

The Insolvency Act 1986

Administrator's progress report

Name of Company

Bournston (Stockton) Limited

Company number

06126332

In the

Birmingham District Registry

Court case number

6371 of 2012

We

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administrators of the above company attach a progress report for the period

From

26 October 2014

To

25 April 2015

Signed


 Administrator

Dated

15 May 2015

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

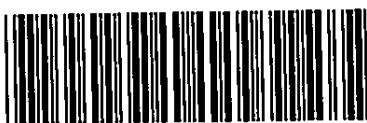
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Administrators' Progress Report for the period 26 October 2014 to 25 April 2015

Bournston (Stockton) Limited
In Administration

15 May 2015

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1 Why this report has been prepared

- 1 1 Ryan Grant, Simon Wilson and Anne O’Keefe (the **Administrators**) were appointed Administrators of Bournston (Stockton) Limited (the **Company**) on 11 June 2012
- 1 2 In accordance with UK insolvency legislation, an administrator is required to provide a progress report covering the period of six months commencing on the date on which a company entered into administration and every subsequent period of six months. This progress report covers the period 26 October 2014 to 25 April 2015 (the **Period**) and should be read in conjunction with all previous reports
- 1 3 This report has been prepared in accordance with rule 2.47 of the Insolvency Rules 1986
- 1 4 Following the granting of a court order for an extension, the Administration of the Company will automatically end on 10 December 2015, unless an additional extension is requested and granted
- 1 5 The purpose of this report is to provide statutory and financial information about the Company and to provide an update on the progress of the Administration, including details of assets realised during the Period, details regarding the Administrators’ fees and the expected outcome for each class of creditor
- 1 6 As a reminder an administrator of a company must perform their functions with a view to achieving one of the following statutory objectives
- Objective 1 rescuing a company as a going concern,
- Objective 2 achieving a better result for a company’s creditors as a whole than would be likely if a company were wound up (without first being in administration), or
- Objective 3 realising property in order to make a distribution to one or more secured or preferential creditors
- 1 7 In this case the Administrators are pursuing the second statutory objective. Further details on the actions taken to achieve that objective can be found in section 3 of this report.
- 1 8 Details of the Administrators’ fees and costs incurred are detailed at Appendices C to F
- 1 9 Further information relating to the Administration process, Administrators’ fees and creditors’ rights can be found on AlixPartners’ creditor portal (<http://www.alixpartnersinfoportal.com>) Log-in details to access this information can be found within the covering letter you have received
- 1 10 If you require a hard copy of this report or have any queries in relation to its contents or the Administration generally, please contact Michael Birch on 0161 838 4547, creditoriports@alixpartners.com or write to AlixPartners’ office at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB

2 Summary of information for creditors

Estimated dividend for creditors

Description	Estimated debt £	Likely level of return £ or pence/£
Secured creditor	27,800,000	Uncertain
Unsecured creditors	756,135	Uncertain

Notes:

The Company is part of a group (the **Group**) which includes Bournston Estates Limited (**BEL**) , Bournston (the Point at West Bridgford) Limited (the **Point**) and Bournston (South Street) Limited (**South Street**) BEL, the Point and South Street were all formally in Administration BEL is currently in Compulsory Liquidation, the Point was dissolved on 15 September 2013 and the administration of South Street concluded on 15 April 2015

The secured creditor's debt is cross guaranteed across the Group and as such each company within the Group is joint and severally liable for the entire amount As a result, the full debt is included as a liability of the Company

The estimated debt for the secured creditor has been taken from the information provided shortly after the appointment, therefore it does not include accrued interest and charges The outcome for the secured creditor is currently uncertain given the position regarding a potential sale of Rialto Court. A further update will be available in the next report.

The Company had no employees and as such, no preferential claims have been received or are expected

The estimated debt for the unsecured creditors has been taken from the directors' Statement of Affairs Based on current information it is estimated that the Company's net floating charge property is nil As such, there will be insufficient funds to facilitate a distribution to the unsecured creditors

For further information please refer to section 6 of this report.

3 Progress of the Administration

- 3 1 Attached at Appendix B is the Administrators' Receipts and Payments Account for the Period, together with a Cumulative Account for the period since appointment. All costs incurred to date have been paid

Rental Income

- 3 2 The Company owns a 382 bed student accommodation development based in Stockton-on-Tees (**Rialto Court**). The day to day management of Rialto Court continues to be undertaken by Mezzino Limited (**Mezzino**), with Jones Lange LaSelle (**JLL**) continuing to oversee the management of Rialto Court and provide asset disposal advice
- 3 3 As previously reported, the Company has a nomination agreement with Durham University. At the outset this guaranteed minimum rent of £1.75 million per annum for a six year period to September 2019. The guaranteed rental income is subject to annual upward revisions dependent upon various factors. The guaranteed rent for the 2014 to 2015 academic year is approximately £1.83 million
- 3 4 As at 25 April 2015, total rental income of £5.41 million has been collected since the date of appointment. At the date of this report, Mezzino are holding approximately £33,100 of rent receipts which is in the process of being remitted to the Administrators. These additional rent receipts are not reflected in the receipts and payments account as at 25 April 2015
- 3 5 All capital and service charge expenditure required to maintain the asset continues to be funded through ongoing trading income
- 3 6 The Administrators' strategy remains to hold the asset and collect the guaranteed rental income, to maximise realisations, whilst seeking a suitable purchaser for Rialto Court. This has also permitted the Administrators to utilise the significant cash generated from holding the asset to make distributions to the secured creditor to reduce their indebtedness, whilst considering opportunities to enhance the value of the asset

Other Assets

- 3 7 Refunds in respect of utilities have been received during the Administration totaling £50,100. Bank interest of £4,828 has also been received

Property Disposal

- 3 8 Whilst the Administrators are continuing to implement the holding strategy discussed above, a number of expressions of interest have been received from potential purchasers. The Administrators and JLL have entered into discussions with these interested parties the quantum and deliverability of any offers which may be received. Further details of this interest will not be disclosed so as not to prejudice current negotiations

4 Assets still to be realised

- 4.1 Rialto Court and the associated future rental income remain to be realised



5 Investigations

- 5.1 The Administrators conducted investigations into the conduct of the Company's director and transactions entered into prior to the Company's insolvency, as required by the Company Directors Disqualification Act 1986, and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administrations and Insolvent Liquidations. Based upon the outcome of the investigations, there were no matters identified that required further action.

6 Estimated outcome for creditors

Secured creditor – AIB Group (UK) Plc

- 6 1 Details of the security held by the secured creditor and individual indebtedness of the Company has been provided in previous reports
- 6 2 The Company is part of the Group, for which the secured creditor's debt totals approximately £27.8 million. Each company in the Group is jointly and severally liable for the entire debt.
- 6 3 The current outcome to the secured creditor is uncertain in light of the status of any potential property sale. A further update will be provided in the next report.

Preferential creditors

- 6 4 The Company had no employees and as such, no preferential claims are expected

Unsecured Creditors' Fund

- 6 5 Where there is a floating charge which was created on or after 15 September 2003, the Administrators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**), commonly known as the 'Prescribed Part'
- 6 6 As the Company granted a floating charge to the secured creditor after 15 September 2003, the Administrators are required to create an Unsecured Creditors' Fund. Due to minimal floating charge realisations being made, which in the first instance will be utilised to pay costs, the estimated value of the Company's net floating charge property is nil. Therefore, the value of the Unsecured Creditors' Fund will also be nil and accordingly there will be insufficient funds for an unsecured dividend.

7 What happens next

Creditors' rights

- 7.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the agreement of at least 5% of the value of the unsecured creditors) may request in writing that the Administrators provide further information about their fees or expenses (other than pre-administration costs) which have been itemised in this progress report.
- 7.2 Any secured creditor, or an unsecured creditor (with the agreement of at least 10% of the value of unsecured creditors) may, within eight weeks of receipt of this report, make an application to court on the grounds that the basis fixed for the Administrators' fees is inappropriate, or that the fees charged or the expenses incurred by the Administrators during the period of this report are excessive.

Next report

- 7.3 The Administrators are required to provide a progress report within one month of the end of the next six months of the Administration, or earlier if the Administration has been finalised. For details of the proposed exit routes please see Appendix G.

For and on behalf of
Bournston (Stockton) Limited



Ryan Grant
Administrator
Encs

Appendix A. Statutory information

Company information

Company name	Bournston (Stockton) Limited
Registered number	06126332
Registered office	The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB
Court details	High Court of Justice, Chancery Division, Birmingham District Registry
Court reference	6371 of 2012

Appointor's information

Name	Address	Position
Paul Kilmister	c/o Ossington Chambers, 6-8 Castle Gate, Newark, Nottinghamshire, NG24 1AX	Director

Administrators' information

Name	Address	IP number	Name of authorising body
Ryan Grant	c/o AlixPartners, 35 Newhall Street, Birmingham, B3 3PU	009637	Insolvency Practitioners Association
Anne O'Keefe	c/o AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	008375	Insolvency Practitioners Association
Simon Wilson	c/o The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	008963	Insolvency Practitioners Association

In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

**Appendix B. Receipts and Payments Account for the period
26 October 2014 to 25 April 2015 and a Cumulative Account
for the period since appointment**

Statement of Affairs £		Period £	Cumulative £
	Fixed charge assets		
	Receipts		
12,000,000	Property	-	-
	Pre-appointment rental income	-	175,896
	Service charge refund	-	50,100
	Rental income 11/12	-	54,509
	Rental income 12/13	(1,379)	1,809,544
	Rental income 13/14	(2,911)	1,885,454
	Rental income 14/15	1,392,639	1,437,545
	Other rental income	8,122	50,723
	Bank interest	715	4,828
		1,397,187	5,468,599
	Payments		
	Service charge costs	245,642	1,787,482
	Agents' fees	-	58,181
	Capital expenditure	75,440	245,338
	Building inspection and repair works	-	91,217
	Pre-appointment legal fees	-	5,544
	Legal fees and disbursements	-	107,327
	Data protection costs	-	70
	Administrators' pre-appointment fees	-	9,511
	Joint Administrators' fees	55,000	265,000
	Category 1 disbursements		
	Travel and subsistence	-	1,282
	Telephone charges	-	64
	Redirection of mail	-	147
	Stationery and postage	-	11
	Category 2 disbursements		
	Internal printing and photocopying	-	826
	Mileage	-	379
	Irrecoverable VAT	20,867	149,817
	Professional fees	-	6,685
	Bank charges	-	45
		(396,949)	(2,728,925)
	Distributions		
	Fixed chargeholder	500,000	1,938,000
		(500,000)	(1,938,000)
	Balance of fixed charge assets	500,238	801,673

Bournston (Stockton) Limited – in Administration

Floating charge assets		
Receipts		
VAT refund	-	434
Rates refund	48	2,275
Cash held on appointment	-	58
Other income	-	186
Bank interest	6	30
	54	2,983
Payments		
Preparation of Statement of Affairs	-	150
Category 1 disbursements	-	-
Stationery and postage	-	22
Insolvency bond	-	30
Statutory advertising	-	92
Irrecoverable VAT	214	214
Bank charges	-	25
	(214)	(533)
Balance of floating charge assets	(160)	2,450
Total balance		804,124
Represented by		
Interest bearing account		804,124
		804,124

The Company is not able to recover all VAT incurred on payments and therefore an element of the VAT is irrecoverable

Appendix C. Time Analysis and details of time spent

The Administrators' time costs for the Period are £21,731. This represents 81 hours at an average rate of 267 per hour. Detailed below is a Time Analysis for the Period which provides details of the costs incurred by activity and by staff grade.

	Employee grade (hours)				Total hours	Total cost	Average rate per hour
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support			
Administration and planning							
Strategy and control	2.4				2.4	1,052.00	438
Statutory duties				0.2	0.2	22.00	110
Case administration	-	-	0.7		0.7	182.00	260
Accounting and treasury	0.2	0.4	0.3	7.3	8.2	967.50	118
Internal documentation		0.2	2.2		2.4	618.00	258
Investigations							
Director conduct reports	1.4				1.4	578.50	413
Realisation of assets - fixed charge							
Asset realisation strategy	2.2	0.6	1.9		4.7	1,612.00	343
Asset identification and valuation	2.2		6.2		8.4	2,299.00	274
Sale of assets	3.3	0.5	1.5		5.3	1,911.50	361
Asset accounting and administration	0.2	0.8	-	0.6	1.7	498.00	293
Realisation of assets - floating charge							
Asset accounting and administration		0.6	-	0.1	0.7	215.00	307
Trading							
Trading strategy	1.1	-	17.9		19.0	4,428.50	233
Trading activities	0.9	-	1.7		2.6	767.00	295
Accounting and administration		0.2	9.0	0.1	9.3	2,070.00	223
Creditors							
Internal documentation	0.3				0.3	124.50	415
Reporting to creditors	4.8	2.4	2.8	1.6	11.6	3,730.00	322
Secured creditors	0.5		2.0		2.5	655.00	262
Totals	19.5	5.8	46.2	9.9	81.4	21,730.50	267

Principal areas of activity during the Period are discussed in further detail below.

- Administration and planning - implementing and monitoring the initial case strategy, complying with statutory duties and performing general administrative work. Case related treasury and support time is also recorded here.
- Realisation of assets - fixed charge – time has been incurred reviewing the realisation strategy and discussing potential disposal options with JLL. Time has also been incurred complying with security and insurance requirements at the property, in addition to dealing with all rental income queries.
- Trading – preparing and monitoring trading budgets and forecasts, overseeing Mezzino and the ongoing trading of the businesses including capital expenditure, and meetings with Durham University. Treasury time relating to trading receipts and payments is also recorded here.
- Creditors - time has been incurred preparing statutory reports for creditors. Time has also been spent dealing with general correspondence and reporting to the secured creditor.

A Cumulative Time Analysis for the period since the Administrators' appointment is attached at Appendix D.

Appendix D. Cumulative Time Analysis for the period since appointment

	Employee grade (hours)				Total hours	Total cost	Average rate per hour
	Partner/director	Senior associate	Associate/analyst	Junior analyst/support			
Administration and planning							
Planning		0.4		7.2	7.6	992.00	131
Strategy and control	21.1	11.6	10.9	6.2	50.0	14,296.50	298
Statutory duties	2.2	3.9	2.6	4.3	13.0	2,921.00	225
Case administration	1.0		4.9	9.9	15.8	2,713.50	172
Accounting and treasury	3.1	3.7	9.2	84.7	100.7	12,316.00	122
Travel and waiting time	22.7	5.5		2.0	30.2	11,108.00	368
Internal documentation	1.3	1.4	9.5	10.6	22.8	4,281.00	188
Investigations							
Director conduct reports	13.4	3.7	4.9	3.0	25.0	7,764.00	311
Other investigations	0.8	3.0			3.8	1,121.00	295
Internal documentation	0.2		1.2		1.4	343.00	245
Realisation of assets – fixed charge							
Asset realisation strategy	11.9	106.1	3.9	-	121.9	34,522.50	283
Asset identification and valuation	2.9	0.4	20.8	0.1	24.2	6,027.00	249
Sale of assets	17.6	1.7	2.0	0.2	21.5	8,063.50	375
Asset accounting and administration	1.0	2.4	0.4	7.2	11.0	2,330.00	212
Realisation of assets – floating charge							
Asset realisation strategy	0.3				0.3	118.50	395
Asset identification and valuation	-	0.3	0.4	0.8	1.3	236.50	182
Sale of assets	0.6				0.6	243.00	405
Asset accounting and administration	0.1	0.7		0.6	1.4	332.50	238
Trading							
Trading strategy	14.7	100.8	56.3	13.6	185.5	46,944.00	253
Trading activities	45.9	16.8	21.2	24.3	108.2	30,545.00	282
Accounting and administration	1.8	0.3	28.3	20.8	51.2	9,231.50	180
Creditors							
Internal documentation	16.9			1.1	18.0	7,052.00	392
Creditor strategy	1.0				1.0	415.00	415
Reporting to creditors	40.3	13.6	38.1	9.5	101.5	30,069.50	296
Creditor meetings	2.0		-		2.0	830.00	416
Secured creditors	26.9	100.2	4.0	2.3	133.4	39,112.50	293
Unsecured creditors		1.7	2.0	4.8	8.5	1,472.50	173
Employees			0.2		0.2	48.00	230
Shareholders and other stakeholders	0.3		-		0.3	118.50	395
Totals	256.0	378.5	220.8	215.6	1,072.9	279,462.50	260

Appendix E. Administrators' fees, disbursements and pre-administration costs

Fees

A copy of 'A Creditors' Guide to Administrations' can be downloaded from AlixPartners' creditor portal (<http://www.alixpartnersinfoportal.com>) If you would prefer this to be sent to you in hard copy please contact the Administrators and they will forward a copy to you

Approval of the Administrators' fees has been sought in accordance with rule 2.106 of the Insolvency Rules 1986. On 27 July 2012, the secured creditor approved that the basis of the Administrators' fees be fixed by reference to the time properly spent by the Administrators and their staff on matters arising in the Administration.

To date, fees totalling £265,000 have been drawn on account. Of this amount, £72,258 has been drawn in respect of the supervision of trading.

Disbursements

Category 1 disbursements of £1,648 have been drawn on account. Approval to draw category 2 disbursements has been given by the secured creditor and £1,205 have also been drawn in relation to the below:

- Photocopying – charged at the rate of 10 pence per sheet for notifications and reports to creditors and other copying
- Printing – charged at the rate of 10 pence per sheet for black and white printing and 15 pence per sheet for colour
- Business mileage for staff travel - charged at the rate of 45 pence per mile

Appendix F. Additional information in relation to the Administrators' fees pursuant to Statement of Insolvency Practice 9

Policy

Detailed below is AlixPartners' policy in relation to

- staff allocation and the use of sub-contractors,
- professional advisors, and
- disbursements

Staff allocation and the use of sub-contractors

The Administrators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case

The case team will usually consist of a managing director, an associate director or senior associate, an associate and an analyst. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Administrators' charge-out rate schedule overleaf provides details of all grades of staff

With regard to support staff, time spent by treasury staff in relation to tasks such as recording transactions and dealing with bank accounts is charged but secretarial time is only recovered if a large block of time is incurred, eg report compilation and distribution

The Administrators have not utilised the services of any sub-contractors in this case

Professional advisors

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

Name of professional advisor	Basis of fee arrangement
Squire Patton Boggs LLP (legal advice)	Hourly rate and disbursements
Willis Limited (insurance)	Risk based premium
GVA Grimley Limited (valuation and disposal advice)	Hourly rate, fixed fees and disbursements
Mezzino Limited (managing agent)	Agreed monthly rates and disbursements
Jones Lang LaSalle (property management)	Percentage of realisations

The Administrators' choice was based on their perception of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of their fee arrangement with them

Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case eg postage, case advertising, invoiced travel and external printing, room hire and document storage. Any properly reimbursed expenses incurred by the Administrators and their staff will also be chargeable.

Category 2 disbursements do require approval prior to being paid and will be drawn in accordance with the approval given, they may include:

- photocopying – charged at the rate of 10 pence per sheet for notifications and reports to creditors and other copying,
- printing – charged at the rate of 10 pence per sheet for black and white printing and 15 pence per sheet for colour, and
- business mileage for staff travel - charged at the rate of 45 pence per mile.

Charge-out rates

A schedule of AlixPartners' charge-out rates for this assignment effective from 1 April 2015 is detailed below, together with those applicable prior to that date. Time is charged by managing directors and case staff in units of six minutes.

Description £	Rates from 1 April 2015	Description £	Rates pre 1 April 2015
Managing director 1	490	Managing director 1	445
Managing director 2	450	Managing director 2	415
Director	430	Director	390
Associate director	360	Associate director	340
Senior associate	295	Senior associate	280
Associate	260	Associate	250
Analyst	230	Analyst	220
Junior analyst	150	Junior analyst	150
Senior treasury associate	170	Senior treasury associate	170
Treasury associate	110	Treasury associate	110
Treasury analyst	85	Treasury analyst	85
Support	85	Support	79

Appendix G. Exit routes and discharge from liability

Extension

Following a Court approved extension of two years, the Administration is due to end on 10 December 2015. The Administrators continue to hold the properties and liaise with their agents in respect of strategies for disposing of the property. If a further extension is required, creditors will be notified in advance of the Court application being made.

Dissolution of the Company

Based on current information, the Company is unlikely to have property to permit a distribution to its unsecured creditors. The Administrators will therefore file notices, together with the final progress report, at court and with the Registrar of Companies for dissolution of the Company. The Administrators will send copies of these documents to the Company and its creditors. The appointment will end following the registration of the notices by the Registrar of Companies.

Discharge from liability

The Administrators will be discharged from liability under paragraph 98 of schedule B1 to the Insolvency Act 1986 directly after their appointments as Administrators cease to have effect.