

KAM JM Dial-a-TV Q1

TO ALL KNOWN CREDITORS

27 January 2010

Dear Sirs

**Dial-a-TV Limited – In Administration (“the Company” or “DTV”)
In the High Court of Justice No. 11581 of 2008**

Further to my report dated 23 July 2009, I am pleased to present my second progress report on the Administration. The report relates to the period from 29 June 2009 to 28 December 2009. I enclose the following documents:

- Form 2.24B – notice of the Joint Administrators’ Progress Report at Appendix 1;
- Statutory Information relating to the Company at Appendix 2;
- The Joint Administrators’ Proposals at Appendix 3;
- An abstract of receipts and payments from 29 December 2008 to 28 December 2009 and a trading receipts and payments account for the same period at Appendix 4;
- A summary of my firm’s time costs for the period 29 December 2008 to 29 December 2009 at Appendix 5;
- A summary of my firm’s disbursements recovery policies and hourly charge out rates at Appendix 6;

The report should be read in conjunction with my previous report, which was circulated to creditors on 23 July 2009, a copy of which may be obtained free of charge from the address below.

1. The Administrators’ Proposals

At the meeting of creditors held on 6 March 2009, the creditors approved the Joint Administrators’ proposals, a copy of which is attached at Appendix 3.

Russell Square House 10-12 Russell Square London WC1B 5LF
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DX 299 London/Chancery Lane

London Brighton & Hove Colchester Croydon Leicester Northampton Reading Stevenage Walford
Chantrey Vellacott DFK LLP is a limited liability partnership registered in England and Wales (No. OC313147)
whose registered office is at Russell Square House 10-12 Russell Square London WC1B 5LF

The term ‘Partner’ denotes a member of a limited liability partnership. A list of members of Chantrey Vellacott DFK LLP is available at our registered office
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Chantrey Vellacott DFK LLP is an independent member firm of ICAEW International an association of independent accounting firms and business advisors



INVESTOR IN PEOPLE



2. Extension of the Administration

In my previous report I sought the consent of creditors for the period of Administration to be extended by a further six months from 28 December 2009. I can advise that consent for this was given.

As the Administration could not be concluded by 28 December 2009 the appropriate notice was filed with Companies House and the Court for the six month extension to the administration period to take effect and thus the Administration can now run up to 28 June 2010.

It is not envisaged that the full 6 month extension will be required.

3. Progress of the Administration

I attach at Appendix 4, an abstract of receipts and payments from 29 December 2008 to 28 December 2009. I also attach at Appendix 4 a receipts and payments account for the same period that details the trading income and expenses on a cash basis.

As stated in previous reports, the majority of the receipts will have been from contracts assigned to a funder of the business, and thus these funds are not assets of the Company.

Since my last report the Company has continued to trade under the control of the Joint Administrators for the purpose of enabling the Company's major two funders (Hitachi and Bank of Scotland) an opportunity to agree a joint strategy on how best to deal with their assigned contracts. After lengthy negotiations and analysis on the part of these funders an agreement in principle on how best to proceed was reached in December 2009.

The strategy proposed is that the business and assets of the Company be "hived down" to a newly created subsidiary company of DTV, with the shares in that new company held by DTV but subject to a fixed charge in the favour of the funders who participate in the scheme. The new company will continue to operate the business of DTV by collecting the funds on the contracts and use this revenue to pay its running costs with the surplus split between the funders. The exact terms of this strategy have to be formally agreed and once agreed the proposal will then be put to the other funders so that they can determine whether they wish to participate in the scheme.

Once the strategy has been agreed the business and individual assets of the Company will be transferred or sold (as appropriate) to the new company. At this point I will look to settle the trading and other costs of the Administration so that the Company can exit the Administration and enter into Creditors Voluntary Liquidation.



4. Estimated Outcome

4.1 Secured Creditors

Attached at Appendix 4 is an analysis of receipts from agreements owned by each of the funders, together with the amount collected in respect of agreements owned by the Company (and therefore subject to Bank of Scotland's floating charge').

The basis of allocation of trading costs and administration expenses between each funder is likely to be in proportion to receipts. However until the hive down is finalised, it is not possible to assess the return each secured creditor will receive.

To date, the following payments have been made to funders on account:

Funder	£
Bank of Scotland	100,000
Hitachi	100,000
Calando Finance	545*
Clydesdale	16,844*
Lombard	22,564*
Thames Finance	<u>18,415*</u>
	<u>258,368</u>

* Payments made after 28 December 2009

Please note that receipts of £135,911 (most of which belongs to the funders) have been reinvested in purchasing new household goods to rent to customers. Approximately £74,000 of this sum was specifically authorised by Hitachi from receipts from Hitachi assigned contracts, to be reinvested in upgrades for Hitachi contracts. The resulting new agreements will be assigned to Hitachi, with the expenditure treated as a distribution to Hitachi. The balance of the £135,911 was spent on general upgrades, and the resulting agreements are likely to be assigned to funders (and the floating charge) proportionately.

Please note that shortly after the Administration commenced, Venture Finance Plc ("Venture") took the decision to remove its contracts from the control of the Company and place them with an alternative rental company. It was agreed with Venture that the money collected on those contracts up to the date they were removed (£12,705) would be paid to them without deduction. This amount was paid on 7 September 2009.

In addition to further distributions being made to funders from the cash surpluses on their assigned contracts after taking into account trading costs, certain creditors who have the benefit of charges over the physical assets of the Company could receive a distribution from the realisations of those assets. The amounts distributable in respect of these assets are, at present uncertain.

As part of the transfer of the business to the new company any physical asset subject to floating charge security alone transferred to the new company will need to be purchased for fair value by that company. These realisations may provide some return for preferential or unsecured creditors as well as the floating charge holder. This matter is discussed in more detail later in Sections 4.2 and 4.3.

In addition to the contracts which are assigned to a particular funder there are a number of contracts which are unassigned. The collection of funds on these contracts may also provide some return for preferential or unsecured creditors as well as the floating charge holder. This matter is also discussed in more detail later in Sections 4.2 and 4.3.

In respect of those unassigned contracts, my previous two reports referred to a number of contracts which Hitachi claimed to have assigned to itself prior to our appointment under powers contained in a power of attorney. These contracts would otherwise have been caught by Bank of Scotland's floating charge. We have reserved the Company's rights in respect of the assignment, but we understand that agreement has been reached between Hitachi and Bank of Scotland that the assignment will not be challenged.

4.2 Preferential Creditors

There have been a number of redundancies since the commencement of the Administration. As at the date of my last report the figure for preferential claims resulting from these redundancies was estimated to be £8,576. Since this report I have determined that this figure may need to be increased by approximately £2,670 to £11,246 to take into account amounts due to employees who left before Administration and from one additional redundancy after administration.

In Section 4.1, I referred to physical assets and unassigned contracts where the realisation of these assets/collection of funds may provide a return to preferential creditors.

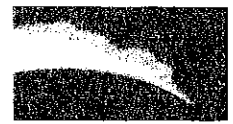
The realisations from any asset subject to a floating charge (which includes cash collected on the unassigned contracts) are payable in the first instance to preferential creditors, after first deducting costs.

The surplus (after anticipated costs) from the cash receipts received during the Administration from those contracts which I believe to be unassigned is considered to be in excess of the current level of preferential claims and thus there should be sufficient funds to result in a dividend being paid to preferential creditors of 100p in the £.

4.3 Unsecured Creditors and the Prescribed Part

As stated in Section 4.1, realisations of assets subject to a floating charge after costs are distributable to preferential creditors in the first instance.

After such a distribution a proportion of the funds remaining (the Prescribed Part) are set aside for the benefit of all unsecured creditors, with the balance payable to the floating charge holder.



In this regard we consider that the funds (after costs and payment of preferential claims) available to the floating charge holder and thus subject to the claim of the prescribed part should result from the following:

- The funds collected on the unassigned contracts during the period of administration
- The funds realised from the sale of physical assets owned by the Company to the new company
- Collections by newco in respect of unassigned contracts following the hive-down (assuming it proceeds).

At present, the value of the Prescribed Part is unclear and will only become clear once the trading in the Administration has been concluded, the business and assets have been transferred and cash is started to be received from the new company. Should the value of the Prescribed Part be of a low value so that the costs of making a distribution to unsecured creditors be disproportionate to the benefits of making that distribution then the subsequently appointed Liquidator of the Company has the power to make an application to Court to be excused from applying the Prescribed Part.

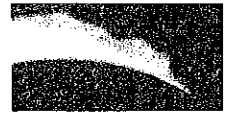
The Company's records show that there could be a substantial number of current or former customers who may have been owed money for amounts overpaid as at the date of Administration. This is in addition to the trade and expense creditors of the Company. It is therefore anticipated that the potential costs in making a distribution to unsecured creditor could be very significant and thus should the value of the Prescribed Part be relatively small then it is likely that an application as described above will have to be made.

5. Administrators' Remuneration

At the meeting of creditors held on 6 March 2009 the creditors resolved that the Joint Administrators be remunerated on the basis of their time costs.

I attach at Appendix 5, a breakdown of the time costs for the period 29 December 2008 to 28 December 2009. A summary of my firm's disbursements recovery policies and hourly charge out rates, by grade of staff, is shown at Appendix 6.

I can advise that as at the date of this report, I have drawn fees of £200,000 with the consent of Hitachi and Bank of Scotland from funds collected on contracts assigned to them.



TO ALL KNOWN CREDITORS

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27 January 2010

6. Conclusion

As stated in this report it is envisaged that the Administration of the Company will cease before 28 June 2010 and that the Company will exit the Administration via a Creditors Voluntary Liquidation.

At the time of the exit from Administration I will report to all creditors again and I anticipate that at this time I will be able to provide further information of whether there will be funds available for the benefit of unsecured creditors.

Should you require any further information, in addition to that already given, please contact Jason Maloney on the direct dial telephone number below

Yours faithfully

K A MURPHY

Joint Administrator

Licensed by The Institute of Chartered Accountants in England and Wales

Direct Dial 020 7509 9273

kmurphy@cvsdfk.com

Enc

Dial-a-TV Limited - In Administration ("the company")

Kenneth William Touhey, David John Oprey and Kevin Murphy were appointed Joint Administrators on 29 December 2008, to manage the affairs, business, and assets of the company. All enquiries and correspondence should be addressed to the Joint Administrators at Chantrey Vellacott DFK LLP, Russell Square House, 10-12 Russell Square, London, WC1B 5LF. Tel 020 7509 9000 Fax 020 7509 9110. The Administrators are agents of the company and act without personal liability. Kenneth William Touhey, David John Oprey and Kevin Anthony Murphy are authorised to act as Insolvency Practitioners by The Institute of Chartered Accountants in England and Wales (Practitioner Nos 8369, 5814 & 8349 respectively).

**FORM 2.24B NOTICE OF THE
JOINT ADMINISTRATORS' PROGRESS REPORT**

The Insolvency Act 1986

Administrator's progress report

Name of Company DIAL-A-TV LIMITED	Company number 0272882
In the HIGH COURT OF JUSTICE [full name of court]	Court case number 11581 OF 2008

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

I / We (a) KENNETH WILLIAM TOUHEY, DAVID JOHN OPREY AND KEVIN ANTHONY MURPHY OF CHANTREY VELLACOTT DFK, RUSSELL SQUARE HOUSE, 10-12 RUSSELL SQUARE, LONDON WC1B 5LF

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

(b) Insert dates

from

to

(b) 29 JUNE 2009

(b) 28 DECEMBER 2009

Signed *[Signature]*
Joint / Administrator(s)

Dated 27-01-2010

Contact Details:

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

	Tel
DX Number	DX Exchange

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

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

Companies House receipt date barcode

STATUTORY INFORMATION

**Dial-a-TV Limited
(In Administration)**

Statutory Information

Scheduled below are extracts concerning the Company obtained from the file at Companies House: -

i) Directors

The directors of the company were: -

	Appointed	Resigned
Gary Nichols	15/06/1992	-
David Lloyd	15/06/1992	26/04/2008
Maurice Lloyd	01/11/1996	22/01/1998
Anna Nichols	01/02/2002	23/03/2004
Paul Richards	01/02/2002	14/08/2006

ii) Company Secretary

Ian Piggott	22/11/2008	22/07/2009
Julie Ingham	16/10/2007	21/11/2008
Ian Piggott	01/02/2002	16/10/2007
Anna Nichols	24/07/1994	01/02/2002
Gary Nichols	15/06/1992	24/07/1994

iii) Shareholder Information (as advised by the Director)

Issued Share Capital – 1,705,750 ordinary shares at £1 per share and £103,500 preference shares at £1 per share held by Dial-a-TV Group Holdings Limited.

iv) Registered Office

The Registered Office of the Company is situated at: -

Russell Square House, 10-12 Russell Square, London, WC1B 5LF

Prior to the appointment of Administrators the Registered Office was: -

PO Box 108, Abbots Ripton, Huntingdon, PE28 2PP

v) Company Number

The Company's registered number is: 02722882

vi) Date of Incorporation

The Company was incorporated on 15 June 1992

vii) Court Proceedings

High Court of Justice number 11581 of 2008

viii) Other

The proceedings constitute main proceedings as defined in Article 3 of the EC Regulations.

ix) Statement for the purpose of paragraph 100(2) of Schedule B1 to the Insolvency Act

All functions, powers and duties of the Administrators may be exercised by either of them acting jointly and severally.

x Joint Administrators

Kenneth William Touhey, David John Oprey and Kevin Anthony Murphy
Chantrey Vellacott DFK LLP
Russell Square House
10-12 Russell Square
London
WC1B 5LF

Date of appointment: 29 December 2008
Details of Appointer: Gary Nichols - Director

xii Summary of Outstanding Registered Charges and Debentures

Description: Block Discounting Agreement

Person(s) Entitled: Hitachi Credit plc Status: Outstanding

Created 25/03/1998

Registered 28/03/1998

Description: Block Discount Master Agreement

Person(s) Entitled: Yorkshire Bank plc Status: Outstanding

Created 25/05/2001

Registered 24/05/2001

Description: Chattel Mortgage

Person(s) Entitled: Yorkshire Bank plc Status: Outstanding

Created 31/07/2001

Registered 03/08/2001

THE JOINT ADMINISTRATORS' PROPOSALS

IN THE MATTER OF

**DIAL-A-TV LIMITED
(IN ADMINISTRATION)**

The Joint Administrators' Original Proposals to Creditors

- 1 The Joint Administrators be authorised to continue to allow the business to trade to enable the marketing of the business and / or the collect out of the contracts.
- 2 The Joint Administrators take all practicable steps to realise any remaining assets of the Company.
- 3 That as soon as is practicable, the Joint Administrators take all steps necessary to settle the outstanding Administration costs subject to sufficient funds being available.
- 4 In the event that there are no further asset realisations to be made and insufficient funds to make a distribution to unsecured creditors, the Company will move to dissolution. Should asset realisations be ongoing and realisations are sufficient to enable a distribution to unsecured creditors, we shall take all steps necessary to settle outstanding Administration costs and place the Company into liquidation which will be the most appropriate exit route. It is proposed that Kenneth William Touhey, David John Oprey and I be appointed Joint Liquidators of the Company.

Please note that, in accordance with paragraph 83(7) of Schedule B1 to the Insolvency Act 1986 and rule 2.117(3) of the Insolvency Rules 1986, creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of these proposals and prior to their approval.

4. The Joint Administrators will be discharged from liability under Paragraph 98 (3) of Schedule B1 to the Insolvency Act 1986 immediately on their appointment as Administrators ceasing to have effect.

JOINT ADMINISTRATORS' ABSTRACT
OF
RECEIPTS AND PAYMENTS ACCOUNT
&
TRADING ACCOUNT TO 28 DECEMBER 2009

Dial-a-TV Limited
(In Administration)

Joint Administrators' Abstract Of Receipts And Payments
To 28 December 2009

	29 December 2008 to 28 June 2009 £	29 June 2009 to 28 December 2009 £	Total £
RECEIPTS			
Cash at Bank/in Hand	52,259	Nil	52,259
Vehicles	8,725	1,958	10,683
Pre-Appointment Insurance Claim	250	Nil	250
Pre-Administration Rates Refund	Nil	1,118	1,118
Sale of Road Tax Licence	73	Nil	73
Surplus from Trading	889,583	463,817	1,353,400
	<u>950,890</u>	<u>466,893</u>	<u>1,417,783</u>
PAYMENTS			
Joint Administrators' Fees	Nil	200,000	200,000
Statutory Advertising	1,776	Nil	1,776
Legal Fees	Nil	1,723	1,723
Agent's Fees	Nil	7,717	7,717
Settlement of Motor Vehicle Finance	4,212	Nil	4,212
	<u>5,988</u>	<u>209,440</u>	<u>215,428</u>
Distributions			
Venture Finance Plc (paid 7/9/09)	Nil	12,705	12,705
Hitachi (Capital) UK Plc (paid 28/10/09)	Nil	100,000	100,000
Bank of Scotland (paid 10/11/09)	Nil	100,000	100,000
	<u>Nil</u>	<u>212,705</u>	<u>212,705</u>
BALANCE IN HAND	<u>944,902</u>	<u>44,748</u>	<u>989,650</u>
REPRESENTED BY			
Balance in Bank Accounts/In Transit	1,088,035	(130,577)	957,458
Uncleared cheques	73	-73	Nil
VAT	(143,206)	175,398	32,192
	<u>944,902</u>	<u>44,748</u>	<u>989,650</u>

Dial-a-TV Limited
(In Administration)

Analysis of Receipts per Funder
to 28 December 2009

	£
Broughframe	2,569
Funding Corporation	102,696
Bank of Scotland Plc	1,022,019
Hitachi Credit (UK) Plc	1,811,122
Thames Finance	85,162
Unassigned Agreements	347,860
Venture Finance Plc	34,935
Clydesdale Bank Plc	77,539
Zaramy	2,312
New agreements assigned to Hitachi/awaiting assignment	33,789
Awaiting allocation	54,156
	<u>3,574,159</u>

Note

The above figures represent what we consider to be the allocation of funds per funder. The allocation of funds is still being revised and the figures may be subject to slight amendment

SUMMARY OF JOINT ADMINISTRATORS' TIME COSTS

Dial a TV Limited

TIME AND CHARGEOUT SUMMARY						
29 December 2008 to 29 December 2009						
Hours						
Classification of work function	Partner	Manager	Assistants & Support Staff	Total Hours	Time Cost £	Average hourly rate £
Administration, planning and review	49.30	276.10	317.40	642.80	116,612.00	181.41
Claims & dividends	0.00	4.30	0.70	5.00	1,234.00	246.80
Creditors - General correspondence	0.60	49.70	104.70	155.00	21,804.00	140.67
Realisation of assets	73.50	34.70	9.40	117.60	39,540.50	336.23
ROT claims	0.10	3.40	9.40	12.90	2,496.00	193.49
Investigations	17.80	15.60	2.30	35.70	10,411.00	291.62
Statutory	0.00	10.20	0.40	10.60	2,769.00	261.23
Trading	58.30	432.50	234.70	725.50	171,147.00	235.90
Cashering	0.00	0.00	111.30	111.30	13,495.00	121.25
Employee issues	0.40	59.70	21.20	81.30	19,054.50	234.37
Report to creditors	116.40	111.20	31.40	259.00	80,874.50	312.26
Taxation	1.50	16.90	0.90	19.30	5,256.00	272.33
Debt Collection	0.10	4.70	0.00	4.80	1,323.50	275.73
Total hours	318.00	1,019.00	843.80	2,180.80	486,017.00	222.86
Total fees Claimed (£)	126,272.00	256,088.00	103,657.00	486,017.00		

Category 2 Disbursements

Other amounts paid or payable to the office holder's firm or to any party in which the office holder or his firm or any associate has an interest	
Type and purpose	£
Paper, Photocopying, Envelopes and Printing	0
Total	0

**JOINT ADMINISTRATORS'
CHARGE OUT RATES AND DISBURSEMENTS**

CHANTREY VELLACOTT DFK LLP

CHARGEOUT RATES AND DISBURSEMENT RECOVERY POLICIES

Chargeout Rates

In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), the firm's chargeout rates applicable to this appointment, exclusive of VAT, are as follows:

	From 1 July 2009 £ per hour	From 1 July 2008 £ per hour
Partners / Office Holders	350 - 430	320-390
Directors	310 - 320	280-290
Managers	260 – 300	235-275
Assistant Managers	220 – 250	200-230
Senior Administrators	230 – 240	205-215
Administrators	115 – 130	105-115
Assistant administrators	95 - 110	85-100
Cashier	110 – 145	100-130
Secretaries and office admin support	70 - 105	64-95

Chargeout rates are normally reviewed annually on 1 July, when rates are adjusted to reflect such matters as inflation; increases in direct wage costs; and changes to indirect costs such as Professional Indemnity Insurance. It is the firm's policy for the cashier's time spent on an assignment to be charged to the case. However, secretarial and office admin support time is charged only in respect of identifiable blocks of time devoted to the case where we consider it to be viable to do so.

Direct expenses ("Category 1 Disbursements")

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case will be charged to the estate at cost, with no uplift. These include but are not limited to such items as case advertising, storage, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case.

Indirect expenses ("Category 2 Disbursements")

It is our normal practice to also charge the following indirect disbursements ("Category 2 Disbursements as defined by SIP 9) to the case, where appropriate:

Circulars to creditors

Plain/headed paper including photocopying	12p per sheet
Envelopes	12p each
Postage	Actual cost

Room Hire

For the convenience of creditors and to save the cost of booking an outside hotel room, meetings of creditors are occasionally held internally at either our London or Hove offices. Where meetings of creditors are held in one of our internal meeting rooms, a charge of £100 plus VAT is levied to cover the cost of booking the room.

Travel

Mileage incurred as a result of any necessary travelling is charged to the estate at the H M Revenue & Customs approved rate, currently 40p per mile.

All of the above costs are subject to amendment by the firm at any time and if amended will be notified to creditors with the next circular sent to all creditors.

Chantrey Vellacott DFK LLP

Effective 1 July 2009

Chantrey Vellacott DFK is a limited liability partnership registered in England and Wales (NoOC313147) whose registered office is at Russell Square House, 10-12 Russell Square, London, WC1B 5LF. The term "partner" denotes a member of a limited liability partnership. A list of members of Chantrey Vellacott DFK LLP is available at our registered office.