

The Insolvency Act 1986

# Notice of move from administration to Creditors' Voluntary Liquidation

Name of Company Ablegrand (2) Limited (in Administration)	Company number 04294608
In the High Court of Justice, Chancery Division, Companies Court [full name of court]	Court case number 11728 of 2008

(a) Insert name(s) and address(es) of administrator(s)    I / We (a) Thomas Andrew Jack, Simon Allport and Alan Michael Hudson  
Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY  
 having been appointed administrator(s) of

(b) Insert name and address of registered office of company    (b) Ablegrand (2) Limited  
c/o Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY  
 ("the company")

(c) Insert date of appointment    on (c) 24 December 2008 by (d) the Company's Directors

(d) Insert name of applicant / appointor    hereby give notice that:

(e) Insert name(s) and address(es) of liquidator(s)    the provisions of paragraph 83(1) of Schedule B1 to the Insolvency Act 1986 apply,  
 and it is proposed that (e) Thomas Andrew Jack and Simon Allport  
Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY  
 will be the liquidator(s) of the company (IP No(s)) 9412 / 8763

I / We attach a copy of the final progress report.

Signed [Signature]  
 Joint Administrator

Dated 16 December 2009.

**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

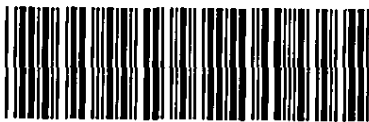
Steven Henderson	
Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY	
	Tel: 0161 333 2749
DX Number:	DX Exchange:

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

FRIDAY



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A31 18/12/2009 395

COMPANIES HOUSE

TO ALL KNOWN CREDITORS

16 December 2009

Ref: CR/SH/SW/TJ/NW/M0911/PCF18

Direct line: 0161 333 2749  
Direct fax: 0161 333 3008

Please ask for Steven Henderson

Dear Sirs

**Ablegrand (2) Limited (in Administration) ('the Company')**

I write to inform you that Simon Allport, Alan Hudson and I will shortly be in a position to conclude the above Administration and move the Company into Creditors' Voluntary Liquidation ('CVL').

This is our final progress report pursuant to Rule 2.117 of the Insolvency Rules 1986 and covers the period from 24 June 2009 to 11 December 2009. The report should be read in conjunction with our previous report dated 17 July 2009 and the Joint Administrators' Statement of Proposals dated 17 February 2009 ('the Proposals').

A summary of statutory information relating to the Company is detailed at appendix 1.

**Summary of the Joint Administrators' Proposals**

***Background***

The Zavvi Group ('the Group'), as detailed at appendix 5, was formed from a management buy out ('MBO') of the UK and Ireland Virgin Megastore business, a division of the Virgin Group, in September 2007.

At the date of our appointment the Company was a non-trading entity within the Zavvi Group of companies ('the Group'), as detailed at appendix 5, and a wholly owned subsidiary of Ablegrand Limited (in Administration) ('AL'). It held numerous leases including a number of stores operated by Zavvi Retail Limited (in Administration) ('ZRL').

***Circumstances giving rise to the appointment of the Joint Administrators***

The Group had traded at a loss for a number of years. Its business was highly seasonal, with peak demand occurring across November and December, however, it experienced considerable cash flow difficulties when Entertainment UK Limited ('EUK'), the principal supplier of stock to Zavvi Limited ('ZL') (the Group's stock holding company), was placed into Administration on 27 November 2008.

As a result of the Administration of EUK, ZL was not able to source stock in its usual way. This placed significant pressure on the Group's working capital, and with quarterly rent payments falling due on 25 December 2008, the directors considered that the Company was unable to meet its creditor liabilities as they fell due.

Accordingly, on 23 December 2008, the directors applied to the High Court for an Administration Order. As the application was heard outside normal Court hours, the Administration Order took effect from 9:30am on 24 December 2008.

***Purpose and conduct of the Administration***

The prioritised objectives of the Administration are as follows:

- a. To rescue the Company as a going concern, or
- b. To achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration), or
- c. To realise property in order to make a distribution to one or more secured or preferential creditors.

At the date of appointment, the prospect of achieving purpose (a) did not appear realistic as the Company was a non-trading entity which relied on ZRL to pay its lease and other liabilities. Therefore, the ability to rescue the Company as a going concern was dependent upon the ability to achieve a going concern sale of ZRL. This was unlikely for the following reasons:

- The significant operating losses incurred by ZRL made it unlikely that equity investment could be secured.
- Following the failure of EUK, it would be difficult for ZL to secure stable and competitive supplies.

As the primary objective (a) was not viable objective (b) was pursued, namely to achieve a better result for creditors than if the Company had been wound up (without first being in Administration).

The Administration strategy reflected the following:

- The Joint Administrators were able to secure a contribution of £0.2m for the Company from ZL to support the Administration strategy. This would not have been available in a liquidation scenario.
- The Joint Administrators were aware of interested parties who may seek to acquire certain operations and assets of the Group, which would be best achieved through enabling such operations to continue to trade for a limited period whilst negotiations were ongoing. This included the potential to assign leases held by the Company.

It was proposed that the Joint Administrators would continue to manage the affairs, business and property of the Company to achieve the purpose of the Administration, and that this would include:

- Collecting the Company's book debts;
- Finalising the Administration, including the payment of all Administration liabilities;
- Reviewing the tax affairs of the Company;
- Dealing with unsecured creditor claims as necessary;
- Dealing with intercompany claims between the Company and any other Group companies.

#### ***The end of the Administration***

It was proposed that if there are surplus funds available for unsecured creditors at the end of the Administration, the Company will move straight into CVL and T A Jack and S Allport of Ernst & Young LLP will be appointed as Joint Liquidators.

In the event that there remain matters to be dealt with at the end of the Administration but the level of surplus funds available at the end of the Administration is insufficient to enable a distribution to be made to unsecured creditors, the Joint Administrators will petition the Court for an order to bring the Administration to an end with a consequential order for the compulsory winding up of the Company.

If there are no surplus funds at the end of the Administration and there are no further matters to be dealt with, the Company will be dissolved.

#### **Amendments to, or deviations from, the Joint Administrators' Proposals**

There were no amendments to, or deviations from, the Joint Administrators' Proposals.

#### **Extensions to the initial period of appointment**

An extension of the Administration is not required.

#### **Summary of progress in the period 24 June 2009 to 11 December 2009**

##### ***Property***

As previously reported, the Group's records indicated that the Company held the leases to a total of six properties at the date of appointment. Four leases related to trading stores, one to a sublet property and one to a vacant store. ZRL historically met all of the Company's lease liabilities.

During the period since our last report we became aware that one of the leases relating to a trading store was incorrectly attributed to the Company due to an error in the Group's records. This lease has subsequently been determined to be held by Zavvi Group Limited (in Administration) ('ZGL').

The Joint Administrators sought to surrender the leases to the Company's premises following the cessation of trade by ZRL. At 11 December 2009 one of the Company's five leases had been surrendered. The Joint Administrators continue to offer a surrender of the remaining four leases, however, all remaining leases will be disclaimed when the Company moves into CVL.

### **Corporation tax**

The Joint Administrators, assisted by Ernst & Young LLP's tax professionals, have completed and submitted the Company's outstanding pre-appointment corporation tax returns. This work has been carried out for compliance purposes and to ensure that the maximum tax losses available are identified in order to offset any post-appointment corporation tax charges.

Further tax work will be required in respect of the Company's post-appointment corporation tax returns.

All tax-related time costs are included within the Joint Administrators' total time costs, set out in detail later in this report.

### **Remaining assets**

We are not aware of any further assets in the Company.

### **Receipts and payments account**

We enclose an abstract of receipts and payments for the Company in respect of the period from 24 December 2008 to 11 December 2009 at appendix 2. Please note that this does not reflect estimated future realisations or costs.

### **Outcome to creditors**

#### **Secured creditors**

There are no secured creditors in this Administration.

#### **Preferential creditors**

There are no known preferential creditors in this Administration.

#### **Unsecured creditors**

##### *Lease exit costs*

Lease exit costs are a contingent liability of the Administration and were estimated by the directors of the Company in their Statement of Affairs at circa £3.99 million.

We have now recalculated the potential liability at the date of our appointment to reflect accepted practice adopted within a number of high profile retail insolvencies. From this we estimate the potential lease exit liability at the date of our appointment was approximately £4.17 million, after adjusting for the lease actually held by ZGL. This would by now have risen to around £5.35 million as rent arrears have continued to accrue.

Please note that this estimate of lease exit costs remains an indicative estimate and does not reflect an agreed methodology for quantifying unliquidated claims. The final methodology will be determined within a subsequent liquidation of the Company.

#### *Trade creditors*

Trade creditor claims are currently estimated at circa £0.43 million.

#### ***The Prescribed Part***

The Prescribed Part is a proportion of floating charge assets set aside for unsecured creditors pursuant to Section 176A of the Insolvency Act 1986. The Prescribed Part applies to floating charges created on or after 15 September 2003.

There are no known floating charges over the Company's assets. As such, the Prescribed Part does not apply to this Administration.

#### ***Distribution to creditors***

In the absence of any secured creditors or preferential claims in this Administration, the Joint Administrators estimate that there will be surplus funds to enable a dividend to be paid to unsecured creditors of the Company.

Whilst it is not possible to accurately estimate the level of final dividend available to unsecured creditors until the value of landlord and all other unsecured claims can be estimated with greater certainty, at this stage it is estimated that a dividend could be payable at the lower end of the previously reported range of 1p to 4p in the £1.

#### **Joint Administrators' remuneration and disbursements**

As previously reported, at the time of issuing the Proposals it was not anticipated that there would be a dividend paid to unsecured creditors in this Administration. Consequently, in accordance with the provisions of Paragraph 52(1) of Schedule B1 to the Insolvency Act 1986, a creditors' meeting was not called, a creditors' committee was not formed and the Joint Administrators intended to apply to Court to request that the Court approve their remuneration.

As you are aware, it subsequently became apparent that the Company may have sufficient assets to enable it to make a distribution to unsecured creditors. The Joint Administrators therefore sought the approval of the unsecured creditors to fix their remuneration in accordance with the provisions of Rule 2.106 of the Insolvency Rules 1986.

This approval was sought at a creditors' meeting held by correspondence. On 24 August 2009 the following resolutions were passed:

- That the Joint Administrators' remuneration be fixed on the basis of the time properly given by the Joint Administrators and their staff in attending to the matters arising in the Administration and that the Joint Administrators be permitted to charge for and draw fees in respect of such time costs from time to time during the Administration and as they see fit.
- That the Joint Administrators be permitted to charge and draw payment for Category 2 disbursements from time to time during the Administration and as they see fit.

To 11 December 2009, the Joint Administrators had incurred time costs of £63,606.50 against which £53,583.50 has been drawn. An analysis of the time spent is attached at appendix 3 to this report. At appendix 4 there is a statement of the Administrators' policy in relation to charging time and disbursements.

To 11 December 2009, £139.20 had been drawn in respect of disbursements. In accordance with Statement of Insolvency Practice 9 ('SIP 9'), the Joint Administrators propose to charge and draw payment for all Category 1 disbursements from time to time but do not propose to seek approval for their payment. An analysis of disbursements by category is attached at appendix 3.

The balance of approved fees and disbursements will be drawn at the end of the Administration or early within the subsequent CVL.

#### **Joint Administrators' discharge from liability**

As the Company was placed into Administration pursuant to Paragraph 13 of Schedule B1 to the Insolvency Act 1986, the Joint Administrators can only be discharged from liability by Court order and there is no scope to agree such discharge with creditors.

Accordingly, the Joint Administrators have issued an application in the Companies Court seeking an order that the Joint Administrators are discharged from liability in respect of any act as administrators of the Company, 14 days after the cessation of our appointment as Joint Administrators. With a view to saving Court time and costs this application has been listed to be heard on 15 January 2010, at the same time as a pre-existing application in relation to ZGL.

Should creditors wish to view the evidence and/or make any comments in respect of this application, please write to the Joint Administrators care of this office by 4pm on 8 January 2010. We will then update the Court in advance of the hearing of the application of any responses we receive from creditors.

### The end of the Administration

As proposed, because the Company has sufficient assets to make a distribution to unsecured creditors, it will move straight into CVL at the end of the Administration. The Joint Liquidators will be T A Jack and S Allport of Ernst & Young LLP.

Accordingly, the Joint Administrators will shortly file with the Registrar of Companies a notice pursuant to Paragraph 83 of Schedule B1 to the Act to move the Company into CVL.

Yours faithfully  
for Ablegrand (2) Limited (in Administration)



T A Jack  
Joint Administrator

Enc: Appendix 1 Summary of statutory information  
Appendix 2 Joint Administrators' abstract of receipts and payments for the period from 24 December 2008 to 11 December 2009  
Appendix 3 Summary of Joint Administrators' time-costs and disbursements for the period from 24 December 2008 to 11 December 2009  
Appendix 4 Joint Administrators' policy on fees and disbursements  
Appendix 5 Zavvi Group structure

The Institute of Chartered Accountants in England and Wales authorises T A Jack and S Allport to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986 and The Association of Chartered Certified Accountants authorises A M Hudson to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986.

The affairs, business and property of the Company are being managed by the Joint Administrators, T A Jack, A M Hudson and S Allport, who act as agents of the Company only and without personal liability.



**Appendix 1**

**Ablegrand (2) Limited (in Administration)  
Summary of statutory information**

Registered number:	04294608
Name of court:	High Court of Justice, Chancery Division, Companies Court
Court reference numbers:	11728 of 2008
Registered office address:	c/o Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY
Administrators' names:	T A Jack, A M Hudson and S Allport
Administrators' address:	Ernst & Young LLP, 100 Barbirolli Square, Manchester M2 3EY
Date of appointment:	24 December 2008
Full name and address of the Appointors:	Directors of the Company Horatio House, 77-85 Fulham Palace Road, London, W6 8JA
Changes in office holder:	N/A
Statement of functions <sup>1</sup> :	T A Jack, A M Hudson and S Allport act jointly and severally as Joint Administrators of the Company. Any and all functions of the Joint Administrators may be carried out by each of the Joint Administrators acting individually or acting together.

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<sup>1</sup> In accordance with Paragraph 100 of Schedule B1 to the Insolvency Act 1986

**Appendix 2**

**Ablegrand (2) Limited (in Administration)**  
**Joint Administrators' abstract of receipts and payments for the period**  
**from 24 December 2008 to 11 December 2009**

Statement of Affairs - Estimated to realise (£)	Period 24 Dec 08 to 6 Feb 09 (£)	Period 7 Feb 09 to 23 June 09 (£)	Period 24 June 09 to 11 Dec 09 (£)	Total (£)
<b>Receipts</b>				
<b>Non trading receipts</b>				
Agency services	200,000.00	-	-	200,000.00
Bank interest	158.93	495.43	352.73	1,007.09
<b>Total receipts</b>	<u>200,158.93</u>	<u>495.43</u>	<u>352.73</u>	<u>201,007.09</u>
<b>Payments</b>				
<b>Non trading payments</b>				
Specific bond	264.00	-	-	264.00
Administrators' fees	-	-	53,583.50	53,583.50
Administrators' disbursements	-	-	139.20	139.20
Legal fees	-	20,235.20	-	20,235.20
Bank charges	-	-	20.00	20.00
<b>Total payments</b>	<u>264.00</u>	<u>20,235.20</u>	<u>53,742.70</u>	<u>74,241.90</u>
<b>Balances in hand</b>	<u>199,894.93</u>	<u>(19,739.77)</u>	<u>(53,389.97)</u>	<u>126,765.19</u>
<b>Notes</b>				
Receipts and payments are shown net of VAT				
All funds are held in interest bearing accounts				
The receipts and payments account has been prepared on a cash basis and does not take account of future receipts and payments				

**Appendix 3**

**Ablegrand (2) Limited (in Administration)**

**Summary of Joint Administrators' time-costs and disbursements for the period from 24 December 2008 to 11 December 2009**

Activity	Staff Grade					Total Hours	Total Cost (£)	Average hourly rate (£)
	Partner / Director	Senior Manager / Manager	Executive	Analyst	Other			
Accounting & Administration	1.50	12.60	11.20	5.50	1.00	31.80	7,549.00	237
Bank & Statutory Reporting	9.00	-	0.50	-	-	9.50	4,195.00	442
Creditors	5.00	11.50	11.00	-	-	27.50	9,595.00	349
Investigations & CDDA	2.00	-	-	1.50	-	3.50	990.00	283
Legal Issues	-	2.00	-	-	-	2.00	720.00	360
Other Assets	4.00	-	-	-	-	4.00	1,980.00	495
Other Matters	1.00	-	5.20	-	-	6.20	1,535.00	248
Property	13.50	-	52.20	-	-	65.70	16,852.50	257
Site Closures	-	10.50	-	19.00	-	29.50	7,215.00	245
Statutory Duties	1.00	2.00	37.70	14.20	-	54.90	11,442.00	208
Trading	1.50	-	1.00	-	-	2.50	947.50	379
VAT & Taxation	-	0.10	0.50	2.90	-	3.50	585.50	167
<b>Total Hours</b>	<b>38.50</b>	<b>38.70</b>	<b>119.30</b>	<b>43.10</b>	<b>1.00</b>	<b>240.60</b>		
<b>Time Cost (£)</b>	<b>18,202.50</b>	<b>14,714.00</b>	<b>25,437.50</b>	<b>5,232.50</b>	<b>20.00</b>		<b>63,606.50</b>	
<b>Average Hourly Rate (£)</b>	473	380	213	121	20		264	
Category 1 Disbursements (£)	139.20							
Category 2 Disbursements (£)	139.20							

Current charge out rates	Grade	Current hourly charge out rate (effective from 1 July 2008) (£)
Restructuring	Partner / Director	405 - 495
	Senior Manager / Manager	275 - 490
	Executive	200 - 265
	Analyst	85 - 120
	Other	20
Tax	Senior Manager / Manager	470
	Analyst	230

**Appendix 4****Ablegrand (2) Limited (in Administration)  
Joint Administrators' policy on fees and disbursements*****Office Holders' charging policy for fees***

It was proposed that the Joint Administrators' remuneration will be fixed on the basis of time properly spent by them and their staff in dealing with matters arising in the Administration.

A creditors committee was not formed in this Administration. The Joint Administrators have therefore sought the approval of the Company's unsecured creditors to fix their remuneration in accordance with the provisions of Rule 2.106 of the Insolvency Rules 1986.

The Joint Administrators have engaged a manager and other staff to work on the case. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by cashiers dealing with the company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown at appendix 3, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report.

***Office Holders' charging policy for disbursements***

Statement of Insolvency Practice No. 9 ('SIP 9') published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the Administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from the unsecured creditors as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.

The Joint Administrators have therefore sought the approval of the Company's unsecured creditors to permit them to draw Category 2 disbursements.

Appendix 5

**Ablegrand (2) Limited (in Administration)**  
**Zavvi Group structure**

