

The Insolvency Act 1986

Statement of administrator's proposals

2.17B

Name of Company EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED	Company number 05540296
In the High Court of Justice Manchester District Registry Chancery Division <small>(full name of court)</small>	Court case number 119 of 2011


(a) Insert full name(s) and address(es) of administrator(s) I/We (a) J M Tittley & A Poxon of Leonard Curtis, Hollins Mount,
Hollins Lane, Bury, Lancashire BL9 8DG

attach a copy of *my / our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

* Delete as applicable

(b) Insert date (b) 18 March 2011

Signed 
J M Tittley & A Poxon - Joint /Administrator(s)

Dated 18 March 2011

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

Leonard Curtis	
Hollins Mount, Hollins Lane, Bury, Lancashire,	
BL9 8DG	Tel 0161 767 1250
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





LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED ("ERA")
ERAGICS LIMITED ("ERAGICS")
(BOTH IN ADMINISTRATION)
("THE COMPANIES")**

Registered Numbers: 05540296 and 06408658
Court Refs. 119 and 129 of 2011

High Court of Justice
Manchester District Registry
Chancery Division

Joint Administrators' Report and Statement of Proposals

18 March 2011

Leonard Curtis
Hollins Mount, Hollins Lane,
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Ref KJ19/MD/NE275K/1040

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TO THE REGISTRAR OF COMPANIES
ALL CREDITORS
ALL SHAREHOLDERS

1 INTRODUCTION

1.1 I refer to the appointment of A Poxon and myself as Joint Administrators ("the Joint Administrators") of Expense Reduction Analysts International Limited ("ERA") and ERAGICS Limited (collectively "the Companies") on 25 January 2011 and now write to present our proposals ("the Proposals") (Appendix A) for the Companies pursuant to the Insolvency Act 1986 ("the Act")

1.2 We do not propose to convene meetings of creditors of the Companies in this instance, as we anticipate that the Companies will have insufficient property to enable a distribution to be made to unsecured creditors and therefore the requirement to convene meetings is disapplied by Paragraph 52(1)(b) of Schedule B1 to the Act

1.3 Creditors whose debts amount to at least 10% of the total debts of either Company, may request a meeting. Any requests for an initial creditors' meeting must be made in writing to this office using Form 2.21B (available on request) by 31 March 2011. Security for the costs of holding the meeting must also be provided.

1.4 In the event that no meeting is requested, the Proposals will be deemed to have been approved in accordance with Rule 2.33(5) of the Insolvency Rules 1986. Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the date given in 1.3 above.

2 STATUTORY INFORMATION

2.1 The Administration proceedings are under the jurisdiction of the Manchester District Registry under Court references 119 and 129 of 2011 respectively.

2.2 During the period in which the Administration Orders are in force, any act or function required or authorised to be done by the Joint Administrators may be exercised by both or either of them.

2.3 The Companies' registered offices were changed from 62 Wilson Street, London, EC2A 2BU to Hollins Mount, Hollins Lane, Bury, Lancashire, BL9 8DG. The registered numbers are 05540296 and 06408658.

2.4 The Companies operated from leasehold premises at 62 Wilson Street, London, EC2A 2BU.

2.5 The Companies directors and secretaries are detailed below.

ERA

Name	Role	Date Appointed
C&P Company Secretaries Limited	Company secretary	19/08/2005
Mr Keith Chapman	Director	01/11/2005
Mr Ken Hagerstrom	Director	01/10/2009
Mr Charles Howson	Director	05/05/2008
Mr Frederick Marfleet	Director	19/08/2005

ERAGICS

Name	Role	Date Appointed
C&P Company Secretaries Limited	Company secretary	21/12/2007
Mr Keith Chapman	Director	21/12/2007
Mr Ronald Clucas	Director	14/02/2008

2.6 The Companies issued share capital is detailed below

ERA

Name	Class of Share	No. of Shares	% of Total Owned
Fredenck Marfleet	Ordinary 50p	1,842,416	48
R&H Trust Co (Jersey) Limited as Trustee of the Minnie Badernoch Settlement	Ordinary 50p	282,000	7
Pamela Burnett	Ordinary 50p	272,016	7
Keith Chapman	Ordinary 50p	159,943	4
BDI PTY Limited as Trustee for Tessa Trust	Ordinary 50p	154,000	4
Others holding less than 3% each	Ordinary 50p	1,093,005	30
		3,803,380	100%

ERAGICS

Name	Class of Share	No. of Shares	% of Total Owned
ERA	Ordinary £1	2	100
		2	100%

2.7 According to the information registered at Companies House, the Companies have the following registered charges

ERA

Chargeholder	Date created	Description	Amount Secured £	Assets charged
Mr Fredenck Marfleet	12/04/2010	Fixed and Floating Charge	All monies	All assets

2.8 There are no outstanding charges in respect of ERAGICS

2.9 The EC Regulation on Insolvency Proceedings 2000 applies to these Administrations. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Companies are based in the United Kingdom

3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION

3.1 ERA was the ultimate holding company of the ERA Group. The Group, which comprised a number of trading subsidiaries, provided cost management and procurement advice to businesses throughout Europe, Australia and America.

3.2 The service was delivered to customers by franchise holders who paid licence and marketing fees to the Group.

3.3 In recent years the Group's performance had deteriorated significantly due to a decrease in the level of new franchises being granted, the high level of fixed costs and the onset of the worldwide economic downturn.

3.4 A significant amount of additional investment was required to market the business and generate sufficient extra franchises to return the Group to profitability.

3.5 The Group's trading results for the 3 years ended 31 December 2010 are summarised below:

	Year ended 31/12/10 £'000	Year ended 31/12/09 £'000	Year ended 31/12/08 £'000
Sales	<u>9,000</u>	<u>13,294</u>	<u>13,086</u>
Net profit (loss)	<u>(1,400)</u>	<u>(971)</u>	<u>160</u>

3.6 The directors subsequently sought the advice of Leonard Curtis, who advised that the Companies were insolvent by statutory definition and the directors ought to consider the options available.

3.7 On 24 January 2011, a Notice of Intention to Appoint Administrators was filed in respect of ERA in the High Court of Justice, Chancery Division, Manchester District Registry.

3.8 The Notice of Intention to Appoint Administrators in respect of ERA was served on Mr Frederick Marfleet as holder of a qualifying floating charge.

3.9 In accordance with Paragraph 22(2) of Schedule B1 of the Insolvency Act 1986, following receipt of consent to the appointment from the holder of a qualifying floating charge, the Notice of Appointment in respect of ERA was filed in the High Court of Justice, Chancery Division, Manchester District Registry on 25 January 2011.

3.10 A Notice of Appointment of Administrators in respect of ERAGICS was filed in the High Court of Justice, Chancery Division, Manchester District Registry on 25 January 2011.

3.11 My colleague, Andrew Poxon, and I are licensed in the UK by the Institute of Chartered Accountants in England and Wales. In accordance with Paragraph 100(2) of the Insolvency Schedule B1 to the Act, the function of the Joint Administrators may be exercised by either or both, acting jointly or alone.

4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

4.1 The Companies recent trading results are detailed below

ERA

The consolidated trading results are set out at paragraph 3.5

ERAGICS

	Period ended 31/12/2009 £'000	Year ended 31/10/2008 £'000
Turnover	Nil	Nil
Gross Profit	Nil	Nil
Gross Profit %	-	-
Administrative expenses	(253)	(129)
Operating Profit/(Loss)	(253)	(129)
Interest and charges	-	-
Profit/(Loss) before tax	(253)	(129)
Taxation	-	-
Loss after tax	(253)	(129)

4.2 The Companies recent balance sheets are detailed below

ERA

	31/12/2009 £'000	31/12/2008 £'000	31/12/2007 £'000
Fixed Assets			
Intangible assets	240	255	270
Investments	495	415	414
	735	670	684
Current Assets			
Debtors	4,449	4,263	4,123
	4,449	4,263	4,123
Creditors Amounts Falling due within one year	(66)	(78)	(74)
Net Current Assets/(Liabilities)	4,383	4,185	4,049
Net Assets	5,118	4,855	4,733
Represented by			
Called up share capital	1,902	1,902	1,904
Share Premium account	2,743	2,743	2,740
Profit and Loss account	473	210	89
Shareholders Funds	5,118	4,855	4,733

The Company's net asset position results from the significant book value of investments in and debts due from subsidiaries. These values require significant provisions as a result of the financial position of the subsidiaries.

ERAGICS

	31/12/2009 £'000	31/10/2008 £'000
Current Assets		
Debtors	17	-
	<u>17</u>	<u>-</u>
Creditors: Amounts Falling due within one year	(398)	(129)
	<u>(398)</u>	<u>(129)</u>
Net Liabilities	<u>(381)</u>	<u>(129)</u>
Represented by		
Called up share capital	-	-
Profit and Loss account	(381)	(129)
Shareholders' Funds	<u>(381)</u>	<u>(129)</u>

4.3 Statement of Affairs

The directors are required to lodge statements of affairs as at 25 January 2011 which have to be filed with the Registrar of Companies. Although the documents have not yet been received, I understand that they are in the course of preparation and will be submitted shortly. In the meantime, estimates of the financial positions as at the date of the Joint Administrators' appointment are enclosed at Appendix B, together with lists of creditors including their names, addresses and details of their debts, including any security held.

Please note that no provision has been made for costs and expenses of realisations, costs of the Administrations and any corporation tax which may be payable. The following comments are considered to be relevant and should be borne in mind when reading the figures.

4.4 Secured Creditor

Mr Frederick Marfleet

Mr Frederick Marfleet holds security against ERA by way of a fixed and floating charge over the assets of ERA created on 12 April 2010.

Mr Marfleet provided funding to ERA and on our appointment a sum of approximately £313,000 remained outstanding.

I can advise that Mr Marfleet has been repaid in full under his fixed charge following a sale of the business and assets of ERA.

4.5 Prescribed Part

In the matter of ERA, as the secured creditor has been repaid in full under its fixed charge, there is no requirement to set aside a prescribed part in this case.

In the matter of ERAGICS, as the Company has no unsatisfied post-Enterprise Act charges, there will be no requirement to set aside a prescribed part in this case

4.6 Preferential Claims

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay

It is not anticipated that there will be any preferential claims

4.7 Unsecured Claims

At present, it is considered unlikely that there will be sufficient funds available to enable a distribution to unsecured creditors of the Companies. This statement is being made in accordance with paragraph 52(1)(b) of Schedule B1 to the Act. Creditors should however continue to submit details of their claims using the statement of claim forms attached at Appendix G. These claims will be collated and passed to any subsequently appointed Liquidator in due course.

4.8 Receipts and Payments

Receipts and payments accounts for the period of the Administrations to date are enclosed at Appendix C.

5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT

5.1 Sale of Business

Prior to and upon appointment, the administrators investigated the possibility of concluding a sale of what remained of the business and assets of the Companies as it was considered that a sale of all or part of the business as a going concern would allow the following:

- Provision of financial support to the remainder of the Group
- Avoidance of licence breaches which would have reduced asset values
- Certainty of outcome
- Enhanced asset realisations

Champion Chartered Accountants ('Champion') provided a valuation in respect of ERA's goodwill and intellectual property. Champion considered the company's trading position and future prospects and estimated a sum of between £180,000 and £360,000 could be achieved.

Champion also considered the value of investments in subsidiaries through both the shares held and the intercompany debtor positions. Champion concluded that the marginal financial position or insolvency of the subsidiaries, the balance sheets of which reflected significant levels of goodwill which could not be substantiated, justified a maximum realisable value of £50,000 for the debtor positions and a nominal value only in respect of the shares.

An offer of £363,000 was made by Montgomery Investment Co SA to the proposed Administrators. Following advice from our appointed agents, Champion, this offer was accepted and the business sale was concluded on 25 January 2011.

The consideration of £363,000, payable on completion, was apportioned as follows

Category of asset	£'000
Goodwill and Intellectual property	313
Intercompany debts	50
Total	363

Following the completion of the pre-packaged sale of ERA's business and assets, the Joint Administrators sent a letter to creditors on 8 February 2011 to provide further information on the sale pursuant to the requirements of Statement of Insolvency Practice 16. A copy of the information provided is attached at Appendix D.

5.4 Professional Advisors Used

On the assignments, the Joint Administrators have used the professional advisors listed below

Name of Professional Advisor	Service Provided	Basis of Fees
Addleshaw Goddard	Legal advice	Time costs
Champion Chartered Accountants	Goodwill, I P and debtor valuation advice	Time costs

Details of this firm's policy regarding the choice of advisors and the basis for their fees are given in Appendix F.

6 ACHIEVING THE PURPOSE OF ADMINISTRATION

6.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives

- (a) rescuing the Companies as going concerns, or (if this cannot be achieved),
- (b) achieving a better result for the Companies creditors as a whole than would be likely if the Companies were wound up (without first being in administration), or (if (a) and (b) cannot be achieved),
- (c) realising property in order to make a distribution to one or more secured or preferential creditors

6.2 The first objective is not capable of being achieved given the extent of historic liabilities

6.3 The second objective is to achieve a better result for the Companies creditors as a whole than would be likely if the Companies were to be wound up (without first being in Administration). It is considered that this objective is unlikely to be achieved as there is little prospect of a dividend to unsecured creditors.

6.4 The third objective is to realise property in order to make a distribution to secured or preferential creditors. This objective has already been achieved as the secured creditor has received payment in full under his fixed charge following a sale of ERA's goodwill.

7 JOINT ADMINISTRATORS' PROPOSALS AND EXIT ROUTE

- 7.1 The Joint Administrators' Proposals for achieving the objective of Administration in each company are attached at Appendix A
- 7.2 Ordinarily the Joint Administrators would seek approval of the Proposals at meetings of creditors of the Companies. However, in this case, as there is little likelihood of a dividend being available for unsecured creditors, the Joint Administrators are dispensing with the requirement to hold such a meetings as allowed by Para 52(1)(b) of Schedule B1 to the Act
- 7.3 Creditors whose debts amount to at least 10% of the total debts of either Company, may request a meeting. Any requests for an initial creditors' meeting must be made in writing to this office using Form 2.21B (available on request) by 31 March 2011. Security for the costs of holding the meeting must also be provided
- 7.4 If no meeting is requested, the Proposals will be deemed to have been approved
- 7.5 Once approved, the affairs of the Companies will be managed in accordance with the Proposals and financed out of asset realisations
- 7.6 Once the Administrations have been finalised, and if there are insufficient funds available to allow a distribution to unsecured creditors, the Joint Administrators will file a Notice with the Registrar of Companies that the Companies be dissolved. Alternatively, if there are assets still to be realised or investigations concluded but there will be no return to unsecured creditors, the Companies may be placed into Compulsory Liquidation

8 EXTENSION OF ADMINISTRATION

- 8.1 The appointment of administrators ordinarily ceases to have effect at the end of the period of one year from the date of their appointment
- 8.2 In certain circumstances it may be necessary to extend the Administrators' term of office. The appropriate body of creditors will be contacted in due course should an extension be required

9 PRE-ADMINISTRATION COSTS

- 9.1 Pre-administration costs are defined as

- Fees charged, and
- Expenses incurred

by the Administrator, or another person qualified to act as an insolvency practitioner before the company entered Administration (but with a view to its doing so). "Unpaid pre-administration costs" are pre-administration costs which had not been paid when the company entered Administration

- 9.2 In the period immediately prior to the administrations, Leonard Curtis provided insolvency advice to the secured creditor and the Companies and carried out an assessment of its financial position with a view to establishing the appropriate insolvency procedures for the Companies
- 9.3 Champion Chartered Accountants were then requested to provide an assessment of the likely realisable value of ERA's goodwill and intellectual property. This information enabled Leonard Curtis

to properly gauge the Company's financial position and ensure that at least one of the three statutory purposes of administration could be achieved

- 9 4 Further costs were incurred by Leonard Curtis and Addleshaw Goddard in dealing with the formalities associated with placing the Companies into administration and completing a sale of the business
- 9 5 Pre-appointment fees charged and expenses incurred by the Joint Administrators in connection with ERA in the period prior to their appointment are summarised below

Charged by	Services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Leonard Curtis	Appointment advice & negotiation of the sale	7,513	Nil	n/a	7,513
Champion Chartered Accountants	Valuation of goodwill, intellectual property and debtors	10,000	Nil	n/a	10,000
Addleshaw Goddard	Appointment papers and dealing with sale contract	15,000	Nil	n/a	15,000

- 9 6 The payment of unpaid pre-administration costs (set out above) as an expense of the Administration is subject to the approval of the appropriate class of creditors, separately to the approval of the Administrators' Proposals. In this case, the Joint Administrators are required to seek the approval of the secured creditor to this resolution

10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 10 1 As there is little prospect of a dividend being available for unsecured creditors, the Joint Administrators are required to agree the basis of their remuneration with the secured creditor
- 10 2 The remuneration of the Joint Administrators may be fixed either as a percentage of the value of the property with which they have to deal, as a set amount or by reference to the time spent. In this case the Joint Administrators are requesting agreement to the latter
- 10 3 Enclosed at Appendix E are summaries of the Joint Administrators' time costs to 28 February 2011. The summary shows that the following time costs have been incurred

Company	Total time costs to 28 February 2011 £	Total Hours	Average Hourly Rate £
ERA	13,508 00	45 00	300 18
ERAGICS	846 00	5 10	165 88

- 10 4 Further details of my firm's charge-out rates and policy regarding the recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix F. Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded from <http://www.leonardcurtis.co.uk/downloads>. For the purposes of this report, the relevant guide is "Administration Guide – company entering administration on or after 6 April 2010 – other offices". If you

would prefer this to be sent to you in hard copy please contact Michael Dillon of this office on 0161 767 1250

10 5 The Joint Administrators also require approval in respect of the basis upon which they recharge internal disbursements that include an element of allocated costs. These are known as Category 2 costs and the basis of the calculation of their recharge is also detailed in Appendix E. Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as a "category 1 disbursement". Category 1 disbursements will generally comprise items such as case advertising and travel costs. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and storage of company records.

10 6 The outcome of the voting on remuneration will be communicated to creditors in due course.

11 ANTICIPATED OUTCOME AND RELEASE OF ADMINISTRATORS FROM LIABILITY

11 1 As soon as all outstanding matters in the Administrations have been attended to it is anticipated that we will file a notice with the Registrar of Companies in order that the Administrations will cease and the Companies will move automatically to dissolution.

11 2 The appointment of the Joint Administrators will cease as soon as this notice is issued.

11 3 It is ordinarily for the creditors to fix the date upon which the Joint Administrators are discharged from liability in respect of any action of theirs during the Administration. The appropriate class of creditor will be contacted directly in this respect.

12 CONCLUSION

12 1 It is important that you give careful attention to this report and its Appendices.

12 2 Creditors will be notified of the outcome of voting in due course.

Should you have any queries or require any further clarification please contact Michael Dillon at my office, in writing. Electronic communications should also include a full postal address.

for and on behalf of
EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED
ERAGICS LIMITED

J M TITLEY
Joint Administrator

Licensed in the UK by Institute of Chartered Accountants in England and Wales
The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability.

EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

It is proposed that

- 1 The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration
- 2 If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company
- 3 If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors Voluntary Liquidation. It is further proposed that J M Titley and/or A Poxon be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them. NB Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved
- 4 In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved
- 5 The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company
- 6 The Company may be placed into compulsory liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that J M Titley and/or A Poxon be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them
- 7 The Joint Administrators shall do all such other things and generally exercise all of his powers as contained in Schedule 1 of the Insolvency Act 1986, as he considers desirable or expedient to achieve the statutory purpose of the Administration

ERAGICS LIMITED

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

It is proposed that

- 1 The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration
- 2 If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company
- 3 If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors Voluntary Liquidation. It is further proposed that J M Titley and/or A Poxon be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them. NB Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved
- 4 In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved
- 5 The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company
- 6 The Company may be placed into compulsory liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that J M Titley and/or A Poxon be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them
- 7 The Joint Administrators shall do all such other things and generally exercise all of his powers as contained in Schedule 1 of the Insolvency Act 1986, as he considers desirable or expedient to achieve the statutory purpose of the Administration

EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED
 ESTIMATED FINANCIAL POSITION AS AT 25 JANUARY 2011

	Notes	Book value £	In Administration £
Assets specifically pledged			
Goodwill and Intellectual Property	1	240,000	313,000
less Mr Frederick Marfleet	2	<u>(313,000)</u>	<u>(313,000)</u>
Surplus as regards fixed charge holder		<u>(73,000)</u>	<u>Nil</u>
Assets not specifically pledged			
Intercompany debts and shares in subsidiaries	3	<u>5,220,961</u>	<u>50,000</u>
		5,220,961	50,000
Preferential creditors	4	<u>Nil</u>	<u>Nil</u>
Net property available for prescribed part		5,220,961	50,000
Prescribed part calculation	5	n/a	n/a
Available for floating charge creditor		5,220,961	Nil
Mr Frederick Marfleet	2	<u>(73,000)</u>	<u>Nil</u>
Surplus as regards floating charge holder		5,147,961	Nil
Add back prescribed part		<u>n/a</u>	<u>n/a</u>
Available for unsecured creditors		5,147,961	Nil
Unsecured creditors	6		
Mr Charles Howson		<u>(32,848)</u>	<u>(32,848)</u>
Total value of unsecured creditors		<u>(32,848)</u>	<u>(32,848)</u>
Estimated deficiency as regards unsecured creditors		<u>5,115,113</u>	<u>17,152</u>

EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED
NOTES TO THE ESTIMATED FINANCIAL POSITION

All book values have been taken from the Company's latest financial information or from valuations obtained upon administration by independent valuers

1 Goodwill and Intellectual Property

The book values have been taken from the Company records and the realisable values have been achieved following the sale

2 Mr Frederick Marfleet

Mr Frederick Marfleet holds security against ERA by way of a fixed and floating charge over the assets of the Company and created on 12 April 2010

Mr Marfleet provided funding to the Company and on our appointment a sum of approximately £313,000 was outstanding

3 Intercompany Debtors

I can confirm that the book values have been taken from the Company records and the realisable values have been achieved following the sale

4 Preferential Creditors

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay

It is not anticipated that there will be any preferential claims

5 Prescribed Part

As the secured creditor has been repaid in full under its fixed charge, there is no requirement to set aside a prescribed part in this case

6 Trade and expense creditors

The trade and expense creditors have been taken from the Company records and should not be taken as agreed amounts

7 Costs of Administration

No provision has been made for the costs of the administration

ERAGICS LIMITED
 ESTIMATED FINANCIAL POSITION AS AT 25 JANUARY 2011

	Notes	Book value £	In Administration £
Assets specifically pledged		-	-
Assets not specifically pledged			
Intercompany Debts	1	16,930	-
		<u>16,930</u>	<u>-</u>
Preferential creditors	2	Nil	Nil
Net property available for prescribed part		Nil	Nil
Prescribed part calculation	3	n/a	n/a
Available for floating charge creditor		16,930	Nil
None		-	-
Surplus as regards floating charge holder		16,930	Nil
Add back prescribed part		n/a	n/a
Available for unsecured creditors		<u>16,930</u>	<u>Nil</u>
Unsecured creditors	4		
Inter Company Creditors		(406,788)	(406,788)
Total value of unsecured creditors		<u>(406,788)</u>	<u>(406,788)</u>
Estimated deficiency as regards unsecured creditors		<u>(389,858)</u>	<u>(406,788)</u>

NOTES TO THE ESTIMATED FINANCIAL POSITION

All book values have been taken from the Company's latest financial information or from valuations obtained upon administration by independent valuers

1 Intercompany Debtors

I can confirm that the book values have been taken from the Company records and the realisable values have been achieved following the sale

2 Preferential Creditors

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay

It is not anticipated that there will be any preferential claims

3 Prescribed Part

As the Company has no unsatisfied post-Enterprise Act charges, there will be no requirement to set aside a prescribed part in this case

4 Unsecured Creditors

The trade and expense creditors have been taken from the Company records and should not be taken as agreed amounts

CREDITORS LIST FOR THE ESTIMATED FINANCIAL POSITION

EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED

Name	Per Statement of affairs £	Security given (where applicable)
Mr Frederick Marfleet	313,000.00	Fixed and Floating Charge over all assets
Mr Charles Howson	32,848.22	
Total	345,848.22	

ERAGICS LIMITED

Name	Per Statement of affairs £	Security given (where applicable)
ERA Global Management Limited	398,402.62	
Expense Reduction Analysts International Limited	8,386.00	
Total	406,788.62	

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS FROM
25 JANUARY 2011 TO 18 MARCH 2011

EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED

	Statement of Affairs £	Received to date £
RECEIPTS		
Goodwill and Intellectual Property	313,000	313,000 00
Intercompany debts	50,000	50,000 00
	<u>363,000</u>	<u>363,000 00</u>
PAYMENTS		
None		-
		<u>-</u>
DISTRIBUTIONS		
Mr Frederck Marfleet		(313,000 00)
		<u>(313,000 00)</u>
BALANCE IN HAND		<u>50,000 00</u>

INFORMATION IN RELATION TO THE PRE-PACKAGED SALE
OF THE BUSINESS AND ASSETS IN ACCORDANCE WITH
THE PROVISIONS OF STATEMENT OF INSOLVENCY PRACTICE 16

EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED

Background

ERA was the ultimate holding company of the ERA Group. The Group which comprised a number of trading subsidiaries provided cost management and procurement advice to businesses throughout Europe, Australia and America.

The service was delivered to customers by franchise holders who paid licence and marketing fees to the Group.

In recent years the Group's performance had deteriorated significantly due to a decrease in the level of new franchises being granted, the high level of fixed costs and the onset of the worldwide economic downturn.

A significant amount of additional investment was required to market the business and generate sufficient extra franchises to return the Group to profitability.

The Group's trading results for the 3 years ended 31 December 2010 are summarised below.

	Year ended 31/12/10 £'000	Year ended 31/12/09 £'000	Year ended 31/12/08 £'000
Sales	<u>9,000</u>	<u>13,294</u>	<u>13,086</u>
Net profit (loss)	<u>(1,400)</u>	<u>(971)</u>	<u>160</u>

Source of Joint Administrators' initial introduction

The CEO of the Company approached Leonard Curtis for insolvency advice in November 2010.

Extent of Joint Administrators' involvement prior to appointment

Prior to appointment, the Joint Administrators undertook a brief review of the financial position of the Company and it was considered that to achieve the best outcome for creditors, administration was the most suitable insolvency procedure.

Marketing activities conducted by Company and / or Administrators

Independent valuations of the Company's assets were obtained (detailed below) and consideration was given to offering the assets for sale on the open market.

Given that an offer had been received in line with our agent's, Champion Chartered Accountants, valuation range it was not considered appropriate to offer the assets on the open market.

Furthermore, any marketing of the business could have resulted in licence breaches and significant loss of business

Valuations obtained

Category of asset	Note	Book Value	High	Low	Realised
		£'000	£'000	£'000	£'000
Goodwill and Intellectual Property	1	225	360	180	313
Shares in subsidiaries	2	495	-	-	-
Intercompany debts	2	4,500	50	-	50
Furniture and equipment	3	-	-	-	-
Total		5,220	410	180	363

1 Goodwill and Intellectual Property

Champion Chartered Accountants ('Champion') provided a valuation in respect of ERA's goodwill and intellectual property. Champion considered the company's trading position and future prospects. The valuation has been based on a percentage return of future anticipated turnover.

2 Shares in subsidiaries and intercompany debts

Champion also considered the value of ERA's investment in subsidiaries through both the shares held and the intercompany debtor positions. Champion concluded that the marginal financial position or insolvency of the subsidiaries, the balance sheets of which reflected significant levels of goodwill which could not be substantiated, justified a maximum realisable value of £50,000 for the debtor positions and a nominal value only in respect of the shares.

3. Furniture and equipment

ERA held only minimal items of office furniture and equipment and no value was attributed to these assets in the company's accounts. No realisable value was attributed to these assets in the sale.

Alternative courses of action considered by the Joint Administrators

- Liquidation

The directors could have placed the Company into voluntary liquidation which would have resulted in a diminution in asset values.

This was not considered an appropriate option.

- Company Voluntary Arrangement ("CVA")

The director could have put a proposal to the Company's creditors for the implementation of a CVA. This option was not considered viable.

- Administration

Administration is a process that prevents creditor enforcement action. It was considered that administration would allow a sale of the assets to be negotiated which would result in improved realisations.

Why it was not appropriate to trade the business and offer it for sale as a going concern during the Administration

Trading in administration was not appropriate as there was significant concern that there would have been damage to the reputation and profile of the Group. This would probably have resulted in the determination of various licences and franchise agreements resulting in further losses for the Group.

Requests made to potential funders to fund working capital requirements

The secured creditor along with the directors were not prepared to invest any further funds.

Efforts made to consult with major creditors

The sale of the assets was discussed with all creditors.

Provide the date of the transaction

The business and assets of the Company were sold on 25 January 2011, immediately following the appointment of the Joint Administrators.

Details of the assets involved and the nature of the transaction

Category of asset	Value achieved £'000
Goodwill and Intellectual property	313
Intercompany debts	50
Total	363

Consideration paid, terms of payment and any condition of the contract that could materially affect the consideration

The sales consideration was received in full on completion.

Description of the other aspects of the transaction if the sale is part of a wider transaction

The sale is not part of a wider transaction.

Identity of the purchaser

The Purchaser of the business and assets is Montgomery Investment Co S A (Registered in Luxembourg with Registration Number B157756).

Provide details of any connection between the purchaser and the directors, shareholders or secured creditors of the Companies

The Purchaser is an associated company as defined by section 435 Insolvency Act 1986 (as amended) by virtue of having common directors and shareholders.

Names of directors (or former directors) who are involved in the management or ownership of the purchaser, or of any other entity into which any of the assets are transferred

Mr F Marfleet
Mr C Howson

Detail whether the directors had given guarantees for amounts due from the Companies to a prior financier, and whether that financier is financing the new business

No personal guarantees had been provided The Company has no third party funders

Options, buy-back arrangements or similar conditions attached to the contract of sale

None

SUMMARY OF JOINT ADMINISTRATORS TIME COSTS FROM 25 JANUARY 2011 TO 28 FEBRUARY 2011

EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED

	Director		Senior Manager		Manager 2		Administrator 1		Administrator 4		Total	Average Hourly Rate £	
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £			Units
Statutory & Review	-	-	-	-	15	390 00	5	105 00	-	-	20	495 00	247 50
Receipts & Payments	-	-	-	-	-	-	3	63 00	-	-	3	63 00	210 00
Assets	30	1,185 00	94	3,290 00	-	-	-	-	-	-	124	4,475 00	360 89
Liabilities	-	-	104	3,640 00	-	-	5	105 00	-	-	109	3,745 00	343 58
Debenture Holder	4	158 00	-	-	-	-	-	-	-	-	4	158 00	395 00
General Administration	5	197 50	-	-	-	-	8	168 00	7	84 00	20	449 50	224 75
Appointment	25	987 50	10	350 00	80	2,080 00	5	105 00	50	600 00	170	4,122 50	242 50
Total	64	2,528 00	208	7,280 00	95	2,470 00	26	546 00	57	684 00	450	13,508 00	
Average Hourly Rate (£)		<u>395 00</u>		<u>350 00</u>		<u>260 00</u>		<u>210 00</u>		<u>120 00</u>		<u>300 18</u>	
All Units are 6 minutes													

SUMMARY OF JOINT ADMINISTRATORS TIME COSTS FROM 25 JANUARY 2011 TO 28 FEBRUARY 2011

ERAGICS LIMITED

	Administrator 1		Administrator 4		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	5	105.00	-	-	5	105.00	210.00
Receipts & Payments	3	63.00	-	-	3	63.00	210.00
Liabilities	5	105.00	-	-	5	105.00	210.00
General Administration	8	168.00	-	-	8	168.00	210.00
Appointment	5	105.00	25	300.00	30	405.00	135.00
Total	26	546.00	25	300.00	51	846.00	
Average Hourly Rate (£)		<u>210.00</u>		<u>120.00</u>		<u>165.88</u>	
All Units are 6 minutes							

LEONARD CURTIS CHARGE OUT RATES AND POLICY REGARDING STAFF ALLOCATION, SUPPORT STAFF, THE USE OF SUBCONTRACTORS AND THE RECHARGE OF DISBURSEMENTS

The following information relating to the policy of Leonard Curtis is considered to be relevant to creditors

Staff Allocation, Support Staff and the Use of Subcontractors

We take an objective and practical approach to each assignment which includes active partner involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case.

Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by resolution of the secured creditors, a creditors' committee or creditors generally, that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters arising in the appointment, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below.

With effect from 1 January 2010 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis:

	Standard £
Partner	395
Senior Manager	350
Manager 1	300
Manager 2	260
Administrator 1	210
Administrator 2	190
Administrator 3	170
Administrator 4	120
Support	0

Details of any subcontractor(s) used will be given in subsequent reports to creditors.

Professional Advisors

Details of any professional advisor(s) used are given in the report which accompanies this Guide. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements.

The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

Disbursements

Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as a "category 1 disbursement". Category 1 disbursements will generally comprise supplies of incidental services specifically identifiable to the case, typically for items such as identifiable telephone calls, postage, case advertising, invoiced travel and properly reimbursed expenses, including car mileage at 40p a mile, incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and document storage.

Where we propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, documents storage or communication facilities provided by us) they must be disclosed and be authorised by those responsible for approving the administrator's remuneration. Such expenditure is referred to as a "category 2 disbursement". The following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Storage of office files (six years)	£66.09 per box

STATEMENT OF CLAIM FORM

EXPENSE REDUCTION ANALYSTS INTERNATIONAL LIMITED

Date of administration order 25 January 2011

Name of creditor

Address of creditor

Gross amount of claim*
(ie including VAT)

Amount of VAT

Details of any document by
reference to which the debt can be
substantiated
(eg invoices)

Particulars of how and when debt
incurred:

Particulars of any security held, the
value of the security and the date it
was given:

Signature of creditor or person
authorised to act on his behalf:

Name in BLOCK CAPITALS:

Position with or relation to creditor:

STATEMENT OF CLAIM FORM

ERAGICS LIMITED

Date of administration order 25 January 2011

Name of creditor _____

Address of creditor _____

Gross amount of claim
(ie including VAT) _____

Amount of VAT _____

Details of any document by
reference to which the debt can be
substantiated
(eg invoices) _____

Particulars of how and when debt
incurred. _____

Particulars of any security held, the
value of the security and the date it
was given. _____

Signature of creditor or person
authorised to act on his behalf: _____

Name in BLOCK CAPITALS: _____

Position with or relation to creditor: _____