

6 August 2009

Our ref: SCEM/AMR/FF02ADL/ADM1330/2203



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TO ALL KNOWN CREDITORS

When telephoning please ask for:  
Priya Pujara

Direct Line:  
0113 386 0854

Dear Sirs

**Freedom Flights (Aviation) Limited - In Administration**  
**Court Reference: 7848 of 2008**

I write further to my appointment as Joint Administrator of the Company together with Alastair Paul Beveridge, Simon Jonathan Appell and Mark Nicholas Cropper on 12 September 2008.

Please find attached

- Notice of move from Administration to Dissolution - Form 2.35B
- Final progress report

As you are aware, 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 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, the Joint Administrators will publish copies of these documents on the [www.xadministration.com](http://www.xadministration.com) website and will provide a helpline for creditors to request information free of charge. The helpline number is 0800 068 8991.

Yours faithfully  
For and on behalf of  
Freedom Flights (Aviation) Limited

A handwritten signature in black ink, appearing to read 'S C E Mackellar'.

S C E Mackellar  
Joint Administrator

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

# Notice of move from administration to dissolution

Name of Company Freedom Flights (Aviation) Limited	Company number 03778561
In the High Court, Chancery Division, Companies Court	Court case number 7851 of 2008

We, Alastair Paul Beveridge, Simon Jonathan Appell, and Mark Nicholas Cropper all 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 having been appointed Joint Administrators of Freedom Flights (Aviation) Limited on 12 September 2008 by the Directors hereby give notice that the provisions of paragraph 84(1) of Schedule B1 to the Insolvency Act 1986 apply.

We attach a copy of the final progress report.

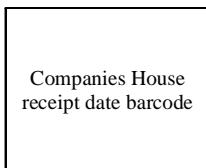
Signed   
Joint Administrator

Dated: 6 August 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

Michael Hill, Zolfo Cooper, Wellington Plaza, 31 Wellington Street, Leeds, LS1 4DL	
Tel 0113 386 0864	
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**

Joint Administrators'  
Final Progress Report

For the Period  
12 March 2009 to 6 August 2009

Freedom Flights (Aviation)  
Limited - In Administration

6 August 2009



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## 1 Statutory Information

- 1.1 I was appointed Joint Administrator of Freedom Flights (Aviation) 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 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)
  - Freedom Flights Limited (03761690)
  - Excel Aviation Limited (03720932)
  - The Really Great Holiday Company plc (02813710)
  - Medlife Hotels Limited (05311104)
  - Aspire Holidays Limited (03813759)
  - XL Airways UK Limited (02980023)
  - Explorer House Limited (05183147)
  - Travel City Flights Limited (03676161)
  - 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 This 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 7851 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 Explorer House to Wellington Plaza, 31 Wellington Street, Leeds, LS1 4DL and its registered number is 03778561.
- 1.11 The functions of the Joint Administrators may be exercised by any or all, acting jointly or alone.

## 2 Joint Administrators' Proposals

- 2.1 As previously advised, the Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:
- Rescuing the Company as a going concern;
  - Achieving 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
  - Realising property in order to make a distribution to one or more secured or preferential creditors.
- 2.2 The Joint Administrators pursued the second objective of achieving a better result for the creditors as a whole than would be likely if the Companies were wound up (without first being in Administration). The complexity of the Group structure created significant uncertainty regarding the ownership of the assets and liabilities of the Companies and therefore, it was necessary for the Company to enter Administration in order to preserve all potentially realisable assets and to ensure that any potential sales of the businesses and assets of some of the Companies were not jeopardised.

## 3 Progress of the Administration

- 3.1 Attached at Appendix B is my Receipts and Payments Account for the period from 12 March 2009 to 3 August 2009 and cumulative to 3 August 2009.
- 3.2 The Company was a Tour Operator Margin Scheme (TOMS) Company. TOMS is a special VAT tax scheme for businesses that buy-in and resell travel, accommodation and certain other services as a principal or undisclosed agent (that is, acting in the business' own name), including where these services are not the main core of the business. The TOMS is a simplification measure which enables VAT to be accounted for on travel supplies without businesses having to register and account for tax in each Member State where the services and goods are consumed.
- 3.3 At the date of appointment the Company did not have any employees.
- Straumur funding***
- 3.4 As you are aware upon the Joint Administrators' appointment the Company entered into a funding agreement with Straumur-Burdarás Investment Bank hf. (**Straumur**) which allowed the Company to access loan funding to ensure a controlled wind down of the operations could be affected whilst the assets of the Company were realised.
- 3.5 The Joint Administrators utilised £50,000 in respect of this funding agreement and after taking into account the professional costs associated with the Administration, the net asset realisations are insufficient to enable any of this funding to be repaid to Straumur. The implications of this are discussed further in Section 6 of this report.
- Assets***
- 3.6 It has been confirmed that the Company has no assets to realise in the Administration with the exception of a potential unsecured distribution from an intercompany debt owed by Freedom Flights Limited (**Freedom**) which is also in Administration. This is discussed further in Section 5.1.
- Cash at Bank***
- 3.7 To date £231.53 has been received in relation to bank interest on monies held in the Administration bank account.

## 4 Joint Administrators' Remuneration

- 4.1 Creditors approved 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 3 August 2009 are £34,544 plus disbursements of £54. This represents 159 hours at an average rate of £218 per hour. Attached as Appendix C is a Time Analysis that provides details of the activity costs incurred by staff grade for the period since my last report together with a cumulative analysis for the entire Administration.
- 4.3 The total fees drawn are £34,449 plus disbursements of £54 against these time costs and I can confirm no further amounts will be drawn.
- 4.4 Attached as Appendix D 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.

### 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.

### Creditors

This area reflects the time incurred dealing with creditors of the Company, including telephone calls and emails.

## 5 Unrealised Assets

- 5.1 At the date of appointment the Company's books and records indicated an intercompany debt of £2,000 was due from Freedom. Based on present information it is believed that an unsecured distribution may be payable to the unsecured creditors of Freedom; however, as the quantum of the distribution is likely to be negligible, there will be no benefit to the Company's creditors of continuing the Administration or moving the Company into Liquidation in order to receive the distribution. As a result, this debt has therefore been written off.
- 5.2 I can confirm that the Company has no further assets and the Receipts and Payments Account at Appendix B reflects the final position on both realisations achieved and payments discharged during the course of the Administration.

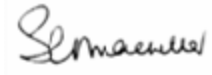
## 6 Outcome for Creditors

- 6.1 The Company granted fixed and floating charges to Straumur on 18 August 2008.
- 6.2 Straumur's fixed charge is supported by a cross guarantee provided by the Companies with the exception of Kosmar Villa Holidays plc.
- 6.3 The Company holds no fixed charge assets in order to enable a distribution to Straumur under its fixed charge.
- 6.4 At the date of appointment the Company did not have any employees therefore the preferential claims against the Company relating to employees' arrears of wages and holidays are nil.
- 6.5 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, the floating element of the charge is invalid in accordance with Section 245 of the Insolvency Act 1986 (the Act).
- 6.6 As per the Directors' Statement of Affairs the amount owed to the unsecured creditors is estimated at £120,492,848.
- 6.7 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 6.5 Straumur's floating charge is deemed invalid and therefore the Prescribed Part does not apply in this case.
- 6.8 Due to the Company holding no assets and the Administration estate's inability to repay the £50,000 funding received from Straumur, which is detailed in Section 3.4, there are insufficient funds to enable a distribution to the unsecured creditors in this case.

## 7 Ending the Administration

- 7.1 As the Company holds no assets and there are insufficient funds to enable a distribution to the Company's unsecured creditors, the Joint Administrators propose to file a notice together with a final progress report at Court and with the Registrar of Companies for the dissolution of the Company. The appointment will end following the registration of the notice by the Registrar of Companies.
- 7.2 In accordance with the Court order granted by Registrar Derrett of the High Court of Justice, Chancery Division, Companies Court on 3 April 2009, the Joint Administrators will publish copies of these documents on the [www.xladministration.com](http://www.xladministration.com) website. The Joint Administrators' appointment will end following the registration of the notice by the Registrar of Companies.
- 7.3 The Joint Administrators will be discharged from liability under Paragraph 98(3) of Schedule B1 to the Act immediately upon their appointment as Administrators ceasing to have effect.

For and on behalf of  
Freedom Flights (Aviation) Limited

A handwritten signature in black ink, appearing to read 'S C E Mackellar', written in a cursive style.

S C E Mackellar  
Joint Administrator

Enc



Receipts and Payments Account for the Period from 12 March 2009 to  
3 August 2009 and cumulative to 3 August 2009

## Appendix B

Statement of Affairs	From 12/03/2009 To 03/08/2009	From 12/09/2008 To 03/08/2009
	FLOATING REALISATIONS	
	Funding provided by Straumur	NIL
	Bank Interest Gross	105.95
18.00	Intercompany Receivable	NIL
	<u>105.95</u>	<u>50,231.53</u>
	FLOATING COSTS	
	Preparation of S. of A.	NIL
	Administrators' Fees	14,002.19
	Administrators' Expenses	NIL
	Legal Fees	2,782.50
	Legal Disbursements	790.65
	Storage Costs	125.44
	Statutory Advertising	NIL
	Sundry Expenses	NIL
	Corporation Tax	64.96
	<u>17,765.74</u>	<u>50,231.53</u>
	PREFERENTIAL CREDITORS	
	Preferential Creditors	NIL
	<u>NIL</u>	<u>NIL</u>
	UNSECURED CREDITORS	
(120,492,848.00)	Unsecured Creditors	NIL
	<u>NIL</u>	<u>NIL</u>
<u>(120,492,830.00)</u>	<u>(17,659.79)</u>	<u>0.00</u>

Time Analysis for the Period from 12 March 2009 to 3 August 2009 and cumulative to 3 August 2009

Appendix C

12 March 2009 to 3 August 2009

	Employee Grade					(£s)	
	(Hours)						
	Partner / Director	Senior Associate	Associate / Analyst	Analyst / Support	Hours To Date	Total Cost	Average Rate p/h
Junior							
<b>ADMINISTRATION AND PLANNING</b>							
Strategy and Control	0.60	1.70	2.90	0.00	5.20	1,682.50	324
Bank and Creditor Reporting	0.00	1.50	4.40	4.90	10.80	2,395.00	222
Statutory Duties	0.00	0.40	0.10	0.90	1.40	292.50	209
Job Administration	0.00	0.70	0.60	14.10	15.40	2,378.00	154
Cash Accounting and Time Records	0.10	1.80	2.20	9.40	13.50	2,731.00	202
Case Related Travel Time	0.00	0.00	0.00	0.00	0.00	0.00	0
Case Closure	0.00	1.30	0.00	3.50	4.80	945.00	197
Internal Documentation and IT	0.00	0.00	0.10	0.40	0.50	82.50	165
<b>ADMINISTRATION &amp; PLANNING Total</b>	<b>0.70</b>	<b>7.40</b>	<b>10.30</b>	<b>33.20</b>	<b>51.60</b>	<b>10,506.50</b>	<b>204</b>
<b>INVESTIGATIONS</b>							
D Reports	0.00	1.30	4.80	3.80	9.90	2,259.00	228
Internal Documentation	0.00	0.00	0.20	0.10	0.30	67.00	223
<b>INVESTIGATIONS Total</b>	<b>0.00</b>	<b>1.30</b>	<b>5.00</b>	<b>3.90</b>	<b>10.20</b>	<b>2,326.00</b>	<b>228</b>
<b>TRADING</b>							
Initial Actions	0.30	0.00	0.00	0.00	0.30	165.00	550
<b>TRADING Total</b>	<b>0.30</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.30</b>	<b>165.00</b>	<b>550</b>
<b>CREDITORS</b>							
Creditor Dealings	0.00	0.00	0.30	0.30	0.60	121.50	203
<b>CREDITORS Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.30</b>	<b>0.30</b>	<b>0.60</b>	<b>121.50</b>	<b>203</b>
<b>Total</b>	<b>1.00</b>	<b>8.70</b>	<b>15.60</b>	<b>37.40</b>	<b>62.70</b>	<b>13,119.00</b>	<b>209</b>

FREEDOM FLIGHTS (AVIATION) LIMITED - IN ADMINISTRATION

12 September 2008 to 3 August 2009

	Employee Grade					(£s)	
	(Hours)					Total Cost	Average Rate p/h
	Partner / Director	Senior Associate	Associate / Analyst	Analyst / Support	Hours To Date		
Junior							
<b>ADMINISTRATION AND PLANNING</b>							
Strategy and Control	3.60	3.10	15.00	0.30	22.00	6,503.50	296
Bank and Creditor Reporting	0.70	3.30	25.30	7.80	37.10	8,945.50	241
Statutory Duties	0.30	0.60	2.60	2.50	6.00	1,351.00	225
Job Administration	0.00	0.80	6.20	27.40	34.40	5,496.00	160
Cash Accounting and Time Records	0.50	3.50	3.70	19.70	27.40	5,593.50	204
Case Related Travel Time	0.00	0.00	0.40	0.00	0.40	96.00	240
Case Closure	0.00	1.30	0.00	3.50	4.80	945.00	197
Internal Documentation and IT	0.00	0.00	0.10	0.40	0.50	82.50	165
<b>ADMINISTRATION &amp; PLANNING Total</b>	<b>5.10</b>	<b>12.60</b>	<b>53.30</b>	<b>61.60</b>	<b>132.60</b>	<b>29,013.00</b>	<b>219</b>
<b>INVESTIGATIONS</b>							
D Reports	0.10	1.30	4.90	4.90	11.20	2,490.00	222
Other Investigations	0.00	0.00	0.00	0.10	0.10	14.00	140
Internal Documentation	0.00	0.00	0.20	0.10	0.30	67.00	223
<b>INVESTIGATIONS Total</b>	<b>0.10</b>	<b>1.30</b>	<b>5.10</b>	<b>5.10</b>	<b>11.60</b>	<b>2,571.00</b>	<b>222</b>
<b>TRADING</b>							
Initial Actions	0.50	0.00	0.00	0.00	0.50	275.00	550
Cash Accounting	0.10	0.00	3.00	0.00	3.10	775.00	250
Ongoing Trading Activities	0.10	0.10	0.00	0.00	0.20	72.50	363
Internal and External Documentation	0.00	0.00	0.00	0.10	0.10	12.50	125
<b>TRADING Total</b>	<b>0.70</b>	<b>0.10</b>	<b>3.00</b>	<b>0.10</b>	<b>3.90</b>	<b>1,135.00</b>	<b>291</b>
<b>CREDITORS</b>							
Creditor Dealings	0.30	0.00	1.90	6.80	9.00	1,490.50	166
Internal Documentation	0.00	0.00	0.20	0.10	0.30	65.00	217
Employees	0.20	0.00	0.50	0.40	1.10	269.00	245
<b>CREDITORS Total</b>	<b>0.50</b>	<b>0.00</b>	<b>2.60</b>	<b>7.30</b>	<b>10.40</b>	<b>1,824.50</b>	<b>175</b>
<b>Total</b>	<b>6.40</b>	<b>14.00</b>	<b>64.00</b>	<b>74.10</b>	<b>158.50</b>	<b>34,543.50</b>	<b>218</b>

**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.

We have not utilised the services of any sub-contractors in this case.

**1.2 Professional Advisors**

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

Name of Professional Advisor	Basis of Fee Arrangement
Freshfields Bruckhaus Deringer LLP (legal advice)	Hourly rate and disbursements
Willis Limited (insurance)	Risk based premium
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
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 but the Joint Administrators can confirm that no Category 2 disbursements have been incurred.

## 2 Charge-out Rates

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

	(Per hour) £
<b>Partner/Director:</b>	
Partner 1*	550
Partner 2*	495
Director	430
<b>Senior Associate:</b>	
Senior Associate 1*	390
Senior Associate 2*	350
<b>Associate/Analyst:</b>	
Associate	290
Analyst*	265
<b>Junior Analyst and Support Staff:</b>	
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 Seniors 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 Analyst	



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