



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

**Report to Creditors Pursuant to Rule
2.47 of the Insolvency Rules 1986**

KPMG LLP
9 February 2010

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Notice about this Report

This Report has been prepared by Jonathan Scott Pope and David John Crawshaw, the 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 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 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. The Administrators act as agents for 7T's Limited and contract without personal liability.

The appointments of the 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, Arlington Business Park, Theale, Reading, Berkshire RG7 4SD
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
The Company	7T's Limited (trading as Lava Lounge & Iota) (Company Registered Number 04332705)
Registered Office	c/o KPMG LLP, Arlington Business Park, Theale, Reading RG7 4SD
The Secured Creditor	Bank of Scotland plc ("the Bank")
The Directors	Craig Lance Davies Simon Mark Little
Company Secretary	Craig Lance Davies
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 Executive Summary

As previously advised Jonathan Scott Pope and David John Crawshaw of KPMG LLP were appointed Administrators of the Company on 15 July 2008 following an application by the Bank

The Company's principal activity was trading three nightclubs

This report has been prepared in accordance with Rule 2.47 of the Rules and covers the period from 15 July 2009 to 14 January 2010

The administration is being kept open in order to receive any potential realisations from a share in a property and from the bankruptcy estates of the Directors. The prospect of a dividend to unsecured creditors (under the Prescribed Part only see section 4.3 below) is



entirely dependent upon the level of proceeds received, once these assets have been realised and the Bank borrowing secured on the property has been cleared

Statutory information required by Rule 2.47 of the Rules is attached as Appendix 1.

A receipts and payments account showing the position as at 14 January 2010 is attached as Appendix 2.

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.

An extension to the administration order was sought in order that the Company could benefit from the potential realisation of its share of the sale proceeds in a freehold property in Swindon, which is currently being dealt with by Fixed Charge Receivers

The Court Order granting the extension was made on 7 January 2010 extending the period of the administration to 12 January 2011.

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

The administration is being conducted with a view to satisfying Paragraph 3(1)(b) of the Act being to achieve a better result for the Company's creditors as a whole than if the Company were wound up without having been in administration first. Rescuing the Company was not achievable in this case due to the level of secured debt

3 Progress of the administration

3.1 Asset realisations

3.1.1 Sale of the 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 now 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 Administrators anticipate they will receive proceeds from the sale of the freehold property, providing the sale achieves sufficient funds to clear the Bank borrowing secured thereon. Depending on the outcome, this could result in funds becoming available for unsecured creditors under the Prescribed Part.

3.1.4 Book Debts

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 considerably 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. It is anticipated that there may be a potential recovery available to the administration but, as yet it is uncertain.

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

3.1.5 Investigations

The Administrators' investigations have been completed. Apart from those matters mentioned in 3.1.4, the Administrators do not believe that any causes of action exist against any other third parties to provide recoveries for unsecured creditors.

3.2 Costs of realisation

These are detailed in the receipts & payments account attached as Appendix 2.

3.2.1 Administrators' remuneration

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Insolvency Rules 1986. 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 Deidre 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

An analysis of the Administrators' time costs from 15 July 2009 to 14 January 2010 and a schedule of charge out rates are attached at Appendix 3. These show that 103 10 hours have been spent at a cost of £24,778 and an average hourly rate of £240.33 during the period covered by this report.

This brings total Administrators' time costs to £321,960 since the commencement of the administration

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 Liabilities

4.1 Secured creditors

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 from the administration on its lending to the Company of £367,000 (this excludes any proceeds from the sale of the freehold property by the receivers)

4.2 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

4.3 Unsecured creditors and the Prescribed Part

Based on the expected level of realisations and the amounts owed to the Secured and preferential creditors, the Administrators do not believe that there will be funds available for unsecured creditors except potentially by virtue of the Prescribed Part. The Prescribed Part provisions of S176A of the Act entitle unsecured creditors to a percentage share of realisations from net floating charge assets, after costs of realisation and the settlement of preferential claims. 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)

5 Other matters

5.1 Directors' conduct report

As required by the Company Directors Disqualification Act 1986, the Joint Administrators have submitted a report on the conduct of the Directors to the Department for Business Innovation and Skills. Its contents are confidential.

6 Future strategy

6.1 Outstanding 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,
- 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

6.2 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.



6.3 Future reporting

In accordance with Rule 2.47 of the Rules, the next progress report to creditors will be issued within one month of 15 July 2010 if the administration has not been concluded prior to that date.

Jonathan Pope
Joint Administrator



7 Appendices

7.1 Appendix 1: Statutory information

7.2 Appendix 2: Administrators' receipts & payments account

The Administrators' receipts and payments account for the Company for the period from 15 July 2009 to 14 January 2010 is attached. The figures on the account are shown net of VAT.

7.3 Appendix 3: Administrators' time costs

The Administrators' time costs for the period from 15 July 2009 to 14 January 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



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	7 Mill Lane, Cardiff CF10 1FL 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		



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Appendix 2

Summary of Administrators' receipts & payments

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

Statement of Affairs	From 15/07/2009 To 14/01/2010	From 15/07/2008 To 14/01/2010
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	398 21	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>(398 21)</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>(398.21)</u></u>	<u><u>38,634.59</u></u>

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

Statement of Affairs	From 15/07/2009 To 14/01/2010	From 15/07/2008 To 14/01/2010
	FIXED CHARGE ASSETS	
2,172,498 00	Leasehold property	NIL
	Fixed assets	3 00
	Goodwill	NIL
	Bank interest, gross	674,997 00
		239 99
		675,239 99
	FIXED CHARGE COSTS	
	Agents fees	NIL
	Legal fees	6,650 00
		30,000 00
		(36,650 00)
	FIXED CHARGE CREDITORS	
(951,540 00)	Fixed charge creditor	NIL
		500,000 00
		(500,000 00)
	ASSET REALISATIONS	
130,350 00	Plant & machinery	NIL
348,756 00	Stock	50,000 00
	Debtors	47,520 00
	Cash floats	NIL
	Cash in hand	NIL
117,120 00	Cash at bank	3,000 00
		2,118 23
		NIL
		102,638 23
	OTHER REALISATIONS	
	Bank interest, gross	466 55
	Sundry refunds	NIL
	Trading Surplus/(Deficit)	11,856 51
	Magma Entertainment Ltd Card Sales	3,629 67
		(398 21)
		38,634 59
		NIL
		487 95
		68 34
		54,608 72
	COST OF REALISATIONS	
	Legal fees	NIL
	Rent suspense	31,016 33
	Statutory advertising	NIL
	Bank charges	(5,285 82)
		NIL
		265 32
		25 00
		(26,020 83)
	UNSECURED CREDITORS	
(994,049 00)	Trade & expense	NIL
(70,767 00)	Corp tax etc/nonpref PAYE	NIL
		NIL
		NIL
	DISTRIBUTIONS	
(100 00)	Ordinary shareholders	NIL
		NIL
		NIL
752,268 00		170.25
		269,816 11

REPRESENTED BY

Floating ch VAT rec'able
Floating charge current
Floating charge mon mar
Trade creditors

379 95
11,039 17
257,501 61
895 38

269,816 11

David John Crawshaw
Administrator



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Appendix 3

Analysis of Administrators' time costs to 14 January 2010



7T's Limited (in administration)

Administrators' time costs from 15 July 2009 to 14 January 2010

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
Cashiering							
General (Cashiering)			1 85	1 10	2 95	£447.75	£151.78
Reconciliations (& IPS accounting reviews)			1 10	0 40	1 50	£283.50	£189.00
General							
Fees and WIP			0 30	0 50	0 80	£120.00	£150.00
Statutory and compliance							
Bonding and bordereau				0 50	0 50	£52.50	£105.00
Checklist & reviews		7 10	9 60		16 70	£4,968.00	£297.49
Closure and related formalities		0 60			0 60	£243.00	£405.00
Reports to debenture holders			5 95		5 95	£1,338.75	£225.00
Strategy documents	1 00	2 70	5 50	1 10	10 30	£2,657.00	£257.95
Tax							
Post appointment corporation tax		0 20			0 20	£64.00	£320.00
Post appointment VAT		1 00	5 05		6 05	£1,415.25	£233.93
Trading							
Cash & profit projections & strategy			0 80		0 80	£132.00	£165.00
Purchases and trading costs		0 10	1 50		1 60	£279.50	£174.69
Creditors							
Creditors and claims							
General correspondence	1 00		2 55		3 55	£929.75	£261.90
Notification of appointment			1 20		1 20	£198.00	£165.00
Statutory reports	3 00	5 10	34 95	1 60	44 65	£10,263.75	£229.87
Investigation							
Directors							
Correspondence with directors		0 30			0 30	£96.00	£320.00
Investigations							
Correspondence re investigations			1 30		1 30	£292.50	£225.00
Mail redirection			1 95		1 95	£333.75	£171.15
Realisation of assets							
Asset Realisation							
Debtors		1 00	1 00		2 00	£630.00	£315.00
Leasehold property			0 20		0 20	£33.00	£165.00
Total in period					103 10	£24,778.00	£240.33

Total times costs from 15 July 2008 to 14 January 2010

1,418 90 £321,960.20

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 14/01/10
	£	£
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