

The Insolvency Act 1986

Administrator's progress report

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company AC199 Realisation Limited	Company number SC 102977
--	---------------------------------


(a) Insert full name(s) and address(es) of administrator(s)

I/ We (a) John Gerard Montague of Grant Thornton UK LLP, 1/4 Atholl Crescent, Edinburgh, EH3 8LQ and Robert Caven of Grant Thornton UK LLP, 95 Bothwell Street, Glasgow, G2 7JZ

administrator(s) of the above company attach a progress report for the period

(b) Insert dates

from	to
(b) 23 September 2010	(b) 22 March 2011

Signed 
 Joint / Administrator(s)
 Dated 18/4/11

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

Euan McCorquodale, Grant Thornton UK LLP	
1/4 Atholl Crescent, Edinburgh, EH3 8LQ	
	Tel 0131 659 8552
DX Number	DX Exchange

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

Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF
 35 Edinburgh / LP 4 Edinburgh-2

WEDNESDAY



SV421TNA
 SCT 27/04/2011 768
 COMPANIES HOUSE



Grant Thornton

Our Ref JGM/ARE/PZM/EKM/7

TO ALL KNOWN CREDITORS

Recovery and Reorganisation

Grant Thornton UK LLP

1/4 Atholl Crescent
Edinburgh EH3 8LQ

T +44 (0)131 229 9181

F +44 (0)131 229 4560

DX ED428 Edinburgh

www.grant-thornton.co.uk

18 April 2011

Dear Sirs

AC199 Realisations Limited - In Administration (formerly Airchannel Limited)

1 INTRODUCTION

- 1.1. Following the appointment of Rob Caven and I as Joint Administrators of the Company on 23 March 2010, I am now in a position to report on the progress of the administration to 22 March 2011. This report should be read in conjunction with the administrators proposals dated 16 May 2010 and the progress report dated 17 November 2010.
- 1.2. I enclose Form 2.20B(Scot) together with an account of my receipts and payments for the 6 month period ended 22 March 2011 in accordance with Rule 2.38 of the Insolvency (Scotland) Rules 1986.
- 1.3. In accordance with paragraph 100 (2) of Schedule B1 to the Insolvency Act 1986 the functions of the administrators are to be exercised by any or all of them.

2 STATUTORY INFORMATION

- 2.1. The Company's statutory details are as follows:

Registered number	SC102977
Registered office	c/o Grant Thornton UK LLP, 95 Bothwell Street, GLASGOW, G2 7JZ
Former trading address	Stirling Road Industrial Estate, Dykehead Road, AIRDRIE, ML6 7UJ

Chartered Accountants

Member firm within Grant Thornton International Ltd

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales. No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP

A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

A list of personnel permitted by Grant Thornton to accept appointments as insolvency practitioners and of their respective authorising bodies may be inspected at the above address.

Authorised share capital	827,686 Ordinary £1 Shares 368,750 Preferred Ordinary £1 Shares
--------------------------	--

Issues share capital	827,686 Ordinary £1 Shares 368,750 Preferred Ordinary £1 Shares
----------------------	--

Directors:

Colin Glassey
Steve Holman
Alastair Paul Henry Shanks
Alexander Gavin Shanks
James Sheldon

Shareholding:

Nil
Nil
18,000
719,295
50,000

Secretary:

James Sheldon

Shareholding:

As above

- 2.2. The administration constitutes "main proceedings" under the EC Regulation on Insolvency Proceedings.
- 2.3. The administration appointment was made by the Directors of the Company in accordance with Paragraph 22 of Schedule B1 of the Insolvency Act 1986 on 23 March 2010. There is no Court reference number.
- 2.4. This report is prepared in accordance with Rule 2.38 of the Insolvency (Scotland) Rules 1986.

3 ACTIONS TAKEN SINCE LAST REPORT

Background and Objectives

- 3.1. As previously reported, the directors of the Company appointed Rob Caven and I as Joint Administrators of the Company on 23 March 2010 following various measures to try and overcome the trading difficulties faced by both the Company and the wider Group.
- 3.2. The objective of the administration was to achieve a better result for the Company's creditors as a whole than would be likely if the Company had been wound up. In tandem with this, the Administrators were to pursue the objective of realising assets for the benefit of preferential and secured creditors.
- 3.3. These objectives were achieved by realising the business and assets of the Company via a going concern sale.

Property

- 3.4. As discussed in the proposals and previous progress report, three of the five properties held in the balance sheet of Airchannel were, in fact, owned by its subsidiary AC201 Realisations Limited (formally Anglair). All three of these properties have now been sold and the proceeds of sale for the properties have been paid direct to the secured creditor, Royal Bank

of Scotland plc. Details on the disposal of the two Airchannel properties are provided below:

Newton Aycliffe

- 3.5. We are currently negotiating a contract for the sale of this property and hope to complete a sale within the next few weeks. For commercial reasons it is not appropriate to disclose the offer price at this time. Full information will be disclosed to creditors in my next report. The proceeds of sale are due to be paid to the secured creditor.

Airdrie

- 3.6. Sale of the Airdrie property continues to progress and a variety of interests have been expressed. As part of the sale process an asbestos survey has been undertaken and the results have been shared with interested parties. No acceptable formal offers have yet been received however we continue to market this property. For commercial reasons it is not appropriate to disclose the likely sale price at this time.

Stock

- 3.7. Following the conclusion of all retention of title issues, and the sale of small amounts of stock to Motivair, the remaining stock at Ipswich and Airdrie was found to be of minimal value and has now been removed by our property contractors to ensure that the site was clear for insurance requirements and also to ensure a clear site was available to the purchaser of the property. The costs of removal were greater than the scrap value of the stock removed.
- 3.8. The realisations from stock and work in progress are currently restricted to the price paid by Motivair for work in progress of £85,000 and £1,550 for parts stock purchased. The movement in the period relates to reimbursement of a stock deposit paid by the purchaser.

Debtor collections

- 3.9. These may be summarised as follows:

	£000
Book debt as per ledger	2,467
Credit notes given	(33)
Bad debts	(463)
Disputed/unsupported balances	(160)
Write off for contras	(53)
Credit balances	47
Inter-company	(2)
Book value of collectable debts	1,803
Collections	
Collections to date	1,712
Debt collection fees	(25)
ROT settlements	(74)
Net collections	1,613
Bank debt (including termination charges)	(1,302)
Surplus from book debts to date	311
Estimated future collections	4
Estimated surplus from book debts	315

- 3.10. Under the terms of the sale to Motivair, and approved by RBSIF, Motivair undertook responsibility for collection of Airchannel's debtor book for a period of three months. The collection fees payable to Motivair was a percentage of collections with the percentage varying depending upon the ageing of the debtor book as at 23 March 2010. Since July 2010 collection of the outstanding book debts has been undertaken by the administrators. After accounting for bad debts, query provisions, contra write offs, credit balances and inter Company balances a total of £1.612 million has been realised.
- 3.11. Retention of title settlements have been categorised as charges against debtor receipts as the goods were held by debtor companies and the settlements of £74,040 was paid following successful recovery of the related debt.
- 3.12. The debt due to RBSIF has been discharged in full and the net recovery to the administration as at 14 February 2011 is estimated at £315,000.
- 3.13. The level of collections is considered a success as the following factors have influenced debt collections
- In a number of instances there was insufficient back up information for invoices e.g. timesheets, client authorisations etc for service work. These issues primarily related to clients where branches had recently closed down. This led to a large number of queries and contributed to the level of disputes. Where possible every effort has been made to resolve these but in many instances there was limited information available to pursue collection
 - Due to the downturn in the economy, which had been a contributing factor to the Company's own failure, many debtors have experienced financial pressure resulting in non-payment of debts
- 3.14. Resolution of disputed balances and chasing "reluctant" payers involved a significant investment of time. Nonetheless the successful and early repayment of RBSIF debt including termination charges and interest has been a positive accomplishment in this administration.
- 3.15. The collection process remains ongoing, albeit is hampered by the points detailed above. However, the estimated future recovery is in the region of £4,000 net of collection costs.

Other matters

- 3.16. Other issues that the Joint Administrators staff have dealt with in the period to 22 March 2011 are listed below:
- Monitoring the collection of book debts
 - Recovery of outstanding debtor balances following cessation of the three month agreement with Motivair and co-ordinating with Motivair on receipt of monies
 - Reconciliation to book debts
 - Reporting to the secured creditor
 - Dealing with creditors claims and queries as appropriate
 - Liaising with insurers
 - Liaising with agents on security and disposal of Newton Aycliffe and Airdrie
 - Attempting to dispose of stock and arranging the clearance of this by property agents

- Corresponding with HM Revenue and Customs in relation to the tax implications of the property sales as required
- Attending to all statutory matters as required
- Other ad-hoc duties as required

4 Receipts and Payments

- 4.1. My receipts and payments account covering the period to 22 March 2011 is attached in Appendix A.
- 4.2. It should also be noted that Airchannel has met a number of property related expenses on behalf of Anglair. These costs will be reimbursed by Anglair when it is in receipt of sufficient funds.

5 Estimated Outcome for Creditors

Preferential Creditors

- 5.1. Preferential creditor claims of £187,826 are for arrears of wages deducted from the purchase price paid by Motivair. There are no preferential claims related to outstanding holiday pay as the liability in this regard was transferred to Motivair on the acquisition of the business and assets.

Secured and floating Charge Creditor

- 5.2. The Company's secured creditor is Royal Bank of Scotland plc ("RBS"). A summary of the debt due and likely recovery to RBS is set out below

	£000
Term loans	1,149
Overdraft	814
Provision for interest & charges	160
	2,123
Recoveries from AC199 Realisations	
Property	650
Debtor surplus	315
Floating charge assets	683
Preferential creditors	(188)
Gross realisation	1,460
Estimated shortfall to RBS from AC199 Realisations before costs and expenses	(663)

- 5.3. RBS will not receive full recovery from the assets of Airchannel. The balance of its recovery will be under cross guarantee from Fidelity Plant Hire (Scotland) Limited and AC201 Realisations Limited, formerly Anglair Limited.
- 5.4. Whilst funds from both these companies have already been used to partially repay RBS, our view is that Fidelity and Anglair have a right to recover any funds paid as substitute floating charge creditors. Upon confirmation from our solicitors that this treatment is correct there will be no surplus arising to the creditors of AC199 Realisations Limited.

Unsecured Creditors

- 5.5. Subject to legal confirmation of our comments on the ability of guarantor companies to rank as substitute floating charge creditors, we anticipate there will be insufficient funds available to pay a dividend on unsecured claims. There is no prescribed part for unsecured creditors as the floating charge was created before 15 September 2003.

6 Extension of Administration

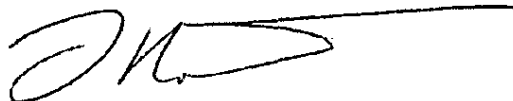
- 6.1. The Court has granted an extension to the administration for 12 months to allow for the realisations of the remaining assets and book debts.
- 6.2. Once the properties have been sold and the remaining book debts have been collected and creditor distributions made to the secured and preferential creditors, the Joint Administrators will file a notice with the Court and the Registrar of Companies confirming that the purpose of the administration has been sufficiently achieved.

7 Administrators Remuneration and Disbursements

- 7.1. No fees have been drawn to date and formal determination and approval of fees by creditors will be requested in separate correspondence in due course. Given the outcome of the administration, it is likely that approval will be a matter for the secured and preferential creditors only, in accordance with Rule 2.39 of Insolvency (Scotland) Rules 1986.
- 7.2. The administrators remuneration will be calculated according to the time properly given by the administrators and their staff in attending to matters arising in the administration.
- 7.3. Background information regarding the fees of administrators can be found at <http://www.insolvency-practitioners.org.uk> (navigate via 'Regulation and Guidance' to 'Creditors Guides to Fees').

Should you require any further information or explanations, please do not hesitate to contact Euan McCorquodale of this office.

Yours faithfully
for and on behalf of AC199 Realisations Limited



John Montague
Joint Administrator

The affairs, business and property of AC199 Limited (formerly Airchannel Limited) are being managed by John Montague and Rob Caven, appointed as joint administrators on 23 March 2010. The joint administrators act as agents of the Company and without personal liability.

APPENDIX A

Joint Administrators' Abstract of Receipts and Payments

	From 23/09/2010 to 22/03/2011	From 23/03/2010 to 22/03/2011
	£	£
Secured Assets		
Property		
Freehold/Leasehold Property	-	-
Fixed Charge Property Expenses	(14,804.01)	(17,294.34)
	(14,804.01)	(17,294.34)
Hire Purchase		
HP Assets	-	40,800.00
Finance Company	-	(16,775.21)
	-	24,024.79
Book Debts		
Book Debts	183,678.17	1,710,860.81
Debt Collection Fees	-	(24,885.27)
Retention of Title	(17,040.00)	(74,040.00)
Factoring Charges	-	(120,445.62)
Chargeholder (1)	-	(1,181,783.05)
	166,638.17	309,706.87
Available to Floating Charge Creditors	151,834.16	316,437.32
Floating Charge Assets		
Asset Realisations		
Plant & Machinery	3,500.00	59,720.00
Motor Vehicles	-	1,200.00
Stock	(8,449.72)	86,550.28
Property Rights/Patents	-	2.00
Rent	-	10,722.25
Bank/ISA InterestGross	132.27	242.85
Bank Interest Net of Tax	-	16.91
Misc Refunds and Receipts	530.55	559.30
Goodwill	-	500,000.00
	(4,286.90)	659,013.59
Cost of Realisations		
Subcontractors	-	(2,346.40)
Specific Bond	-	(528.00)
Preparation of S. of A.	-	(2,689.01)
Agents/Valuers Fees (1)	(17,328.50)	(31,704.20)
Legal Fees (1)	-	(15,740.36)
Professional Fees	(760.00)	(760.00)
Telephone Telex & Fax	(130.84)	(130.84)
Room Hire	-	(151.49)
Storage Costs	(1,020.75)	(1,020.75)
Statutory Advertising	-	(63.45)
Other Property Expenses	(10,303.22)	(10,357.22)
Bank Charges	(60.00)	(260.00)
	(29,603.31)	(65,751.72)
Preferential Creditors		
Employee Arrears/Hol Pay	-	(187,826.00)
Preferential Creditors (All)	(1,126.03)	(1,126.03)
	(1,126.03)	(188,952.03)
Floating Charge Creditors		
Floating Charge Creditor	(121,596.55)	(344,698.76)
	(121,596.55)	(344,698.76)
	(4,778.63)	376,048.40
Represented By		
Vat Receivable		4,655.97
Floating Current Account		369,120.27
Fixed Ch Vat Receivable		2,907.76
Vat Payable		(635.60)
		376,048.40