



3 April 2009

Our ref: MNC/AMR/MH02ADL/ADM502/2203
Your ref:

Wellington Plaza
31 Wellington Street
Leeds LS1 4DL
t: +44 (0) 113 386 0800
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TO ALL KNOWN CREDITORS

When telephoning please ask for:
Erica Walters

Direct Line:
0113 386 0819

Dear Sirs

**Medlife Hotels Limited - In Administration (the Company)
Administrators' Progress Report**

As you may be aware Alastair Beveridge, Nick Cropper, Simon Appell and I were appointed Joint Administrators of the Company on 12 September 2008 by the High Court, Chancery Division, Companies Court. From 1 January 2009 Alastair Beveridge, Simon Appell, Nick Cropper and I are now licensed by the Insolvency Practitioners Association (IPA).

Please find attached a formal notice and detailed report covering progress in the Administration during the six month period ended 11 March 2009.

Please note that it is a statutory requirement for the Joint Administrators to prepare and make available for all actual and potential creditors of the Company a Progress Report. However, for those passengers who have submitted claims for refunds to the Civil Aviation Authority under the ATOL scheme, to their credit card company or through an insurance company THIS IS FOR INFORMATION ONLY and DOES NOT affect your claim in any way.

Further update as at 3 April 2009

In order to minimise costs (printing and postage) to the creditors, the Joint Administrators applied to Court on 3 April 2009, to release them from their statutory obligations of sending to all known creditors (of which there is approximately 144,000) the following documents:

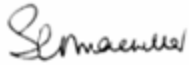
- Notices of the result of any meetings of creditors
- Progress reports to creditors
- Any notice of intention to declare and distribute a dividend
- Any notice of automatic end of Administration
- Any notice of moving from Administration to Creditors' Voluntary Liquidation
- Any notice of moving from Administration to Dissolution

Registrar Derrett of The High Court of Justice, Chancery Division, Companies Court granted the Joint Administrators' application and ordered that the Joint Administrators publish the relevant creditor information, instead of mailing hard copies to creditors.

Accordingly, for the purposes of this and future creditor communication, the Joint Administrators will publish all documents on the www.xladministration.com website and will provide a helpline for creditors to request information free of charge. The helpline number is 0800 068 8991.

Please also note that following the recent completion of a Management Buy-Out (MBO) by the partner group of Kroll's UK Corporate Advisory and Business Recovery practice from Kroll Inc, we will be operating under the Zolfo Cooper brand name going forward. Zolfo Cooper Europe will continue to be headquartered at 10 Fleet Place, London EC4M 7RB with our existing network of UK offices remaining in their current locations.

Yours faithfully
For and on behalf of
Medlife Hotels Limited



S C E Mackellar
Joint Administrator

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The affairs, business and property of the Company are being managed by the Joint Administrators. The Joint Administrators act as agents of the Company and without personal liability.

The Insolvency Act 1986

Administrator's progress report

Name of Company Medlife Hotels Limited	Company number 05311104
In the High Court, Chancery Division, Companies Court	Court case number 7846 of 2008

We, Alastair Paul Beveridge, Simon Jonathan Appell, Mark Nicholas Cropper of Zolfo Cooper, 10 Fleet Place, London, EC4M 7RB and Stuart Charles Edward Mackellar of Zolfo Cooper, Wellington Plaza, 31 Wellington Street, Leeds, LS1 4DL

Joint Administrators of the above company attach a progress report for the period

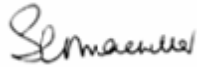
from

to

(b) 12 September 2008

(b) 11 March 2009

Signed



Joint Administrator

Dated: 3 April 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

Erica Walters Zolfo Cooper, Wellington Plaza, 31 Wellington Street, Leeds, LS1 4DL	
	Tel : 0113 386 0819
DX Number	DX Exchange

Companies
House receipt
date barcode

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

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

3 April 2009

Joint Administrators' Progress Report

For the Period
12 September 2008 to 11 March 2009

Medlife Hotels Limited -
In Administration



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1 Statutory Information

- 1.1 I was appointed Joint Administrator of Medlife Hotels Limited (the **Company**) together with Alastair Paul Beveridge, Simon Jonathan Appell and Mark Nicholas Cropper on 12 September 2008 by the High Court of Justice. The application for the appointment of an Administrator was made by the Directors of the Company.
- 1.2 Please note that as of 1 January 2009, Alastair Paul Beveridge, Simon Jonathan Appell, Mark Nicholas Cropper and I are now licensed by the Insolvency Practitioners Association (**IPA**).
- 1.3 The Company formed part of the XL Leisure Group of companies (the **Group**).
- 1.4 The Company is one of 11 Companies (the **Companies**) within the Group which were placed into Administration by the Court at 1am on 12 September 2008. The additional 10 companies are as follows:
- XL Leisure Group plc (04513359) (the **Parent Company**)
 - Travel City Flights Limited (03676161)
 - Excel Aviation Limited (03720932)
 - Explorer House Limited (05183147)
 - The Really Great Holiday Company plc (02813710)
 - Freedom Flights Limited (03761690)
 - Aspire Holidays Limited (03813759)
 - XL Airways UK Limited (02980023)
 - Freedom Flights (Aviation) Limited (03778561)
 - Kosmar Villa Holidays plc (01673531)
- 1.5 A copy of the Group structure is attached at Appendix A.
- 1.6 The other entities within the Group are either dormant or non-trading.
- 1.7 The Administration is being handled by Zolfo Cooper's Leeds office, situated at Wellington Plaza, 31 Wellington Street, Leeds, LS1 4DL.
- 1.8 The Administration is registered in the High Court of Justice, Chancery Division, Companies Court under reference number 7846 of 2008.

- 1.9 The main headquarters of the Company was Explorer House, Fleming Way, Crawley, West Sussex, RH10 9EA (**Explorer House**).
- 1.10 The registered office of the Company has been changed from Mitre Court, Fleming Way, Crawley, West Sussex, RH10 9NJ to c/o Zolfo Cooper, Wellington Plaza, 31 Wellington Street, LS1 4DL and its registered number is 05311104.
- 1.11 The functions of the Joint Administrators may be exercised by either or all, acting jointly or alone.
- 1.12 Please note that following the recent completion of a Management Buy-Out (**MBO**) by the partner group of Kroll's UK Corporate Advisory and Business Recovery practice from Kroll Inc, we will be operating under the Zolfo Cooper brand name going forward. Zolfo Cooper Europe will continue to be headquartered at 10 Fleet Place, London EC4M 7RB with our existing network of UK offices remaining in their current locations.

2 Progress of the Administration

Overall Administration Progress for the Companies

- 2.1 Since the date of my last report, I have continued to facilitate a controlled and orderly wind down of the operations of all of the Companies which entered Administration.
- 2.2 I have proceeded to realise the various assets held across the Companies which include agency and trade debtors totalling in excess of £15 million excluding intercompany debts, the brands, trademarks and intellectual property of the major trading entities, prepayments relating to airport charges, fuel and insurance, six freehold properties and aircraft stock.
- 2.3 A considerable amount of time has also been spent liaising and corresponding with the Companies' stakeholders and in particular in relation to the substantial telephone and written queries received from customers with regard to their pre-booked holidays which were unfortunately cancelled as a result of the Administrations. I have liaised extensively with the Civil Aviation Authority (**CAA**) and credit card providers to ensure that any information they have required relating to customer bookings has been provided swiftly, efficiently and accurately.
- 2.4 There has also been a large volume of correspondence received from former employees with regard to their redundancy and preferential claims, requests for access to training records and files and also with a view to obtaining references for their new employers.

- 2.5 As you are aware, the Companies' IT systems were complex and data was held across seven separate IT systems and packages, some of which were hosted by external providers. The operations of the Companies were heavily reliant on these systems, such as customer booking systems, finance systems and aircraft maintenance systems. As such, a managed shut down and decommissioning strategy of over 100 servers has had to be undertaken together with IT consultants and former third party service providers to the Companies. I can confirm that the shut down strategy is in its final stage.
- 2.6 An operation to box up the Companies' books and records which were held across various national locations has also been undertaken and a small number of former employees were initially retained on a consultancy basis to assist with this process. There are now in excess of 5,000 boxes of books and records held at a storage facility in Leeds.
- 2.7 In order to minimise costs (printing and postage) to the creditors, the Joint Administrators applied to Court on 3 April 2009, to be released from the statutory obligations of sending to all known creditors (of which there is approximately 144,000) the following documents;
- Notices of the result of any meetings of creditors
 - Progress reports to creditors
 - Any notice of intention to declare and distribute a dividend
 - Any notice of automatic end of Administration
 - Any notice of moving from Administration to Creditors' Voluntary Liquidation
 - Any notice of moving from Administration to Dissolution

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Administration Progress for the Company

- 2.8 The Company was an internet based accommodation only operator, providing hotel bookings throughout the Mediterranean with an annual turnover of approximately £10 million. The Company owned the brand of Medlife Hotels (**Medlife**).

Employees

- 2.9 It was previously reported that prior to my appointment the Company employed 22 employees, and four of these were made redundant immediately upon appointment, due

to the considerable reduction in the Company's operations. Subsequent investigations have established that the contracts of employment for these four employees were actually held with other Companies placed into Administration. Thus the number of employees at the date of appointment was therefore 18, and initially there were no redundancies, with the five UK based employees being retained to assist with the controlled wind down of operations. I can confirm that the number retained was gradually reduced and as of 30 December 2008 all employees had been made redundant.

- 2.10 A small number of former employees were employed on a consultancy basis to assist with book debt collection, the archiving of the books and records and the decommissioning of the IT systems, details of these employees can be found in Appendix D of this report.

Greek Branch

- 2.11 In addition to the UK based employees detailed above there were 13 employees permanently based in Greece who worked at the Greek branch operated in Thessaloniki, Greece. These employees were retained initially as I sought to pursue a sale of the business and assets of the Company as a going concern. As you are aware, unfortunately I was unable to achieve a sale and therefore on 17 October 2008, 12 of the Greece based employees were made redundant. One employee was retained until 30 November 2008 to assist with the completion of the statutory redundancy requirements under Greek Law.
- 2.12 I can confirm that the branch the Company operated in Thessaloniki has been closed and the administrative costs of £123,180 associated with the closure were met as a cost of the Administration.
- 2.13 Attached at Appendix B is my Receipts and Payments Account for the period from 12 September 2008 to 11 March 2009.

Straumur funding

- 2.14 As you are aware upon appointment the Company entered into a funding agreement with Straumur-Burdarás Investment Bank hf. (**Straumur**) which allowed the Company access to loan funding to ensure a controlled wind down of the operations could be affected whilst the assets of the Company were realised. To date £200,000 has been received from Straumur and these sums are to be repaid from asset realisations from the Company's estate prior to any distribution to the creditors of the Company, subject to there being sufficient realisations available.

Medlife brand

- 2.15 As per my previous report, an initial offer was received for the Medlife brand, but following the establishment that the Medlife trademark registration was still pending due to an objection having been raised against it, and the perceived prohibitive Transfer of Undertaking Protection of Employment (TUPE) liability, the offer was withdrawn. No further offers or expressions of interest have been forthcoming and the Joint Administrators therefore expect £nil realisations from this source.

Fixtures and fittings

- 2.16 Following further investigations by the Joint Administrators agents, Edward Symmons (ES), it has been determined that there are no fixtures and fittings attributable to the Company and thus there are no realisations possible.

Cash at bank

- 2.17 As expected, the majority of the Company's pre-appointment credit bank account balances were subject to set off by the relevant Banks with whom these accounts were held and no further realisations since the previously reported realisations of £381,444 have been possible. Further realisations are therefore not envisaged.
- 2.18 £9,676 has been received in relation to bank interest on monies held in the Administration bank accounts.
- 2.19 In accordance with Statement of Insolvency Practice No 13 (SIP13), I would advise you that no assets were sold to a Director of the Company.

3 Assets still to be Realised

Debtors

- 3.1 The Company sold hotel accommodation through high street travel agents. Under the terms of the trading agreement deposits initially collected by the travel agents at the time of booking would fall immediately due to the Company. The final balance of the booking however was not due to the Company until after the accommodation had been utilised.
- 3.2 At the date of appointment the Company's sales ledger indicated outstanding debts in respect of hotel bookings of £2,471,000. After taking into account intercompany balances of £966,000, the Joint Administrators wrote to the remaining debtors seeking settlement of debts totalling £1,505,000.

- 3.3 A significantly high level of disputes and counter claims arose from the initial collection letter to the travel agents. Most of these claims indicated that following the insolvency of the Company the pre-booked hotel accommodation was no longer available for use by their customers, which resulted in a high level of cancelled holidays and compensation payments to their clients. As a result of this it has been necessary to write off debts totalling £629,000.
- 3.4 The Joint Administrators continue to try and recover the deposits held by the travel agents and to date realisations of £63,969 have been achieved. Unfortunately substantial recoveries from the remaining debtor balance of £812,000 are unlikely and as such the Joint Administrators estimate future realisations to be approximately £100,000.

Proposed trust account

- 3.5 I was advised that in the few days preceding appointment, it had been the Directors' intention that a trust account with Barclays Bank plc (**Barclays**) be established, for which deposits from customers of the Companies would be ring fenced in the event of insolvency. It appeared that a Barclays bank account was not established and that at the date of my appointment deposits totalling £2,131,996 had not been transferred to an account at Barclays, but remained in Medlife Hotel's pre-appointment bank account with HSBC Bank plc (**HSBC**).
- 3.6 From investigations it was established that HSBC was not put on notice by the Company or its Directors that the bank account should operate as a trust account, nor was it advised that the monies transferred in the days preceding the appointment of the Joint Administrators should be held in trust. The Joint Administrators therefore instructed our solicitors, Freshfields Bruckhaus Deringer LLP (**Freshfields**) to review the relevant documentation in order to advise on the validity of these potential trust monies which totalled £2,131,996. This matter was referred to Counsel for further legal clarification.
- 3.7 Counsel is of the view that based on the available information it is very likely that there is not an effective trust arrangement. The requisite intention to give rise to a trust did not appear to be present. Whilst the intention point may be arguable, Counsel was of the view that the effect of security granted to HSBC over the account (and that no release was sought or obtained) and the possibility that any trust mechanism could, in any case, be void as a preference under the Insolvency Act 1986, made it very likely that there is no effective trust.
- 3.8 As a result of Counsel's advice, the Joint Administrators propose to return the pre-appointment deposits to the individual companies which transferred the monies to the HSBC account during the period preceding appointment. Therefore, the deposits will be

paid back to the relevant company and the monies will then be available for that company and its creditors. The amounts which will be transferred are as follows:

- § Freedom Flights Limited - £1,554,373.73
- § The Really Great Holiday Company plc - £468,671.03
- § Excel Aviation Limited - £50,713.18
- § Kosmar Villa Holidays plc - £39,657.18
- § Aspire Holidays Limited - £12,663.79
- § Medlife Hotels Limited - £5,917.36

- 3.9 Since the date of the Joint Administrators appointment interest has accumulated on these funds and this will be transferred to the companies on a pro-rata basis.

Intercompany debts

- 3.10 As per my last report, it is believed that the Company is due funds from intercompany debts. However, the amount realised will be dependent upon whether the level of realisations in the debtor company are sufficient to enable a distribution to its unsecured creditors. If an unsecured distribution is made, the level of realisation is likely to be negligible and is likely only to represent a minimal amount of the intercompany debt which is owed.

4 Joint Administrators' Remuneration

- 4.1 Creditors approved that the basis of the Joint Administrators' remuneration be fixed by reference to the time properly spent by them and their staff in managing the Administration.
- 4.2 The Joint Administrators' time costs at 11 March 2009 are £147,212. This represents 582 hours at an average rate of £253 per hour. Attached as Appendix B is a Time Analysis which provides details of the activity costs incurred by staff grade during this period. To date £119,149 plus disbursements of £1,443 have been drawn on account.
- 4.3 Attached as Appendix C is additional information in relation to our policy on staffing, the use of sub-contractors, disbursements and details of our current charge-out rates by staff grade.

Administration and Planning

The time recorded here reflects the statutory duties of the Joint Administrators including initial notification to creditors and the preparation of creditor reports. In addition, it covers the time spent formulating the strategy of the Administration, internal meetings and case related travel time.

Investigations

This section relates to time spent investigating the conduct and actions of the Company's Directors prior to appointment.

Realisation of Assets - Fixed Charge

This refers to time spent dealing with the sale of the Company's fixed charge assets which includes instructing agents, obtaining initial valuations and conducting negotiations with interested parties.

Realisation of Assets - Debtors

The work involved within this area covers the extensive time taken to reconcile the Company's debtor ledger to the date of appointment and the subsequent actions required to recover the book debts.

Realisation of Assets - Floating Charge

This refers to time spent dealing with the sale of the Company's floating charge assets which includes instructing agents, obtaining initial valuations and negotiations with interested parties. In particular, this section includes the extensive amount of due diligence and time connected with the marketing and potential sale of the Company's brands.

Trading

The time recorded here includes the ongoing day to day management and wind down of the Company, along with preparation of cash flow forecasts and maintaining funding requirements. This reflects the time spent reconciling and finalising the accounts and ledgers to the date of the appointment and ensuring that a potential sale of the Company's assets and brands would not be jeopardised.

Creditors

This area reflects the time incurred dealing with the large volume of both customer and trade creditors of the Company, including telephone calls and emails, which were substantial. The time spent dealing with employees is also recorded here.

5 Estimated Outcome for Creditors

- 5.1 The Company granted fixed and floating charges to Straumur on 18 August 2008.
- 5.2 Straumur's fixed charge is supported by a cross guarantee provided by all of the Companies with the exception of Kosmar Villa Holidays plc.
- 5.3 The Joint Administrators do not anticipate any realisations from fixed charge assets in order to enable a distribution to Straumur under its fixed charge against the Company.
- 5.4 The Company also granted fixed and floating charges to The Really Great Holiday Company plc (RGH) on 20 November 2006, however the Company was not indebted to RGH at the time of the Joint Administrators' appointment.
- 5.5 Based on current information the preferential claims against the Company relating to employees' arrears of wages and holiday pay are estimated at £10,733. The Redundancy Payments Office (RPO) has yet to submit its preferential claim but I anticipate that this will be received shortly.
- 5.6 The Joint Administrators believe that based upon the current estimated financial position the net realisations within the Administration will be sufficient to repay the preferential creditors. However, this will only be confirmed when all assets have been realised and the Administration finalised.
- 5.7 As you are aware, the Company granted the floating charge to Straumur within 12 months of the commencement of the Administration and since no new monies were advanced to the Company following the registration of Straumur's charge, it is believed that the floating element of the charge is invalid in accordance with Section 245 of the Act.
- 5.8 As per the Directors' Statement of Affairs the amount owed to the unsecured creditors is estimated at £124,404,411.
- 5.9 As Straumur's floating charge post-dates the introduction of the Enterprise Act 2002 on 15 September 2003, ordinarily there would be a requirement to set aside an "Unsecured Creditors' Fund". In these circumstances, the Joint Administrators would have an obligation

to ring fence a proportion of the floating charge realisations for unsecured creditors under S176A (2) of the Act. These funds are called the Prescribed Part. However as detailed above in Section 5.7 Straumur's floating charge is deemed invalid and therefore the Prescribed Part does not apply.

- 5.10 Based upon the current estimated financial position, the Joint Administrators believe that the net realisations within the Administration may be sufficient to enable a miniscule distribution to unsecured creditors. However, this will only be confirmed when all assets have been realised and the Administration finalised. It is possible that it may not be cost effective to make a distribution to unsecured creditors.

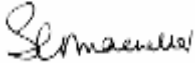
6 Ending the Administration

- 6.1 The Joint Administrators currently believe that a small dividend may be payable to the unsecured creditors of the Company. If this is the case a notice will be filed with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors Voluntary Liquidation (CVL) in order to make a distribution. The Joint Administrators will also become the Joint Liquidators of the CVL.
- 6.2 Alternatively, if having realised the assets of the Company the Joint Administrators subsequently determine that the Company has no property which might permit a distribution to its creditors, a notice will be filed together with a final progress report at Court and with the Registrar of Companies for the dissolution of the Company. Copies of these documents will be published on the www.xladministration.com website. The appointment will end following the registration of the notice by the Registrar of Companies
- 6.3 The Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Administrators ceasing to have effect.

7 Next Report

- 7.1 The Joint 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. All future reports will be available on the www.xladministration.com website.

For and on behalf of
Medlife Hotels Limited

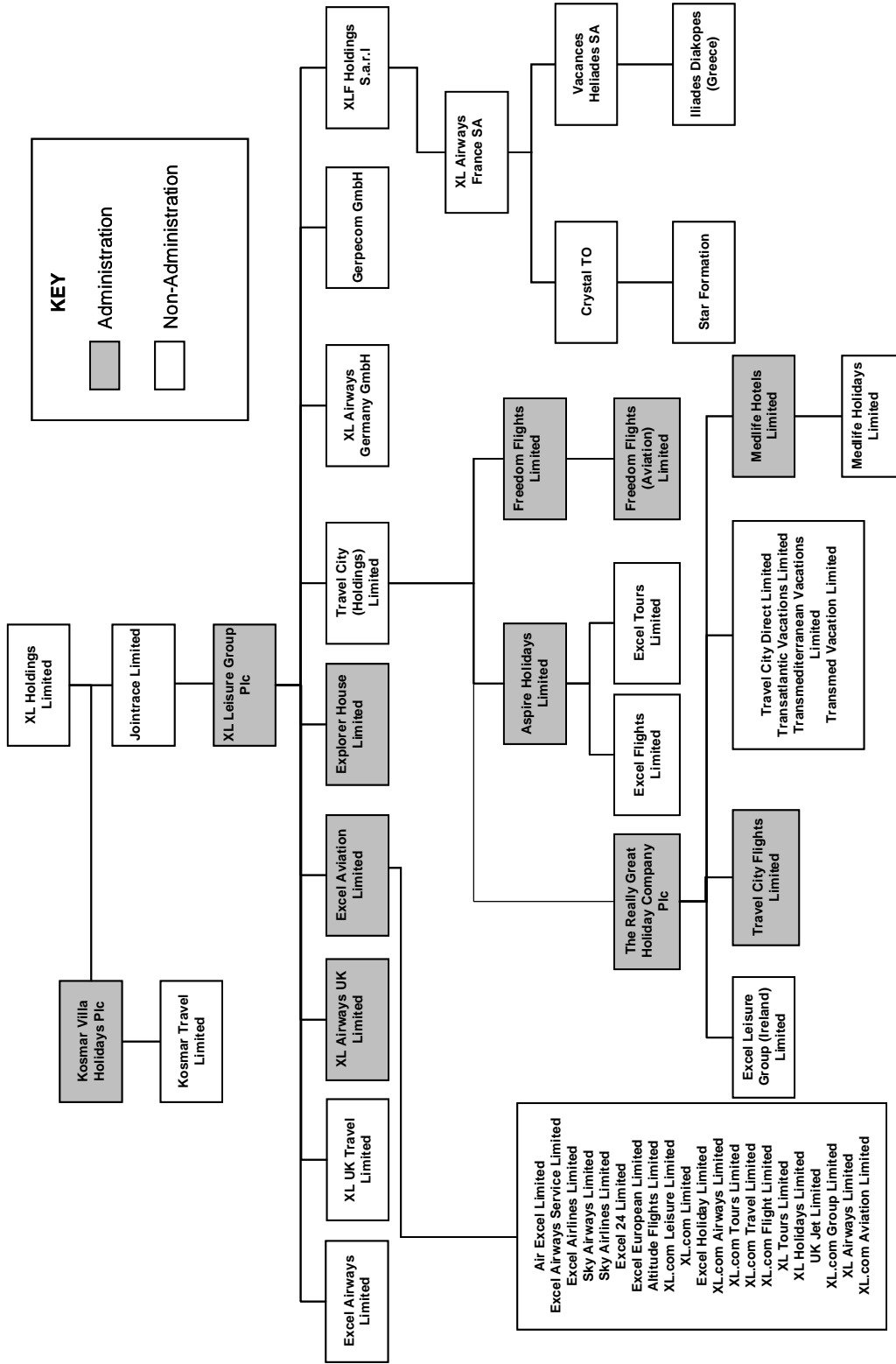


S C E Mackellar
Joint Administrator

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Group Structure

Appendix A



Receipts and Payments Account for the Period from 12 September 2008 to 11 March 2009

Appendix B

Statement of Affairs £	Fixed Charge £	Floating Charge £	Potential Trust £	Total £
RECEIPTS				
			12,232.90	12,232.90
		200,000.00		200,000.00
		7,047.56		7,047.56
176,389.00		63,969.28		63,969.28
24,545.00		381,444.10	2,131,996.27	2,513,440.37
		9,676.22		9,676.22
		23,666.97		23,666.97
15,026.00		NIL		NIL
149,445.00		NIL		NIL
	0.00	685,804.13	2,144,229.17	2,830,033.30
PAYMENTS				
		123,180.60		123,180.60
		20,822.26		20,822.26
		294.61		294.61
		5,000.00		5,000.00
		119,149.50		119,149.50
		1,443.00		1,443.00
		191.26		191.26
		7,019.80		7,019.80
		43,763.50		43,763.50
		536.41		536.41
		4,185.30		4,185.30
		99.60		99.60
		3,748.78		3,748.78
		10,000.00		10,000.00
		25,342.76		25,342.76
		10,560.94		10,560.94
		25.00		25.00
		411.80		411.80
(8,860.00)		NIL		NIL
(124,404,411.00)		NIL		NIL
	0.00	375,775.12	0.00	375,775.12
(124,047,866.00)	0.00	310,029.01	2,144,229.17	2,454,258.18
REPRESENTED BY				
				205,961.13
				2,144,229.17
				96,691.64
				7,376.24
				2,454,258.18

Time Analysis for the Period from 12 September 2008 to 11 March 2009

Appendix C

	Employee Grade (Hours)				Hours To Date	(£s)	
	Partner / Director	Senior Associate	Associate / Analyst	Junior Analyst / Support		Total Cost	Average Rate p/h
ADMINISTRATION AND PLANNING							
Strategy and Control	6.30	15.10	36.10	1.30	58.80	17,438.00	297
Bank and Creditor Reporting	2.00	2.90	54.20	4.30	63.40	16,401.00	259
Creditors Committee	0.00	0.00	1.20	0.00	1.20	288.00	240
Statutory Duties	0.40	0.20	4.90	1.40	6.90	1,701.00	247
Job Administration	3.00	15.30	9.80	21.00	49.10	11,777.00	240
Cash Accounting and Time Records	0.60	2.70	11.40	20.30	35.00	7,364.50	210
Case Related Travel Time	0.00	4.70	8.40	0.80	13.90	3,853.50	277
Case Closure	0.00	0.00	8.40	0.00	8.40	2,016.00	240
Internal Documentation and IT	0.00	0.00	1.80	0.10	1.90	504.50	266
ADMINISTRATION & PLANNING Total	12.30	40.90	136.20	49.20	238.60	61,343.50	257
INVESTIGATIONS							
D Reports	0.10	0.00	1.20	1.40	2.70	564.50	209
Other Investigations	7.00	0.40	0.20	1.70	9.30	3,537.00	380
INVESTIGATIONS Total	7.10	0.40	1.40	3.10	12.00	4,101.50	342
REALISATION OF ASSETS - FIXED CHARGE							
Initial Actions and Valuations	1.50	2.50	0.20	0.00	4.20	1,466.50	349
Sale of Assets	0.00	10.40	0.00	0.00	10.40	3,380.00	325
REALISATION OF ASSETS - FIXED CHARGE Total	1.50	12.90	0.20	0.00	14.60	4,846.50	332
REALISATION OF ASSETS - DEBTORS							
Debt Collection	0.00	14.00	13.70	43.40	71.10	13,952.00	196
Debtors Litigation	0.00	0.20	2.60	0.00	2.80	767.00	274
Crown Debtors	0.00	0.00	0.40	0.00	0.40	108.00	270
Internal Documentation	0.00	1.60	5.10	0.00	6.70	1,895.00	283
REALISATION OF ASSETS - DEBTORS Total	0.00	15.80	21.80	43.40	81.00	16,722.00	206
REALISATION OF ASSETS - FLOATING CHARGE							
Initial Actions and Valuations	2.20	1.50	2.30	0.00	6.00	1,988.50	331
Sale of Assets	2.00	8.30	2.10	0.00	12.40	4,064.50	328
Litigation	1.00	2.70	1.90	0.00	5.60	1,825.50	326
Internal Documentation	0.00	4.70	4.20	0.00	8.90	2,702.00	304
REALISATION OF ASSETS - FLOATING CHARGE Total	5.20	17.20	10.50	0.00	32.90	10,580.50	322
TRADING							
Initial Actions	1.70	0.00	0.00	0.00	1.70	885.50	521
Cash Accounting	0.10	0.00	12.20	0.10	12.40	3,065.50	247
Ongoing Trading Activities	0.10	13.70	5.20	2.40	21.40	6,106.50	285
Internal and External Documentation	0.00	6.60	0.40	0.10	7.10	2,265.50	319
TRADING Total	1.90	20.30	17.80	2.60	42.60	12,323.00	289
CREDITORS							
Creditor Dealings	0.90	7.40	47.00	58.40	113.70	22,889.50	201
Litigation	0.00	0.00	2.90	0.00	2.90	783.00	270
Internal Documentation	0.00	0.00	4.80	0.10	4.90	1,307.00	267
Employees	1.20	31.10	4.40	1.70	38.40	12,315.50	321
CREDITORS Total	2.10	38.50	59.10	60.20	159.90	37,295.00	233
Total	30.10	146.00	247.00	158.50	581.60	147,212.00	253

Additional Information in Relation to Administrators' Fees Pursuant to Statement of Insolvency Practice 9

Appendix D

1 Policy

Detailed below is Zolfo Cooper's policy in relation to:

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

1.1 Staff Allocation and the use of Sub-contractors

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, Senior Associate, Associate and Analyst. The exact constitution of the 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. Our charge out rate schedule below provides details of all grades of staff and their experience level.

With regard to support staff, we would advise that time spent by cashiers in relation to specific tasks on an assignment is charged. Only if there is a large block of time incurred by a member of the secretarial team, eg, report compilation and distribution, do we seek to charge and recover our time in this regard.

The services of the following sub-contractors have been used in this case:

Name of Sub-Contractor	Basis of Fee Arrangement
M. Nurse	Hourly rate and expenses
L. Findlay	Hourly rate and expenses

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
Freshfields Bruckhaus Deringer LLP (legal advice)	Hourly rate and disbursements
Willis Limited (insurance)	Risk based premium
Edward Symmons (valuation and disposal advice)	Hourly rate and disbursements
BDO Stoy Hayward LLP (tax advice)	Hourly rate and disbursements
Twice2much Ltd (duplicate payments review)	Percentage of realisations
Jones Day (security review & legal advice)	Hourly rate and disbursements
PAYCO (ERA claims)	Hourly rate and disbursements
Hill and Knowlton (PR 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 prior approval by creditors before they are paid and whilst it is unlikely that any Category 2 disbursements will be incurred on the case, appropriate approval will be sought before any such expenses are paid.

2 Charge-out Rates

A schedule of Zolfo Cooper charge-out rates for this assignment effective from 1 January 2009 is detailed below.

	(Per hour) £
Partner/Director:	
Partner 1*	550
Partner 2*	495
Director	430
Senior Associate:	
Senior Associate 1*	390
Senior Associate 2*	350
Associate/Analyst:	
Associate	290
Analyst*	265
Junior Analyst and Support Staff:	
Junior Analyst*	140
Senior Treasury Associate	210
Treasury Associate	140
Treasury Analyst	90
Support	90
*Key	
Partner 1 - Partners with 3 or more years experience at partner level	
Partner 2 - Partners with less than 3 years experience at partner level	
Senior Associate 1 - Staff who have been Senior Associates for over 2 years	
Senior Associate 2 - Staff who have been Senior Associates for less than 2 years	
Analyst - Staff who have been Analysts for more than 1 year	
Junior Analyst - First year Analysts	