

TO CLIENTS OF XCAPE WITH US LIMITED

25 June 2009
Ref: Xcape/28/SB

Dear Sir/Madam,

**XCAPE WITH US LIMITED– IN ADMINISTRATION
ADMINISTRATORS REPORT AND PROPOSALS TO CREDITORS PURSUANT TO
PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986**

Further to our letter dated 26 May 2009, in accordance with paragraph 49 of Schedule B1 of the Insolvency Act 1986 I am pleased to enclose our report to creditors of Xcape With Us Limited - In Administration ("the company") together with my proposals in accordance with paragraph 49 of that Schedule.

I do not anticipate that a distribution will be made to unsecured creditors in this matter, therefore pursuant to paragraph 52(1)(b) of Schedule B1 of the Insolvency Act 1986, I do not propose to convene an initial meeting of the company's creditors.

My proposals will be deemed to have been accepted unless one or more creditors, comprising at least 10% in value of the total debts of the company request within 12 days of the date of this report, in the prescribed manner, that I convene a meeting of creditors.

Should you wish to discuss any aspect of the administration please contact myself or my colleague Sheniz Bayram.

All creditors will be sent a report of the meeting.

Yours Faithfully,



W A Batty
Joint Administrator

The Institute of Chartered Accountants in England & Wales authorises WA Batty & S Evans to act as Insolvency Practitioners under S. 390 (2) of the Insolvency Act 1986. WA Batty & S Evans act and contract as Administrators without personal liability,

Antony Batty & Company LLP is a limited liability partnership registered in England and Wales at 3 Field Court, Gray's Inn, London WC1R 5EF with registered number OC 326854.

Statement of administrator's proposals


Name of Company Xcape With Us Limited	Company Number 04515752
In the High Court of Justice [full name of court]	<i>For court use only</i> Court case number 13784 of 2009

(a) Insert full name(s) and address(es) We (a) William Antony Batty & Stephen John Evans of Antony Batty & Co LLP, 3 Field Court, Gray's Inn, London, WC1R 5EF

* Delete as applicable attach a copy of our proposals in respect of the administration of the above company.

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

(b) Insert date (b) 26 June 2009

Signed 
Joint Administrator(s)
Dated 26 June 2009

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

Antony Batty & Company LLP	
3 Field Court, Gray's Inn, London, WC1R 5EF	
	Tel 020 7831 1234
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

XCAPE WITH US LIMITED - IN ADMINISTRATION

REPORT AND PROPOSALS OF THE ADMINISTRATORS UNDER THE PROVISIONS OF PARAGRAPH 49 OF SCHEDULE B1 TO THE INSOLVENCY ACT 1986

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6. Director's Estimated Statement of Affairs
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8. Other Matters

Appendices

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Note

In preparing this report the Joint Administrators have had to rely on information provided by the Directors, management and others. It has not been possible to verify all such information. Therefore, the Joint Administrators take no responsibility for the completeness or accuracy of such information.

XCAPE WITH US LIMITED - IN ADMINISTRATION

1. STATUTORY INFORMATION

Company Number:	04515752
Date of Incorporation:	21 August 2002
Registered Office:	3 Field Court, Gray's Inn. London, WC1R 5EF
Formerly:	East House, 109 South Worple Way, London, SW14 8TN
Former Trading Address:	N/A
Principle business activity:	Travel Agency

	<u>Name</u>	<u>Appointed</u>	<u>Resigned</u>
Directors	Andrew Grant Austin Miles	21/08/02	
Company Secretary	J P Secretarial Services Ltd	01/09/07	
	John Psarias	21/08/02	01/09/04

Issued Share Capital 100 Ordinary shares of £1 each

Shareholders

<u>Name</u>	<u>Ordinary Shares</u>
Andrew Grant Austin Miles	100

Trading Results

<i>Year Ended</i>	<i>Turnover</i>	<i>Gross Profit</i>	<i>Net profit/(loss)</i>	<i>Directors' Remuneration</i>	<i>Balance on Profit & loss account</i>
	£	£	£	£	£
<i>18 months to 28.02.09</i>	<i>958,010</i>	<i>(1,795,539)</i>	<i>(1,795,508)</i>	<i>-</i>	<i>(1,604,003)</i>
<i>31.08.07</i>	<i>1,276,924</i>	<i>119,657</i>	<i>95,340</i>	<i>16,979</i>	<i>95,340</i>
<i>31.08.06</i>	<i>1,049,040</i>	<i>89,399</i>	<i>74,343</i>	<i>33,000</i>	<i>74,313</i>

2. DETAILS OF APPOINTMENT OF THE ADMINISTRATORS

Name of Administrators:	William Antony Batty & Stephen John Evans
Charge holders:	N/A
Date of Appointment:	01 May 2009
Court:	High Court of Justice
Court reference:	13784 of 2009
Person(s) making appointment:	Andrew Miles Director, on behalf of the Board
Acts of Administrator:	The Administrator acts as officer of the Court and agent for the Company without personal liability. All of the functions of the administrators of the company are to be exercised by any or all of the administrators.
EC Regulation on Insolvency:	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No.1346/2000 applies to these proceedings which are "Main proceedings" within the meaning of the Regulation

3. PURPOSE OF ADMINISTRATION

The purpose of the Administration is set out in paragraph 3 of Schedule B1 to the Insolvency Act 1986 as follows:

- (1) The Administrator of a company must perform his functions with the objective of
 - (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.
- (2) Subject to subparagraph (4), the administrator of a company must perform his functions in the interests of the company's creditors as a whole.
- (3) The Administrator must perform his functions with the objective specified in subparagraph (1)(a) unless he thinks either:
 - (a) that it is not reasonably practicable to achieve that objective, or
 - (b) that the objective specified in subparagraph (1)(b) would achieve a better result for the company's creditors as a whole.

- (4) The Administrator may perform his functions with the objective specified in subparagraph (1)(c) only if:
- (a) he thinks that it is not reasonably practicable to achieve either of the objectives specified in subparagraph (1)(a) and (b) , and
 - (b) he does not unnecessarily harm the interests of the creditors of the company as a whole.”

The purposes relating specifically to this case in section 5 below.

4. HISTORY AND EVENTS PRECEDING THE ADMINISTRATION

The company commenced trading in late 2002 selling beds as an agent to Spanish hoteliers and representation companies. From relatively small total transaction values (Under £1 million) the company achieved profits for the year ended 31 August 2003 of £5,400 which fell to £2,600 the following year. Profits rose to £13,700 in the year ended 31 August 2005 and £74,000 in 2006. In the year ended 31 August 2007 the company made profits of £95,000 from total transaction values of around £6million.

Throughout 2008 the company suffered from the increasing strength of the Euro and began to struggle to compete on price with companies (principally other UK bed banks) which were large enough to hedge their currency.

The impact of the beginning of the recession in late 2008 caused the director to look at new methods of marketing and the rationalisation of overheads. However trading remained difficult and in 2009 the merchant acquirers Barclaycard Business revisited their security coverage and increased the deferred payment period to the company from 30 to 60 days. Although the company was benefitting from extended credit terms from their long standing suppliers there was no sign of a return to profitability and the director took the decision to cease to trade and requested that the company be placed into administration

5. EVENTS FOLLOWING ADMINISTRATION

William Antony Batty and Stephen John Evans were appointed Joint Administrators by the Director of the Company on 01 May 2009.

Whilst it was apparent that purpose 1 (a) of Administration was unlikely to be achieved, the Joint Administrators were confident that purpose 1(b) ie achieving a better result for the company's creditors as a whole than would be likely if the company were wound up. However, anticipated realisations will be less than first envisaged and after the fees and expenses of the Administration there will be no dividend to unsecured creditors.

On the day of our appointment we met with the director and representatives of Barclaycard Business at our offices. The accounting function was based in Mallorca where the director is based and arrangements had to be made to make the 6500 customers aware of the company's failure. There was no CAA/ABTA consumer protection so the customer's only recourse in terms of recovering their money was to claim on their credit card or insurance. As merchant acquirers, Barclaycard Business required certain information to facilitate the payment of the credit card claims and they made a payment of £2,500 to cover the employee costs of producing this information.

Also on the day of our appointment, a note was put on the Xcape with Us website notifying clients of the administration and giving them advice as to what to do with regards to their booking and how to submit their claim. An e-mail to all clients containing the same information was sent on the same day.

Due to the large number of clients and creditors and the disproportionate costs involved with corresponding with clients by post we instructed our solicitors Francis Wilks & Jones to make an application at Court to seek an Order allowing all correspondence with clients to be sent by e-mail and for our notice of appointment together with all reports to be placed on the Antony Batty & Company LLP website. The Court Order was made on 22 May 2009. Following the Court Order an e-mail was sent to all customers alerting them to the information on our website.

We knew that there would be some interest in the company's database of customers and so we instructed the company's accountants White Hart Associates LLP, a firm with considerable expertise in the travel industry, to circularise actual and potential interested parties with details of the database and intellectual property rights. There have been about 30 expressions of interest from which 10 offers were received. However a sale has yet to be concluded.

6. DIRECTORS STATEMENT OF AFFAIRS

The director has not yet submitted a Statement of Affairs. However he advises that this is in progress and should be completed shortly. The Joint Administrators' comments on the Company's assets and liabilities are as follows:

ASSETS

Cash at Bank

We have received £11,500 being funds available at the date of my appointment.

Book Debts

The customers pay in advance for their accommodation either by cash or credit card so there are normally no book debts. However we have received £10 from a customer who has been paying for her accommodation in instalments.

Database & Intellectual Property

The database and intellectual property has attracted interest and several parties have submitted offers. A sale has yet to be concluded.

HMRC Refunds

We are expecting refunds from HMRC relating to terminal loss and VAT claims but until the computations and returns have been agreed we are unable to say what the exact sum will be but expect it to exceed £10,000. The refunds will not be subject to Crown set-off in respect of PAYE/NIC redundancy etc, as there were no UK employees.

LIABILITIES

A list of the Company's trade creditors is attached. A list of monies owed to clients, as far as we are currently aware is available on written request to the joint Administrators.

Secured Creditors

The only secured creditor is Barclay's Bank Plc who hold a deed of charge over credit balances they are holding. As noted above, Barclaycard Business held the last 60 days transactions as a deposit, it is anticipated that the claims made against Barclaycard Business will significantly exceed any balance they hold.

Prescribed Part

Section 176A of the Insolvency Act 1986 requires the Administrator to set aside a prescribed amount of the company's "net property" towards the satisfaction of unsecured debts. Net property is the amount that would otherwise be available for the satisfaction of holders of debentures secured by, or holders of, any floating charge created after 15 September 2003. Net property is calculated after accounting for preferential debts and the costs of realisation.

As there is no Qualifying Floating Charge holder in this matter there is no prescribed part

Preferential Creditors

There are no known preferential creditors in this matter.

Unsecured Creditors

Unsecured Creditors have not been agreed as there is not a prospect of a distribution in this matter.

7. THE ADMINISTRATORS' PROPOSALS

I make the following proposals to creditors:

1. That the Joint Administrators remain in office, doing all such things and generally exercising the powers contained in schedule 1 of the Insolvency Act 1986 as the Joint Administrators, in our discretion consider desirable or expedient to achieve the purposes of the Administration and to protect and preserve the assets of the company or maximise the realisations from those assets.
2. If it appears likely that there will be sufficient assets to distribute to preferential and/or unsecured creditors, the company should proceed into Creditor's Voluntary Liquidation in accordance with Paragraph 83 of Schedule B1 of the Insolvency Act 1986 and the Joint Administrators propose that they would be appointed Joint Liquidators. Creditors should note that they may nominate a different person as the proposed liquidator provided that any such nomination is received prior to the meeting of creditors.
3. If there are no assets for distribution to preferential or unsecured creditors, on conclusion of the Administration the Joint Administrators propose that they should file a notice with the Registrar of Companies in accordance with Paragraph 84(1) of Schedule B1 of the Insolvency Act 1986 ending the Administration, with the company being dissolved 3 months thereafter.
4. A creditors committee shall be formed if three or more creditors (up to a maximum of 5) require this and are willing to serve on it.
5. If no Creditors' Committee is formed, then the Joint Administrators propose that they be remunerated on the basis of their hourly costs at scale rates calculated on time properly spent in the course of the Administration and that the Joint Administrators shall draw their remuneration on account as and when funds permit.
6. If no Creditors' Committee is formed, then the Joint Administrators propose that their category 2 disbursements be approved in accordance with the policy disclosed in the enclosed Guide to fees,

(rates may vary from time to time) and that the Joint Administrators be authorised to draw such disbursements as cash permits.

7. These proposals shall be subject to any modification or conditions as the Court may approve or impose.

Pursuant to rule 2.33(5) of the Insolvency Rules 1986 these proposals are deemed to have been approved by creditors if no meeting of creditors has been requisitioned under paragraph 52(2) of Schedule B1 of the Insolvency Act 1986 within 12 days of the date on which these proposals were sent out.

8. OTHER MATTERS

Receipts and Payments Account

A summary of the Joint Administrators' receipts and payments is attached as Appendix I.

Investigations

The Joint Administrators are required by statute to submit a report to the Department for Business, Innovation, and Skills concerning the conduct of every director of a company that is subject to Administration. Whilst the conduct of this report is confidential, the Joint Administrators would invite creditors to provide them with any information they believe may be relevant. This invitation is a standard part of the duties of the Joint Administrators and does not imply any criticism of the directors.

Remuneration

Remuneration drawn will be agreed with the Creditors Committee if appointed under paragraph 57 of Schedule B1 of the Insolvency Act 1986. If no committee is appointed, a resolution as to the basis of our remuneration is required from creditors in accordance with our above proposals.

The Joint Administrators' actual time costs to 25 June 2009 are £26,087.00. A total of one hundred and twenty hours have been spent in respect of this Administration.

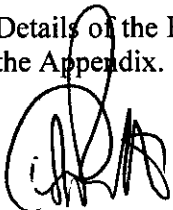
Details of time incurred on this case are enclosed in accordance with Statement of Insolvency Practice 9 issued by the Joint Insolvency Committee on behalf of the Joint Administrators Licensing body.

A Guide to Administrators' fees may be found at <http://www.antonybatty.com/links.html>. The Joint Administrators would also be pleased to send you a copy by e-mail or post on request. Details of the Joint Administrators' firm's hourly rates are attached as Appendix IV.

Disbursements

The Joint Administrators' category 1 disbursements of £61.36 are outstanding. The Joint Administrators have also incurred category 2 disbursements of £51.50 are also outstanding.

Details of the Firm's disbursement policy and examples of category 1 and 2 disbursements are included in the Appendix.



W A Batty
Joint Administrator
Dated: 25 June 2009

SIP 9 - Time & Cost Summary

Period: 01/05/09..25/06/09

Time Summary

Classification of work function	Hours					Total Hours	Time Cost (£)	Average hourly rate (£)
	Partner	Manager	Other Senior Professionals	Assistants & Support Staff				
Administration & planning	1.00	9.40	17.30	2.10		29.80	6,035.50	202.53
Investigations	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Realisations of assets	4.30	17.40	8.50	0.00		30.20	7,822.50	259.02
Trading	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Creditors	8.10	19.10	21.00	12.40		60.60	12,229.00	201.80
Case specific matters	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Pre Jan 2003 Time	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Total Hours	13.40	45.90	46.80	14.50		120.60	26,087.00	216.31
Total Fees Claimed							0.00	

**Xcape With Us Limited
(In Administration)**

**Joint Administrators' Abstract Of Receipts And Payments
To 25 June 2009**

RECEIPTS	Total (£)
Book Debts	10.00
Cash at Bank	11,500.00
Bank Interest Gross	1.22
	<hr/>
	11,511.22
	<hr/>
PAYMENTS	
Specific Bond	180.00
Web Design	250.00
Statutory Advertising	164.74
Vat Receivable	31.13
	<hr/>
	625.87
	<hr/>
Balance	10,885.35
	<hr/>
MADE UP AS FOLLOWS	
Bank 1 Current	10,885.35
	<hr/>
	10,885.35
	<hr/>

XCAPE WITH US LIMITED (IN ADMINISTRATION)

STATEMENT OF CLAIM FORM

1	Name of creditor.	
2	Address of creditor.	
3	Total amount of claim, including any Value Added Tax and outstanding uncapitalised interest as at the date the company went into administration.	£
4	Details of any documents by reference to which the debt can be substantiated.	
5	If amount in 3 above includes outstanding uncapitalised interest please state amount.	£
6	If amount in 3 above includes Value Added Tax please state amount.	£
7	Give details of whether the whole or any part of the claim falls within any (and if so which) categories of preferential claims under section 386 of the Insolvency Act 1986.	
8	Particulars of how and when debt incurred (If you need more space append a continuation sheet to this form).	
9	Particulars of any security held, the value of the security, and the date it was given.	
10	Particulars of any reservation of title claimed in respect of goods supplied to which the claim relates.	
	Signature of creditor or person authorised to act on his behalf Name in BLOCK LETTERS Position with or in relation to creditor Name, address and authority to sign (if other than the creditor himself)	

Antony Batty & Company LLP

Time Costs – Charge out rates per hour and disbursements policy.

1 April 2008 – 31 March 2009

Administrator (Office Holder)	£340
Senior Manager	£265.
Case Manager	£195.
Senior Administrator	£145.
Administrator	£90.

Please note that these rates may be increased from time to time. Creditors will be notified of changes in the annual report.

Disbursements Policy

Please note that the liquidator's disbursements are charged out at the following rates:-

Category 1 - represent recovery of necessarily incurred disbursements at the cost incurred.

Postage – the current postage rate applicable.

Sundry disbursements, such as advertising, where incurred appropriately, are recharged at 100% of the cost incurred.

Insurance and bonding is recharged at 100% of the relevant charge to the office holder.

Travel: where the staff of Antony Batty & Company LLP staff use their own vehicles in the course of their duties in this matter, the mileage is recharged at 40p per mile. All other travel costs are recharged at 100% of the cost incurred.

VAT is charged as appropriate.

Category 2

Photocopying 12p per sheet.

Faxes UK £1 per sheet.

International £2 per sheet

Internal meeting room hire £50 per hour (minimum one hour)

Internal storage charges £25 per box per annum.

VAT is charged as appropriate.