest area Costs		80,557 48	0 00	80,557 48
Self-Employed Costs		39,685 90	0 00	39,685 90
Staff Related Costs		11,797 11	0 00	11,797 11
Sales & Marketing		33,823 39	0 00	33,823 39
Rates		87,132 38	0 00	87,132 38
Heat & Light		113,830 84	0 00	113,830 84
Telephone		4,758 16	0 00	4,758 16
Insurance		20,619 81	0 00	20,619 81
Professional Fees		2,500 00	0 00	2,500 00
Bank Charges		11,483 16	0 00	11,483 16
Travel Agents Commission		64,857 44	0 00	64,857 44
Lease/HP Payments		64,165 79	0 00	64,165 79
Repairs & Maintenance		51,411 60	0 00	51,411 60
Postages		8,240 96	0 00	8,240 96
PAYE./NI		201,335 60	0 00	201,335 60

	Statement of Affairs	From 07-Nov-11 to 04-Mar-13	From 05-Mar-13 to 02-May-13	Total
	£	£	£	£
Net Wages		727,132 79	0 00	727,132 79
Other Trading Expenses		340 07	0 00	340 07
Legal Fees		66,150 00	0 00	66,150 00
Distribution to Clydesdale	(29,066,642 00)	11,800,000 00	0 00	11,800,000 00
Hotbed Loan notes	(2,623,164 00)	0 00	0 00	0 00
Finance Company(1)	(650,664 00)	0 00	0 00	0 00
Administrators Fees		320,000 00	0 00	320,000 00
Administrators Expenses		5,717 56	243 85	5,961 41
Legal Fees (1)		17,102 40	0 00	17,102 40
Professional Fees		91,963 84	0 00	91,963 84
Bank Charges		10 52	30 00	40 52
Preferential Creditors (All)		9,755 66	(63 26)	9,692 40
Vat Receivable		190,002 41	(451 23)	189,551 18
Vat Control Account		19,545 26	15 77	19,561 03
		<u>14,436,842.66</u>	<u>63,971 54</u>	<u>14,500,814 20</u>
Net Receipts/(Payments)		<u>186,387.64</u>	<u>(186,387 64)</u>	<u>0 00</u>
Made up as follows				
Floating Current Account		186,387 64	(186,387 64)	0 00
		<u>186,387 64</u>	<u>(186,387 64)</u>	<u>0 00</u>

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

	Charged/incurred in period 07/11/2012 to 01/05/2013	Cumulative charged/incurred to 01/05/2013	Of which paid to 01/05/2013
	£	£	£
Joint administrators' fees	502,998	502,998	320,000
Time costs			
Expenses	5,961	5,961	5,961
Legal fees			
DLA Piper LLP	79,000	79,000	79,000
Insurance			
JLT	20,619	20,619	20,619

C SIP 9 information

Introduction

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

Explanation of Grant Thornton UK LLP charging and disbursement recovery policies

Time costs

All partners and staff are charged out at hourly rates appropriate to their grade, as shown on the attached schedule. Details of the hourly charge-out rates are made available to creditors or committees at the time of fixing the basis of our fees. Support staff (i.e. secretaries, cashiers and filing clerks) are charged to the case for the time they work on it

	From 01/07/09	From 01/07/10	From 01/07/11	From 01/07/12
	£	£	£	£
Partners up to	510	535	560	580
Managers up to	385	405	425	440
Administrators up to	275	285	300	310
Assistants and support staff up to	190	195	205	210

Disbursements

Out of pocket expenses are charged 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.

Tangram Leisure Limited - T30200502 - SIP 9 TIME COST ANALYSIS

Job(s) Administration

Transaction period All transactions

Export version - standard Export version - detail Detailed Version

Standard	Hrs	£	Partner	Hrs	£	Manager	Hrs	£	Executive	Hrs	£	Administrator	Hrs	£	Total
Administration and Planning	5 90	442 50	198 95	94,965 00	76 05	32,007 30	234 89	56,750 65	356 33	51,677 30	872 12	235,842 75	270 42		
Creditors			1 00	460 00	39 89	17,093 70	36 90	10,330 00	55 40	8,419 50	133 19	36,303 20	272 57		
Hiatus period															
Investigations					50	220 00	50	137 50	3 70	558 50	4 70	916 00	194 89		
Realisation of Assets			32 50	14,950 00	114 64	48,793 85	29 60	8,102 00	37 80	5,677 50	214 54	77,523 35	361 35		
Trading					172 39	73,287 35	200 80	51,506 50	152 00	22,804 00	525 19	147,597 85	281 04		
Unclassified							17 20	4,665 00	1 00	150 00	18 20	4,815 00	264 56		
Total	5 90	442 50	232 45	110,375 00	403 47	171,402 20	519 89	131,491 65	606 23	89,286 80	1,767 94	502,998 15	284 51		

Total fees billed to date (Time) : £ 320,000

Time Entry - SIP9 Time & Cost Summary

AMBU001 - Ambulance (GB) Limited
Project Code POST
From 30/04/2012 To 29/04/2013

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
Administration and Planning	1 00	2 30	4 50	2 20	10 00	1 746 50	174 65
Case Specific Matters	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Creditors	0 00	1 05	4 35	0 00	5 40	828 00	153 33
Investigations	0 00	2 70	0 00	0 00	2 70	675 00	250 00
Realisation of Assets	0 00	11 80	0 25	0 00	11 85	2 932 50	247 47
Trading	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Total Hours	1 00	17 65	9 10	2 20	28 95	6,182 00	208 41
Total Fees Claimed						0 00	
Total Disbursements Claimed						0 00	

Appendix D

**Cumulative Time Analysis for the period 30 April 2010 to 29 April
2013**

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

Time Entry - SIP9 Time & Cost Summary + Cumulative

AMBU001 - Ambulance (GB) Limited
Project Code POST
From 30/04/2010 To 29/04/2013

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)	Total Hours Cum (POST Only)	Total Time Costs Cum (POST Only)
Administration and Planning	2.15	9.80	12.35	3.10	27.40	5,181.25	189.10	27.40	5,181.25
Case Specific Matters	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	1.00	7.20	9.40	0.00	17.60	3,407.00	193.58	17.60	3,407.00
Investigations	0.50	2.70	1.00	0.00	4.20	992.50	236.31	4.20	992.50
Realisation of Assets	0.00	12.60	0.95	0.00	13.55	3,273.50	241.59	13.55	3,273.50
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Hours / Costs	3.65	32.30	23.70	3.10	62.75	12,854.25	204.85	62.75	12,854.25
Total Fees Claimed						0.00			
Total Disbursements Claimed						0.00			

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 specify
 and 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

Appendix E

ADDITIONAL INFORMATION IN RELATION TO LIQUIDATOR'S FEES

PURSUANT TO STATEMENT OF INSOLVENCY PRACTICE 9 (SIP9)

1 Policy

Detailed below is Cobalt's policy in relation to

- Staff allocation and the use of subcontractors
- Professional advisors
- Disbursements

1.1 *Staff allocation and the use of subcontractors*

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case

The constitution of the case team will usually consist of a Partner, Manager, Administrator and/or an Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and additional staff may be allocated to meet the demands of the case.

We are not proposing to utilise the services of any sub-contractors in this case.

1.2 *Professional advisors*

On this assignment we have used the professional advisors listed below. We have also indicated alongside, the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Basis of Fee Arrangement
MGR Appraisals (valuation and disposal advice)	Hourly rate and disbursements

Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

1.3 *Disbursements*

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.

We would confirm that this firm does not seek to charge any Category 2 disbursements.

2 **Charge-out rates**

A schedule of Cobalt's charge-out rates was issued to creditors at the time the basis of the Joint Liquidators remuneration was approved. There have been no material increases in charge-out rates since that date.