

Notice of result of meeting of creditors

Pursuant to Rule 2.35 of the Insolvency (Scotland) Rules 1986

Name of Company

AC199 Realisations Limited

Company number

SC 102977

We John Gerard Montague of Grant Thornton UK LLP, 1/4 Atholl Crescent,
Edinburgh, EH3 8LQ and Robert Caven of Grant Thornton UK LLP, 95 Bothwell
Street, Glasgow, G2 7JZ

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

*Delete as applicable

(b) Insert place of
meeting

(c) Insert date of meeting
*Delete as applicable

(d) Give details of the
modifications (if any)

(e) Insert time and date
of adjourned meeting

(f) Details of other
resolutions passed

hereby report that a meeting of the creditors of the above company was held at

(b) The Bothwell Bridge Hotel, Bothwell, Glasgow G71 8EU

on (c) 1 June 2010 at 3.00pm at which:

*1. Proposals were approved.

*2. ~~Proposals / revised proposals were modified and approved.~~

The modifications made to the proposals are as follows: (d)

*3. ~~The proposals were rejected.~~

*4. ~~The meeting was adjourned to (e)~~

*5. Other resolutions: (f)

The revised date for automatic end to administration is

*Delete as applicable

A creditors' committee ~~was / was not formed.~~

Signed

Joint Administrators

Dated

11/6/10

*Delete as applicable

A copy of the ~~*original proposals / modified proposals / revised proposals~~ is attached
for those who did not receive such documents prior to the meeting.

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

Euan McCorquodale, Grant Thornton UK LLP

1/4 Atholl Crescent, Edinburgh, EH3 8LQ

Tel 0131 659 8552

DX Number

DX Exchange



S4UMAKW2

SCT

16/06/2010

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COMPANIES HOUSE

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

Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF
DX 235 Edinburgh / LP 4 Edinburgh-2



Our Ref JM/ARE/EKM/A00351/7

To the Creditors

Recovery and Reorganisation

Grant Thornton UK LLP

1/4 Atholl Crescent
Edinburgh EH3 8LQ

T +44 (0)131 229 9181

F +44 (0)131 229 4560

DX ED428 Edinburgh

www.grant-thornton.co.uk

17 May 2010

Dear Sirs

AC199 Realisations Limited - In Administration (formerly Airchannel Limited)

1 INTRODUCTION

- 1.1. Following my appointment, together with my partner Robert Caven as Administrators of the above Company by the directors on 23 March 2010 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 2.25 of the Insolvency (Scotland) Rules 1986. This report should be read in conjunction with the Joint Administrators report of 6 April 2010 which sets out the full circumstances of the sale of the Company's business and assets to Motivair on 23 March 2010. If any creditor is not in receipt of this letter or requires a further copy they should contact the Joint Administrators at the address shown in this letter.
- 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.

WEDNESDAY



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COMPANIES HOUSE

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, Mellon 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	SC102977
Date of incorporation	30 January 1987
Registered office	Stirling Road Industrial Estate, Dykehead Road, Airdrie, Lanarkshire, ML6 7UJ
Authorised share capital	827,686 Ordinary £1 Shares 368,750 Preferred Ordinary £1 Shares
Issued share capital	827,686 Ordinary £1 Shares 368,750 Preferred Ordinary Shares

Directors:	Shareholding
Colin Glassey	Nil
Steve Holman	Nil
Alastair Paul Henry Shanks	18,000
Alexander Gavin Shanks	719,295
James Sheldon	50,000

Secretary	Shareholding
James Sheldon	As above

2.2. The administration constitutes "main proceedings" under the EC Regulation on Insolvency Proceedings.

3 BACKGROUND TO ADMINISTRATOR'S APPOINTMENT

My firm was introduced to Airchannel and its subsidiaries ("the Group") in June 2009 to assist the Group with managing its relationship with its pension scheme creditor. The directors were concerned that the impact of the economic downturn was such that it may no longer be able to continue to support the pension scheme. Recent results were as follows:

£'000	Year to 31 December 2007	Year to 31 December 2008	Year to 31 December 2009
Sales	13,719	14,571	11,710
Cost of sales	(9,692)	(10,118)	(8,357)
Contribution	4,027	4,453	3,353
Contribution %	29.4%	30.6%	28.6%
Overheads	(3,883)	(4,559)	(3,766)
Finance costs	(271)	(258)	(177)
Net profit/(loss)	(127)	(364)	(590)

- 3.1. In order to reduce costs in 2009 the directors undertook a series of business reorganisations. Depots at Newton Aycliffe, Sheffield, Nottingham and Weston Super Mare were closed.
- 3.2. Further to alleviate cash flow pressure, in August 2009 the Company reached an agreement with HM Revenue & Customs (HMRC) to defer payment of a substantial element of arrears of PAYE/NIC and VAT until February 2010.
- 3.3. As part of the wider Group's efforts to sustain trading, hire purchase agreements for Airchannel's only trading subsidiary, Fidelity Plant Hire Scotland Limited ("Fidelity"), were rescheduled and Fidelity's generator hire business was sold in December 2009.
- 3.4. Despite these initiatives the Airchannel's business continued to incur losses. As a result of this, combined with the increased cash flow pressure arising from the HMRC payment plan, in February 2010 the directors considered the options available to them.
- 3.5. Having considered all the options and having followed through the accelerated marketing process set out in the letter of 6 April 2010, on 23 March 2010 the directors made the direct appointment of administrators in accordance with paragraph 22 of Schedule B1 to the Insolvency Act 1986. On the same date Rob Caven and John Montague were also appointed as joint administrators to two subsidiary companies Fidelity and AC 201 Realisations Limited (formerly Anglair Limited) ("Anglair").
- 3.6. The objective of the administration is achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up. In the first instance, this will be achieved by pursuing the objective of realising assets in order to make a distribution to one or more secured or preferential creditors.

4 ASSETS AND LIABILITIES

- 4.1. The directors have prepared a draft Statement of Affairs of the Company which is summarised at Appendix A together with my comments thereon. The final sworn Statement is expected shortly and should be available at the meeting of creditors. Also attached is a list of the names and addresses of the creditors, the amount of their debts and details of any security held.
- 4.2. There will be no prescribed part of floating charge assets to be set aside for the benefit of unsecured creditors under Section 176A of the Insolvency Act 1986, as the bank's floating charge pre-dates 15 September 2003. Accordingly funds will only be available for distribution to unsecured creditors if the claims of preferential and floating charge creditors are met in full.
- 4.3. The debt due to the floating charge creditor (Royal Bank of Scotland plc) is subject to realisation of the Company's properties and the outcome in the administrations of Anglair and Fidelity, who have provided cross guarantees for the Company's indebtedness.

5 CONDUCT OF THE ADMINISTRATION

- 5.1. Full details of the sale of the Company's business and assets were contained in the Joint Administrators report of 6 April 2010 which as stated earlier should be read in conjunction with this statement of proposals. This sale was considered the best outcome for creditors as a whole and achieving the objective of the administration. The realisations were as follows:

Assets purchased	Net Book Value	Third party going concern valuation March 2010	Purchase price
Goodwill	520	n/a	500
Plant and office equipment and fittings	92	57	57
Work in Progress	135	n/a	85
Total purchase price	747	57	642
Arrears of wages to 22 March 2010			(189)
Net price paid			453
Holiday pay assumed by purchaser, estimated			65
Net value of sale to creditors			518

- 5.2. In addition to concluding the sale of the business the following key actions have been undertaken by the Joint Administrators and their staff:

- notification to creditors of the background and sale to Motivair
- responding to and assessing the validity of 22 retention of title claims over stock with a value of £353,792
- corresponding with creditors seeking to recover items sold on to customers
- liaising with Motivair regarding post completion apportionments

- reporting to the secured creditor
 - agreeing arrangements with Motivair for collection of book debts
 - monitoring the collection of book debts
 - monitoring the utilisation of stock by Motivair (this stock was wholly subject to retention of title)
 - finalisation of the Company's pre-appointment records
 - obtaining quotations for and instructing the marketing of the Company's properties
 - statutory notifications to creditors and companies house
 - corresponding with owners of hire purchase assets regarding disposal of these assets
- 5.3. The only assets still to be fully realised are stock and assigned debtors. Stock this will sold once all retention of title claims have been resolved. Debt collection will continue until all realisable debts are recovered.
- 5.4. My receipts and payments account covering the period to 14 May 2010 is attached (Appendix B).

6 PROPOSALS FOR ACHIEVING THE OBJECTIVE OF THE ADMINISTRATION

- 6.1. The 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. In tandem with this the Administrators will pursue the objective of realising assets for the benefit of preferential and secured creditors. The rescue of the Company cannot be achieved because of the level and nature of the debts, in particular the liability due to the defined benefit pension scheme.
- 6.2. Following the successful sale of the business this objective will be achieved by the Administrators continuing to sell the assets piecemeal but excluding assets subject to fixed charges or mortgages, except as otherwise agreed between the Administrators and the chargeholders or mortgagees, or as ordered by the court. Currently the Administrators have agreement to sell the property assets which are subject to charges in favour of the Royal Bank of Scotland plc (RBS), provided the funds are remitted to the bank to the extent required to satisfy its indebtedness.
- 6.3. In addition to the above it is proposed that
- the Administrators will continue to support the collection of debts on behalf of Royal Bank of Scotland Invoice Finance Limited (RBSIF) to ensure that it recovers its debt in full and to maximise the realisable value of book debts. Such surplus funds will be used to satisfy debt due to RBS in accordance with the security granted by the Company and seek to reduce RBS floating charge claim to the benefit of unsecured creditors.

- the Administrators will defend any proceedings brought against the Company by any party, so far as they believe appropriate, mindful of the need to balance the costs of defence as against the potential detriment to creditors of abandoning the defence if it appears that funds may be available to the creditors following the conclusion of the administration.
- That the Joint Administrators be authorised to settle legal and other agents' fees and disbursements properly incurred in assisting the Joint Administrators, to be paid out of the assets of the Company
- the Administrators be authorised to agree the claims of secured, preferential and unsecured creditors of the Company, unless the Administrators conclude, in their opinion that the Company will have no assets available for distribution;
- the Administrators be authorised to distribute funds to the secured and preferential creditors as and when claims are agreed and funds permit. In relation to distributions to unsecured creditors, if appropriate, the Administrators be authorised to seek the consent of the Court to make a distribution to the unsecured creditors pursuant to paragraph 65 of Schedule B1 of Insolvency Act 1986;
- in the event that the creditors of the Company so determine at the meeting of creditors, to appoint a Creditors Committee in the Administration, the Administrators will
 - consult with the Committee at appropriate intervals concerning the conduct of the Administration
 - agree with the Committee the implementation and further development of these proposals, as necessary
- it is proposed that the administration will end by the Company going into creditors voluntary liquidation, or if there are no monies available for unsecured creditors, by the dissolution of the Company. If the Company is placed into creditors voluntary liquidation it is proposed that the Administrators in office at that date will be appointed liquidators, any act in the liquidation to be done by any one or more of the liquidators. However, creditors may nominate a different liquidator or liquidators if nomination to that effect is received before the approval of these proposals
- if more time is needed to complete realisations after any extension of the administration, the Administrators may present a petition either seeking court approval for a further extension or, if the creditors do not approve the Company going into creditors voluntary liquidation, to wind up the Company and seek their appointment as 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. 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.
- 7.3. 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.
- 7.4. The Administrators 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.
- 7.5. Payments of the Administrators' 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 Administrators may draw sums on account.
- 7.6. Time costs to 7 May 2010 date amount to £138,531. 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.
- 7.7. It is the intention that the Administrators will seek approval for pre-administration costs unpaid at the date of appointment of the Administrators. This work was undertaken under the terms of a formal letters of engagement dated 11 February 2010 between Grant Thornton UK LLP and the Company. As the appointment arose prior to 6 April 2010 these require to be approved by the court. Details of any determination by the Court will be notified to creditors in advance of any funds being drawn or in such manner as the court may direct. The work carried under the terms of this assignments included
 - preparation of a business information document
 - identification of list of potential interested parties
 - obtaining instructions from directors regarding circulation of information document
 - provision of additional information as required by interested parties
 - review of initial offer received from Motivair Limited
 - reviewing the outcome of Economatics administration to assist in appraisal of Motivair offer
 - advising directors on initial offer received

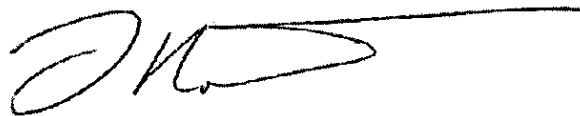
- negotiating with Motivair regarding the outline terms of their offer
- further negotiating with Motivair to achieve an improved offer
- instructing and reviewing initial sale and purchase agreement
- negotiating detailed sale and purchase agreement
- informing and providing updates to secured and floating charge creditor
- informing the Company's largest creditor of the proposals for an immediate sale of the business post administration
- ensuring compliance with Statement of Insolvency Practice 16 regarding "Pre-packaged Sales in Administrations"
- planning for the administration period including management of the handover to Motivair

7.8. For the avoidance of doubt approval of the statement of proposals does not constitute approval either of the Administrators' remuneration or of unpaid pre-administration costs.

8 MEETING OF CREDITORS

A meeting of creditors, pursuant to paragraph 51 of Schedule B1 to the Insolvency Act 1986 will be held on 1 June 2010. Formal notice of the creditors meeting is enclosed. Also enclosed are a form of proxy.

Yours faithfully
for and on behalf of AC199 Realisations Limited



John Montague
Joint Administrator

The affairs, business and property of AC199 Limited (formerly Airchannel Limited) are being managed by John Montague and Rob Caven, appointed as joint administrators on 23 March 2010. The joint administrators act as agents of the Company and without personal liability.

APPENDIX A

Estimated Statement of Affairs as at 23 March 2010

	Estimated book value	Estimated realisable value	Joint Administrators Estimate
	£'000	£'000	£'000
ASSETS SPECIFICALLY PLEDGED			
	Estimated book value	Estimated realisable value	Due to secured creditor
	£'000	£'000	£'000
Long term leasehold property	900	1,500	(1,029)
Debtors subject to invoice finance	1,970	1,970	(1,165)
Motor Vehicles subject to Hire Purchase	32	32	(23)
	<u>2,902</u>	<u>3,502</u>	<u>(2,217)</u>
ASSETS NOT SPECIFICALLY PLEDGED			
Surplus arising on assets specifically pledged		1,285	Nil
Goodwill	498	Nil	500
Investments	1,021	Nil	Nil
Plant and Office Equipment	68	68	32
Stocks / Work in Progress	539	539	85
Other debtors	65	65	Nil
Inter-company debtors	1,616	Nil	Nil
Provision for Corporation Tax on gains on property sales			(85)
	<u>3,807</u>	<u>672</u>	<u>532</u>
LIABILITIES			
Preferential creditors - arrears of wages and holiday pay	(6)	(6)	(193)
	<u>3,801</u>	<u>666</u>	<u>339</u>
Prescribed part for unsecured creditors		n/a	n/a
Floating Charge Creditors - deficiency from secured assets	(1,149)	Nil	(415)
	<u>2,652</u>	<u>666</u>	<u>(76)</u>
Unsecured creditors			
Trade creditors and accruals	(1,786)	(1,786)	(1,408)
HM Revenue & Customs	(565)	(565)	(565)
Directors loans	(420)	(420)	(420)
Airchannel Retirement Benefits Scheme	(90)	(90)	(5,800)
Airchannel Stakeholder Pension Scheme		(6)	
Estimated total unsecured claims	<u>(2,861)</u>	<u>(2,867)</u>	<u>(8,193)</u>
Estimated excess of liabilities over assets	<u>(209)</u>	<u>(2,201)</u>	<u>(8,269)</u>

Notes to Directors Statement of Affairs

Assets Specifically Secured

Long term leasehold property

The Company's accounting records reflect that the Company owned 5 properties with a book value of £900,000. This includes 3 properties acquired from its subsidiary Anglair in 2005, when the business, assets and liabilities of that company were transferred to Airchannel. Legal title to these properties was not transferred to the Company and these properties remain assets of Anglair. They also remain subject to securities granted to Royal Bank of Scotland plc in respect of lending to Airchannel. Anglair is also in Administration and one property was sold in April 2010 and the two remaining properties are being marketed for sale.

The summary of the position in for the 2 properties owned by the Company is as follows:

	Estimated book value	Estimated realisable value	Due to secured creditor	Surplus /(Shortfall) to secured creditor
	£'000	£'000	£'000	£'000
Long term leasehold property	562	570	(1,149)	(579)

One of the properties has been marketed for over 6 months and no interest has been received. In the current economic climate it is not anticipated that these properties will be realised in the short term.

Debtors subject to invoice finance

The Company's debtors have been assigned to Royal Bank of Scotland Invoice Finance Limited under the terms of an invoice finance agreement. In the opinion of the Joint Administrators the realisable value of debtors is as follows:

	£'000
Opening balance	2,040
Debts under query	(127)
Provision for goods subject to ROT claims	(120)
Write off for contras	(68)
Net book value before bad debt provisions	1,725
Provision for uncollectible debts, contract set off claims etc	(245)
Estimated realisable value	1,480
Royal Bank of Scotland Invoice Finance Limited (including agreement termination charges)	(1,316)
Estimated surplus to arising on assigned debts	164

Collections as at 7 May 2010 were £1,161,504

Any surplus arising to RBSIF on assigned debts is available directly to Royal Bank of Scotland under the terms of the security agreements with the Company.

Assets subject to Hire Purchase Agreements

Realisation of these assets is currently being undertaken. In the opinion of the Joint Administrators it cannot be assumed that any value will be available to the Company.

Goodwill

As stated in the letter to creditors dated 6 April 2010 the Joint Administrators have realised £500,000 for the Goodwill of the Company. We understand the Draft Statement of Affairs the directors have allocated this value against the Company's stocks and work in progress.

Investments

This represents investment in subsidiary companies. Two subsidiaries, Anglair and Fidelity are in Administration and the remaining entities are either dormant or have no value other than inter-company indebtedness.

Plant and Office Equipment

These assets were sold to Motivair on 23 March. The value achieved matches the independent valuation obtained by the Joint Administrators, less items excluded as they were subject to retention of title claims.

Stocks / Work in Progress

Creditors will recall that due to the level of anticipated retention of title claims stock was excluded from the sale to Motivair. To date claims with a value of £353,792 have been received in respect of items held in stock of which £351,163 is likely to be valid. Following finalisation of all claims realisation of remaining stock will be undertaken but due to the age and mix of stock this stock it is likely to be of very restricted value.

Work in Progress was sold to Motivair on a £ for £ basis after deduction of appropriate provisions for irrecoverable items.

Other debtors

These include routine prepayments and rent deposits for leased premises. Where possible these will be recovered however as a consequence of the administration contra claims have arisen and no recovery has been assumed by the Joint Administrators.

Inter-company debts

Due to the insolvency of the Group these are not considered collectable. It will be necessary to undertake an accounting of all inter-company debts following realisation of the assets and any payment of secured debts under cross guarantees.

Provision for Corporation Tax on gains on property sales

Subject to the realisable value of the properties capital gains may arise. Any such gains would be subject to Corporation Tax as an expense of the Administration.

Preferential Creditors

These comprise employees for arrears of wages. Following the sale of business claims for arrears of holiday pay have passed to Motivair, eliminating potential preferential claims of estimated at £65,000.

Net Property / Prescribed Part for unsecured creditors

There will be no prescribed part of floating charge assets to be set aside for the benefit of unsecured creditors under Section 176A of the Insolvency Act 1986, as the bank's floating charge pre-dates 15 September 2003.

Floating Charge Claim

The claim of Royal Bank of Scotland may be summarised as follows:

	£'000
Overdraft	813
Term loans	<u>1,144</u>
	1,957
Cash balance available in Fidelity Plant Hire (Scotland) Limited as set off	<u>(808)</u>
Net claim arising before interest and costs	<u>1,149</u>

This claim is secured by charges over properties owned by Airchannel and Anglair and cross guarantees and floating charges from Airchannel, Anglair and Fidelity. As noted above any surplus arising on book debts assigned to RBSIF will also be directly available towards meeting these liabilities.

Unsecured creditors*Trade creditors*

The book value of trade creditors has been adjusted to reflect the value of stock returned to suppliers on retention of title claims.

Airchannel Retirement Benefits Scheme

The book value only records the liability for agreed contributions unpaid at the date of administration. The full extent of the liability remains to be calculated but the estimate provided by the Scheme actuaries in 2009 indicates that the full buy-out liability for the Scheme will be circa £5.8 million. This liability is shared with Fidelity.

Costs of Administration

The Statement of Affairs does not make provision for the costs of Administration. These will be subject to approval by the secured creditors in the event that there are insufficient funds to meet the secured debts or by the unsecured creditors should funds become available to enable a distribution to ordinary creditors

APPENDIX B

Receipts and Payments Account To 14 May 2010

£'000

RECEIPTS

Plant & Equipment	56,220.00
Stock Deposit	10,000.00
WIP	85,000.00
Property Rights / Patents	2.00
Rent	7,400.00
Bank interest	2.61
Goodwill	500,000.00
VAT	2,244.00
	<u>660,868.61</u>

PAYMENTS

Agents / Valuers fees	1,150.00
Legal fees	15,740.36
Statutory Advertising	63.45
Employees - Arrears of Wages	187,826.00
Floating Charge Creditor	200,000.00
VAT	2,837.19
	<u>407,617.00</u>
	<u>253,251.61</u>
Balance in hand	

AC199 Realisations Limited - In Administration (formerly Airchannel Limited)
Details of Secured Creditors

Creditor	Security	Date Registered	Level of debt
Royal Bank of Scotland plc 24/25 St Andrew Square EDINBURGH EH2 1AF	Standard Security over property at Dykehead Road, Airdrie	14 February 1989	1,957,827 plus interest and charges
As above	Legal Charge over property at 16 Hurworth Road, Newton Aycliffe	15 July 2009	as above
As above	Bond & Floating Charge	2 July 1987	as above
The debt due is subject to a contra of £808,179 representing the cash balance available in Fidelity Plant Hire Scotland Limited resulting in a net claim of £1,149,648			
RBS Invoice Finance Limited Smith House Elmwood Avenue FELTHAM TW13 7QD	Bond & Floating Charge	24 January 2004	Subject to the level of recovery from book debts but assumed at Nil
Lloyds TSB Commercial Finance Limited	HP contracts over assets	Various	£15,545 plus interest and charges
Preferential Creditors			
Airchannel Group Stakeholder Pension Scheme			£4,000 Unpaid contributions
Employees arrears of wages	Deduction from sale price by Motivair		£187,826