

Administrator's progress report

| |
|---------------------------------|
| Name of Company 7T's Limited |
|---------------------------------|

| |
|----------------------------|
| Company number 04332705 |
|----------------------------|

| |
|--|
| In the High Court of Justice, Chancery Division, Companies Court <small>[full name of court]</small> |
|--|

| |
|-----------------------------------|
| Court case number 5757 of 2008 |
|-----------------------------------|

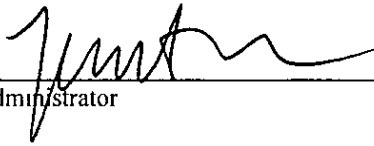
We
David John Crawshaw
KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Jonathan Scott Pope
KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

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

| | |
|-----------------|--------------|
| from | to |
| 15 January 2010 | 14 July 2010 |

Signed


Joint Administrator

Dated

11 August 2010

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.

| | |
|--|----------------------------------|
| Deirdre Cox KPMG LLP Arlington Business Park Theale Reading RG7 4SD DX Number DX 146800 (Theale) 2 | Tel 0118 373 1313 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



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COMPANIES HOUSE



**7T's Limited (trading as Lava Lounge & Iota)
(in Administration)**

Progress Report
Pursuant to Rule 2.47 of the Insolvency Rules 1986

KPMG LLP
11 August 2010
PNA/DMC/F970244143



7T's Limited (in administration)
Pursuant to Rule 2.47 of the Insolvency Rules 1986

KPMG LLP
11 August 2010

Notice: About this Report

This Report has been prepared by Jonathan Scott Pope and David John Crawshaw, the Joint Administrators of 7T's Limited, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in 7T's Limited.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors. Any person that chooses to rely on this Report for any purpose or in any context other than under the Insolvency Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person.

Jonathan Scott Pope is authorised to act as insolvency practitioners by the Insolvency Practitioners Association. David John Crawshaw is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

The Joint Administrators act as agents of 7T's Limited and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the administration.

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1 Glossary

| | |
|----------------------|---|
| Administrators | Jonathan Scott Pope and David John Crawshaw of KPMG LLP |
| Administration Order | The Administration Order was granted in the High Court of Justice, Chancery Division, Companies Court on 15 July 2008 Case court number 5757 of 2008 |
| The Bank | Bank of Scotland plc |
| The Company | 7T's Limited (trading as Lave Lounge & Iota) Company Registered Number 04332705 |
| Directors | Craig Lance Davis Simon Mark Little |
| Company Secretary | Craig Lance Davis |
| The Act | The Insolvency Act 1986 |
| The Rules | The Insolvency Rules 1986 |

The references in this report to sections, paragraphs or rules are to the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules 1986 respectively

2 Introduction

Creditors have previously been informed that Jonathan Scott Pope and David John Crawshaw of KPMG LLP were appointed Joint Administrators of 7T's Limited on 15 July 2008 following an application by the Bank

This report has been prepared in accordance with Rule 2.47 of the Rules and covers the period from 15 January 2010 to 14 July 2010

A receipts and payments account showing the position as at 14 July 2010 is attached as Appendix 2. The figures on the account are shown net of VAT

Other statutory information to be provided in accordance with Rule 2.47 of the Rules is attached as Appendix 1

2.1 Administrators' proposals

The Administrators' proposals were circulated to all known members and creditors on 8 September 2008 and were deemed to have been approved without modification in accordance with Rule 2.33(5) of the Rules on 20 September 2008

2.2 Purpose of the administration

An Administrator of a company must perform his functions with one of the following main objectives

- a) rescuing the company as a going concern, or
- b) 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
- c) realising property in order to make a distribution to one or more secured or preferential creditors

Rescuing the Company as a going concern was not achievable in this case and, therefore, the primary objective of this administration was 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)

3 Progress of the administration

3.1 Realisations

3.1.1 Sale of Business and assets

As previously reported the business and assets of the Company were sold to Magma Entertainment Limited, an unconnected party, on 20 August 2008

3.1.2 Leasehold Properties

A licence to occupy the 3 leasehold properties was granted to Magma Entertainment Limited on 20 August 2008. The Administrators have assigned all three leases.

3.1.3 Freehold Property

The Company owns a 46% share in freehold premises at Lava House, 37 Regent Circus Swindon SN1 1RQ. The Bank appointed Stephen Adshead and Gregory Palfrey of Smith & Williamson as Fixed Charge Receivers over the property on 20 October 2008. The property is being marketed by the Receivers agents, we have been advised that they have had several viewings, but there have been no offers to date.

The Administrators anticipate they will receive proceeds from the sale of the freehold property. However, at this stage it is not possible to quantify the potential realisation.

3.1.4 Book Debts

As previously reported an associated company, Blues Leisure Solutions Limited, owed the Company £17,801.51. However, Blues Leisure Solutions Limited was struck off the register at Companies House and dissolved on 8 September 2009. There is, therefore, no prospect of any recovery of this debt.

The Directors' loan accounts were also overdrawn. Craig Davies was declared bankrupt on 12 March 2009. Mr MD Pickard and Ms A Nilsson of Mazars LLP were appointed Joint Trustees of the bankruptcy. On current information, there is no prospect of any distribution being made to creditors in his case.

Mr Simon Little was declared bankrupt on 21 July 2009. There is no prospect of any distribution being made to creditors in his case.

3.1.5 Investigations

The Administrators' investigations have been completed.

4 Costs of realisation

4.1 Administrators' fees

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Rules. Further information is given in the Association of Business Recovery Professionals' publication *A Creditors' Guide to Administrators' Fees*, a copy of which can be obtained by logging onto the R3 website at [http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007\(1\).pdf](http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007(1).pdf). However, if you are unable to access this guide and would like a copy, please contact Deirdre Cox on 0118 373 1313.

The Association of Business Recovery Professionals' Statement of Insolvency Practice No 9 ("SIP 9") requires the Administrators to provide a detailed analysis of time spent, and charge out rates, for each grade of staff for the various areas of work carried out

The analysis and charge out rates are attached as Appendix 3 and shows that the Administrators' time costs from 15 January 2010 to 14 July 2010 are £12,923 representing 47 hours at an average hourly rate of £276 This includes tax, VAT, employee and pensions advice from KPMG LLP in-house specialists This brings the total time costs incurred for this administration to £334,883

No remuneration has been drawn to date In accordance with Rule 2.106(5A) of the Rules, a resolution on the Administrators' remuneration will be put to the Secured Creditor

4.2 Other Costs

In the period covered by this report £8,069 has been paid to DLA Piper in respect of legal fees.

5 Estimated outcome to creditors

5.1 Secured Creditor

The Bank holds a general mortgage debenture created on 3 September 2004, containing fixed and floating charges over the Company's assets The Bank also held legal charges over the leases of the trading venues and over the freehold property referred to above

The Company's total borrowing is £980,045 excluding interest and potential asset finance exposure Subsequent to the sale of the business and assets, a distribution of £500,000 was made to the Bank

Although the final position is not yet determined, the Administrators anticipate that the Bank will suffer a shortfall on its lending to the Company

5.2 Preferential Creditors

Although the Administrators made one redundancy prior to the sale of the business, it has now been confirmed that there are no preferential claims in the administration

5.3 Unsecured Creditors

There will be no funds available for unsecured creditors

5.4 Prescribed Part

The Prescribed Part provisions of Section 176A of the Act entitle unsecured creditors to a percentage share of realisations from net floating charge assets, after the costs of realisation have been paid The percentage is calculated on a sliding scale up to a maximum amount of £600,000 subject to costs

Whether or not there will be funds available to unsecured creditors under the Prescribed Part will be dependent upon the successful realisation of the Company's share in the freehold property (see 3.1.3 above)

6 Other matters

6.1 Directors' report

The Administrators have a duty to investigate the conduct of the Directors and to submit a return to the Department for Business, Innovation and Skills, (formerly the Department of Business, Enterprise and Regulatory Reform) on the conduct of those directors or shadow directors who were in office in the three years prior to the Administration

7 Future strategy

7.1 Ongoing matters

The following matters remain outstanding in the administration

- Receipt of the Company's share of sale proceeds from the freehold property from the Fixed Charge Receivers,
- Although unlikely, the receipt of any distributions to creditors from the bankruptcy estates of Craig Davies and Simon Little,
- Approval of the Administrators' fees,
- Finalisation of VAT and Corporation Tax liabilities upon the sale of the freehold property referred to above,
- Distribution of the Prescribed Part to unsecured creditors, should funds become available and with the permission of the Court,
- Final payment to the Secured Creditor

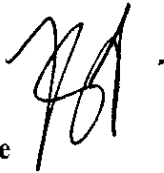
7.3 Exit from administration

Once all matters have been concluded, in accordance with the Administrators' proposals, the Company will move to dissolution under Paragraph 84(1) of the Act

As there will be no distribution to unsecured creditors other than potentially under the Prescribed Part, the Administrators will seek their discharge from liability in respect of any action of theirs as Administrators pursuant to Paragraph 98(1) of Schedule B1 of the Act from the Secured Creditor

7.4 Future reporting

In accordance with Rule 2 47 of the Insolvency Rules 1986 the Administrators will provide a further progress report by the earlier of 15 January 2011 or the conclusion of the administration



Jonathan Scott Pope
Joint Administrator

8 Appendices (see attached)

8.1 Appendix 1: Statutory information

8.2 Appendix 2: Administrators' receipts & payments account

The Administrators' receipts and payments account for the Company for the period from 15 January 2010 to 14 July 2010 is attached. The figures on the account are shown net of VAT.

8.3 Appendix 3: Administrators' time costs

The Administrators' time costs for the period from 15 January 2010 to 14 July 2010 are attached, along with a schedule of charge out rates.

Appendix 1

Statutory information

| | |
|-------------------------------|---|
| Company name | 7T's Limited |
| Administration Order | The Administration Order granted in the High Court of Justice, Companies Court, Chancery Division on 15 July 2008 Court case number 5757 of 2008 |
| Date of appointment | 15 July 2008 |
| Administrators' details | Jonathan Scott Pope is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association David John Crawshaw is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales |
| Functions | The functions of the Administrators are being exercised by either or both of them in accordance with Paragraph 100(2) of Schedule B1 of the Act |
| Application of EC regulations | EC regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC regulations |
| Date of incorporation | 3 December 2001 |
| Company registration number | 04332705 |
| Previous registered office | 18 Park Place, Cardiff, CF10 3PD |
| Present registered office | c/o KPMG LLP Arlington Business Park Theale Reading RG7 4SD |
| Trading names | "7T's", "Lava Lounge", "Iota" |
| Trading addresses | Salubrious Place Little Wind Street, Swansea SA1 1DZ Brewery Quarter, St Mary's Street, Cardiff CF10 1FG 24, 25, 26 Fleet Street, Swindon SN1 1RQ 7 Mill Lane, Cardiff CF10 1FL |



7T's Limited (in administration)
Pursuant to Rule 2 47 of the Insolvency Rules 1986

KPMG LLP
11 August 2010

| | | | |
|--------------------------|---|--|----------------------------|
| | 37 Regent Circus, Swindon SN1 1PX | | |
| Authorised share capital | 100 ordinary £1 shares | | |
| Issued share capital | 100 ordinary £1 shares | | |
| Shareholder | Craig Lance Davies – 50 ordinary £1 shares Simon Mark Little – 50 ordinary £1 shares | | |
| Company secretary | Craig Lance Davies | | |
| Company Directors | Craig Lance Davies Simon Mark Little | From: 03/12/2001 03/12/2001 | To: Date Date |
| Employees | 106 | | |



7T's Limited (in administration)
Pursuant to Rule 2.47 of the Insolvency Rules 1986

KPMG LLP
11 August 2010

Appendix 2

Joint Administrators' receipts and payments account

7T's Limited
(In Administration)
Administrators' Trading Account

| Statement of Affairs | From 15/01/2010 To 14/07/2010 | From 15/07/2008 To 14/07/2010 |
|----------------------------------|----------------------------------|----------------------------------|
| POST-APPOINTMENT SALES | | |
| Cardiff sales | NIL | 164,689 66 |
| Swansea sales | NIL | 125,183 30 |
| Swindon sales | NIL | 112,390 12 |
| | <u>NIL</u> | <u>402,263 08</u> |
| PURCHASES | | |
| Cardiff purchases | NIL | 65,442 31 |
| Swansea purchases | NIL | 47,484 42 |
| Swindon purchases | NIL | 80,853 09 |
| General Purchases | NIL | 1,534 82 |
| Trading Agents fees | NIL | 14,226 80 |
| Change of locks | NIL | 300 00 |
| Irrecoverable VAT | NIL | 18 38 |
| | <u>NIL</u> | <u>(209,859 82)</u> |
| OTHER DIRECT COSTS | | |
| Wages and salaries | NIL | 106,646 48 |
| Security Systems | NIL | 25 00 |
| | <u>NIL</u> | <u>(106,671 48)</u> |
| TRADING EXPENSES | | |
| Rent | NIL | 15,474 09 |
| Rates | NIL | 12,159 52 |
| Water rates | NIL | 546 58 |
| Cash Services | NIL | 1,236 00 |
| Cardiff City Council | NIL | 50 00 |
| Insurance | NIL | 3,673 46 |
| Professional fees | NIL | 8,575 52 |
| Bank payment charges | NIL | 3,086 52 |
| HP/Leasing payments | NIL | 1,906 50 |
| Repairs and maintenance | NIL | 94 00 |
| Sundry expenses | NIL | 235 00 |
| Environment Agency | NIL | 60 00 |
| | <u>NIL</u> | <u>(47,097 19)</u> |
| TRADING SURPLUS/(DEFICIT) | <u><u>NIL</u></u> | <u><u>38,634 59</u></u> |

7T's Limited
(In Administration)
Administrators' Abstract of Receipts & Payments

| Statement of Affairs | From 15/01/2010 To 14/07/2010 | From 15/07/2008 To 14/07/2010 |
|-------------------------|------------------------------------|----------------------------------|
| | FIXED CHARGE ASSETS | |
| 2,172,498 00 | Leasehold property | NIL 3 00 |
| | Fixed assets | NIL NIL |
| | Goodwill | NIL 674,997 00 |
| | Bank interest, gross | 75 11 315 10 |
| | <u>75 11</u> | <u>675,315 10</u> |
| | FIXED CHARGE COSTS | |
| | Agents fees | NIL 6,650 00 |
| | Legal fees | NIL 30,000 00 |
| | <u>NIL</u> | <u>(36,650 00)</u> |
| | FIXED CHARGE CREDITORS | |
| (951,540 00) | Fixed charge creditor | NIL 500,000 00 |
| | <u>NIL</u> | <u>(500,000 00)</u> |
| | ASSET REALISATIONS | |
| 130,350 00 | Plant & machinery | NIL 50,000 00 |
| 348,756 00 | Stock | NIL 47,520 00 |
| | Debtors | NIL NIL |
| | Cash floats | NIL 3,000 00 |
| | Cash in hand | NIL 2,118 23 |
| 117,120 00 | Cash at bank | NIL NIL |
| | <u>NIL</u> | <u>102,638 23</u> |
| | OTHER REALISATIONS | |
| | Bank interest, gross | 367 72 12,224 23 |
| | Sundry refunds | NIL 3,629 67 |
| | Trading Surplus/(Deficit) | NIL 38,634 59 |
| | Magma Entertainment Ltd Card Sales | NIL 487 95 |
| | <u>367 72</u> | <u>54,976 44</u> |
| | COST OF REALISATIONS | |
| | Legal fees | 6,500 00 37,516 33 |
| | Legal Disbursements | 1,569 55 1,569 55 |
| | Rent suspense | NIL (5,285 82) |
| | Statutory advertising | NIL 265 32 |
| | Bank charges | NIL 25 00 |
| | <u>(8,069 55)</u> | <u>(34,090 38)</u> |
| | UNSECURED CREDITORS | |
| (994 049 00) | Trade & expense | NIL NIL |
| (70,767 00) | Corp tax etc/nonpref PAYE | NIL NIL |
| | <u>NIL</u> | <u>NIL</u> |
| | DISTRIBUTIONS | |
| (100 00) | Ordinary shareholders | NIL NIL |
| | <u>NIL</u> | <u>NIL</u> |
| <u>752,268 00</u> | <u>(7,626 72)</u> | <u>262,189 39</u> |

REPRESENTED BY

| | |
|--------------------------|-------------------|
| Floating ch VAT rec'able | 1,781 63 |
| Floating charge current | 1,611 21 |
| Floating charge mon mar | 257,901 17 |
| Trade creditors | 895 38 |
| | <hr/> |
| | 262,189 39 |
| | <hr/> <hr/> |

David John Crawshaw
Administrator



7T's Limited (in administration)
Pursuant to Rule 2.47 of the Insolvency Rules 1986

KPMG LLP
11 August 2010

Appendix 3

Administrators' time costs



7T's Limited (in administration)

Time costs analysis from 15 January 2010 to 14 July 2010

| | Partner / Director | Manager | Administrator | Support | Total hours | Time cost | Average hourly rate |
|--|-----------------------|---------|---------------|---------|--------------|-------------------|------------------------|
| Administration & planning | | | | | | | |
| Cashiering | | | | | | | |
| Fund management | | 0 30 | | | 0 30 | £96 00 | £320 00 |
| General (Cashiering) | | | 0 75 | | 0 75 | £168 75 | £225 00 |
| Reconciliations (& IPS accounting reviews) | | | 0 90 | 0 80 | 1 70 | £274 50 | £161 47 |
| General | | | | | | | |
| Books and records | | | 0 20 | 0 10 | 0 30 | £43 50 | £145 00 |
| Fees and WIP | | 0 60 | 0 40 | | 1 00 | £333 00 | £333 00 |
| Other office holders | | 0 30 | | | 0 30 | £96 00 | £320 00 |
| Statutory and compliance | | | | | | | |
| Bonding and bordereau | | | 0 10 | | 0 10 | £22 50 | £225 00 |
| Checklist & reviews | 5 00 | 0 20 | 5 55 | | 10 75 | £3 512 75 | £326 77 |
| Strategy documents | 1 50 | 1 50 | 1 00 | | 4 00 | £1 365 00 | £341 25 |
| Tax | | | | | | | |
| Post appointment corporation tax | 1 00 | 3 00 | 0 85 | | 4 85 | £1 591 25 | £328 09 |
| Creditors | | | | | | | |
| Creditors and claims | | | | | | | |
| General correspondence | | | 4 55 | | 4 55 | £957 75 | £210 49 |
| Statutory reports | | 1 50 | 8 35 | | 9 85 | £2 358 75 | £239 47 |
| Employees | | | | | | | |
| Correspondence | | 0 10 | | | 0 10 | £32 00 | £320 00 |
| Realisation of assets | | | | | | | |
| Asset Realisation | | | | | | | |
| Cash and investments | | | 0 50 | | 0 50 | £112 50 | £225 00 |
| Debtors | | | 2 90 | | 2 90 | £652 50 | £225 00 |
| Freehold property | 1 00 | | 1 15 | | 2 15 | £698 75 | £325 00 |
| Open cover insurance | | | 2 30 | | 2 30 | £517 50 | £225 00 |
| Other assets | | | 0 40 | | 0 40 | £90 00 | £225 00 |
| Total in period | | | | | 46 80 | £12 923 00 | £276 13 |

Brought forward time (appointment date to SIP9 period start date)

1 418 90

£321 960 20

SIP9 period time (SIP9 period start date to SIP9 period end date)

46 80

£12 923 00

Carry forward time (appointment date to SIP9 period end date)

1 465 70

£334 883 20

All staff who have worked on this assignment including cashiers and secretarial staff have charged time directly to the assignment and are included in the above analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.

Appendix 3 (continued)

The current hourly charge-out rates for staff engaged on the Administration are as follows

| | 15/07/08 to 31/03/09 | 01/04/09 to 14/07/10 |
|---|-------------------------|-------------------------|
| RESTRUCTURING | £ | £ |
| Partner | 465 | 515 |
| Director | 400 | 440 |
| Senior Manager | 365 | 405 |
| Manager | 290 | 320 |
| Senior Administrator/ Assistant Manager | 205 | 225 |
| Administrator | 150 | 165 |
| Support staff | 95 | 105 |