



**MEQ Realisations Limited (formerly Mint Equities Limited) – in
Administration
High Court of Justice, Chancery Division, Companies Court
Case No. 6789 of 2010**

**Joint Administrators' final progress report for the period from 19 February
2011 to 27 July 2011**

8 August 2011

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1. Joint Administrators' final progress report for the period 19 February 2011 to 27 July 2011

Introduction

The Joint Administrators ("the Administrators") previously reported on 16 March 2011 and are pleased to provide their final progress report on the Administration of MEQ Realisations Limited (formerly Mint Equities Limited) ("the Company" or "MEQ") pursuant to Rules 2.47 and 2.110 of the Insolvency Rules 1986 ("IR86"). The Company will shortly proceed into Creditors' Voluntary Liquidation and the Joint Liquidators will continue to progress the remaining issues in the estate.

The Administrators are required to provide certain statutory information pursuant to Rule 2.47(1) IR86, which is shown in Section 2 to this report. The Administrators are also required to provide a summary of their proposals, which is shown at Section 3.

Details of the steps taken during the Administration, assets still to be realised and the outcome of the Administration are set out below.

Prior to the Administration

As at the time of the Administrators' appointment on 19 August 2010 the position as regards the Company was as follows: -

- The Company was incorporated in 2004 and operated as an agency brokerage for a range of financial and non-financial products with its principal office based in London. The Company also had branches in Paris, Dubai and Switzerland.
- In August 2009, the Company had fallen behind in a repayment programme agreed with HM Revenue & Customs ("HMRC") for PAYE and NIC liabilities. In 2009, the Company discovered that its settlement process which had been transferred to a new provider in 2007 had failed to account for stamp duty on any trades which gave rise to a further liability to HMRC.
- At the time the stamp duty liability was discovered, the Company owed HMRC circa £3m. The Company proposed a settlement to HMRC for this amount in July 2010 but it was rejected.

- HMRC advised the Company on 30 July 2010 that it would commence winding up proceedings if full payment for the PAYE liabilities was not made within 7 days.
- If a winding up petition had been presented and advertised, it would have been difficult for MEQ to continue trading as its bank accounts would have been frozen; transactions entered into would ultimately be void, absent a Court Order to the contrary and the Company unable to pay its employees.
- Since 2007, MEQ had actively sought new investment and this ultimately led to the board entering into discussions with BGC Partners LP ("BGC"). BGC had made an offer in July 2010 to purchase the shares of the Company. However, BGC withdrew its offer on 12 August 2010 since it would not be able to complete its due diligence in time as a result of the threatened petition from HMRC.
- Subsequent negotiations with BGC resulted in an agreement on 13 August 2010 regarding a sale of the business and certain assets of MEQ and its non-trading parent company, Mint Partners Limited ("MPL").
- In order to preserve the business and obtain a return for creditors as a whole, the board elected to appoint an administrator to enable completion of the sale of the business and assets to BGC. Accordingly, DC Chubb and PN Spratt were appointed as Joint Administrators ("Administrators") on 19 August 2010 by the Directors following an emergency hearing before the Court to dismiss a winding up petition that had been lodged earlier that day by another creditor.

Steps taken upon appointment

Immediately following appointment, the Administrators sold the Company's UK, Dubai and Switzerland operations to BGC for £2,500,000. All associated employees transferred to BGC under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

Full disclosure of the transaction, prepared in accordance with Statement of Insolvency Practice No. 16, was made by way of the initial circular to creditors on 24 August 2010.

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The sale to BGC specifically excluded the French branch operations and as a result, the Administrators closed the Paris office and made 11 employees redundant.

Assets still to be realised

The Company's assets specifically excluded from the sale were as follows:

- (i) 120 days trade debtors
 - The total book value of the 120 day old debtors at the date of the Administrators appointment was approximately £827k (sterling equivalent). Under the sale and purchase agreement ("SPA"), BGC was entitled to deduct commission of 30% for collecting these debts on behalf of the Company as its agent.
 - The agency collection arrangement with BGC was terminated by the Administrators in February 2011. To date, the net sum of £97k has been received from BGC. BGC are holding further realisations due to the Company although BGC has not yet completed its reconciliation of the ledger in this regard.
 - The Administrators will continue to liaise with BGC to confirm ownership of debtor receipts which have been paid directly to BGC or into the Company's pre-appointment bank accounts.
 - Following the termination of the agency collection arrangement, the Administrators have experienced some difficulties with BGC in obtaining information regarding the outstanding debts. Sufficient information was eventually received from BGC and the Administrators have instructed solicitors to pursue the remaining debts.
- (ii) Other trade debtors
 - A reconciliation exercise is also ongoing to identify amounts due (if any) to MEQ from counter party debtors (trades unsettled at the time of appointment) under the terms of the SPA.
 - Under the SPA, the Company is entitled to receive half of any recoveries over 80% of the book debts under 120 days old at the time

of appointment. BGC has recently advised us that this threshold has not yet been reached and that no monies are currently due to the Company although this matter is still under reconciliation.

(iii) Inter-company debtors

- The Administrators are continuing to liaise with the directors of the two Mint companies in the US ("Mint USA") regarding the settlement of inter-company debt of approximately £920k owing to MEQ. The US entities are insolvent and currently in a wind-down process. The Administrators have received a low offer of settlement and following discussions with the Liquidation Committee are negotiating settlement terms with Mint USA.
- As stated in the directors' statement of affairs, the sum of approximately £848k is owed to MEQ by MPL. The estimated realisable value remains uncertain at this stage as MPL is also in Administration.
- (iv) Certain trademarks
 - The Administrators are exploring a settlement with BGC in respect of the "MINT" trademarks registered in Australia, Bahrain, Hong Kong, South Africa and the USA which were not acquired by BGC under the SPA.

Employment Tribunal claims

Five former employees of the Company lodged Employment Tribunal claims against the Company and BGC. BGC subsequently agreed a settlement with the employees in respect of their claims against the Company and the employees withdrew the element of their claims against the Company.

The claims were settled by BGC who also agreed to indemnify the Administrators for their costs and those of their legal advisors in this regard. Therefore, this matter has been settled at no cost to the estate.

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Retention of title ("ROT") claims

The Administrators are aware of at least 5 potential ROT claimants although not all of these creditors have submitted supporting documentation in respect of their claim. Claims received to date have either been, or are being, dealt with in conjunction with our solicitors and BGC.

Creditors with outstanding ROT claims are strongly advised to contact the Administrators with a view to finalising their position with the Company and BGC.

Creditors' Committee

The Administrators have met with your Creditors' Committee twice and have regularly updated it on material developments by way of written reports. The Committee will become the Liquidation Committee once the Company enters into Liquidation.

Investigations

The Administrators investigations into certain transactions entered into by the Company are still ongoing.

Receipts and payments account

An account of the receipts and payments in the Administration for the period from 19 February 2011 to 27 July 2011 is set out in Section 4.

For the sake of clarity, the Administrators have included a separate statement regarding the third party monies held in the Company's pre-appointment bank accounts. These bank accounts are under the control of the Administrators and comprise 4 different currencies. The balances primarily consist of debtor monies belonging to BGC.

Under the SPA, the Administrators are obliged to transfer monies to BGC once a reconciliation of the debtors has been carried out. Occasionally,

debtor receipts are identified as belonging to the Company and they are transferred to the post appointment bank account.

Expenses statement

A statement of the expenses incurred by the Administrators in the period 19 February 2011 to 27 July 2011 is included at Section 5. Legal costs and other professional costs are based on information made available to the Administrators at 18 July 2011.

The statement excludes any potential tax liabilities that may be payable as an expense of the Administration in due course because amounts due will depend on the position at the end of the tax accounting period.

The Administrators' accrued and unpaid expenses will be met from funds held by the liquidator in accordance with Paragraph 99 of Schedule B1 to the Insolvency Act 1986.

Administrators' remuneration

The Administrators' remuneration was approved on a time costs basis by the Creditors' Committee. To 27 July 2011, the Administrators have drawn remuneration of £551,526 plus VAT which represents 1,590.3 hours at an average hourly rate of £346.81. Of this sum, £65,979 has been recovered into the estate from BGC under the costs and indemnity included in the SPA.

The Administrators' remuneration also includes additional costs of £47,763 (€53,133) attributable to PwC Paris for dealing with branch and employee issues.

Pre-Administration costs

Information regarding the approval of the unpaid pre-Administration costs previously detailed in the Administrators' proposals can be found in our previous correspondence to creditors.

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In addition to these amounts, the Creditors' Committee have since approved a further payment to Ashurst LLP for £26,276 plus VAT in respect of outstanding pre-appointment costs which were discovered after the Administrators' Proposals had been circulated.

Creditors' rights

A statement of creditors' rights in relation to the Administrators' remuneration and expenses is set out at Section 6.

Outcome for creditors

(i) Secured Creditor

HSBC, the secured creditor has been repaid in full under its fixed and floating charges over the Company and MPL's assets. The balance paid by the Company was £390,823.

(ii) Preferential Creditors

The only preferential creditors are expected to be the employees based in the French branch, as all other employees were transferred under TUPE regulations to the purchaser. The liability for holiday pay and wage arrears (pursuant to the Employments Right Act 1996 and Insolvency Act 1986) for the employees based in France is expected to be paid in full subject to statutory limits. No such preferential claims have been received to date.

(iii) French Employees

The French employees have submitted claims totalling €3.3m jointly and severally against the Company and BGC. An initial Tribunal hearing took place on 24 March 2011 and the case will be heard on 1 December 2011.

As the claims could adversely affect the dividend prospects for unsecured creditors, the Administrators propose to instruct a local lawyer to defend the proceedings.

(iv) Unsecured Creditors

The Administrators anticipate that there will be funds available for distribution to MEQ's unsecured creditors by virtue of the prescribed part and distribution of the remaining funds in the estate in due course.

The prescribed part applies to situations where there are floating charge realisations, net of costs. In this case, an amount of funds will be set aside for distribution to unsecured creditors. The prescribed part is calculated as follows:

- 50% of net property up to £10,000
- 20% of net property in excess of £10,000
- Subject to a maximum amount of £600,000

As MEQ's assets are still being realised and also since certain investigations and the French Tribunal proceedings are still ongoing, the Administrators currently anticipate that a dividend (including the prescribed part) will be paid to unsecured creditors of less than 10p in the £, however the timing of the dividend is uncertain.

The prescribed part and any surplus funds in the Administration will be passed to the Joint Liquidators for distribution in due course.

If you have not already submitted your claim, please do so using the form enclosed with this report.

Exit route from Administration

In accordance with the proposals approved by creditors, the Company will now enter Creditors' Voluntary Liquidation. This particular exit route was considered the most appropriate in the circumstances as it will provide an orderly process in which to agree the claims of unsecured creditors and enable a distribution to be made.

Furthermore, there are no adverse tax consequences of the route chosen and the Liquidators will continue to deal with outstanding tax issues. The alternative procedure would necessitate an extension to the Administration which may entail higher costs.

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Discharge

The Administrators propose to apply to the Court to obtain their discharge from liability pursuant to Paragraph 98(1) of Schedule B1 to the Insolvency Act 1986 in respect of any action of theirs as Administrators.

Next report

The next report to creditors will be circulated by the Liquidators in approximately 14 months after the Company enters Creditors' Voluntary Liquidation.



David Chubb
Joint Administrator
MEQ Realisations Limited (formerly Mint Equities Limited)

DC Chubb and PN Spratt have been appointed as Joint Administrators of MEQ Realisations Limited (formerly Mint Equities Limited) to manage its affairs, business and property as its agents and act without personal liability. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

2. Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court, 6789 of 2010
Full name:	MEQ Realisations Limited
Trading name:	Mint Equities Limited
Registered number:	05071454
Registered address:	7 More London Riverside, London SE1 2RT
Company directors:	Richard Barnett, Mark Perkins, Timothy Clark, Timothy Bullman. Anthony Bullman and Jamie Royston
Company secretary:	Not listed
Shareholdings held by the directors and secretary:	None
Date of the Administration appointment:	19 August 2010
Administrators' names and addresses:	DC Chubb and PN Spratt of 7 More London Riverside, London SE1 2RT
Details of any extension(s) to the initial period of appointment	None
Changes in office holder:	None
Appointor's / applicant's name and address:	The High Court of Justice on the application of the directors at the Company's former registered office
Objective being pursued by the Administrators:	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)
Division of the Administrators' responsibilities:	Any act required or authorised to be done by the Administrators may be done all or any one of the Administrators for the time being holding office
Proposed end of the Administration:	Creditors Voluntary Liquidation
Estimated dividend for unsecured creditors:	Uncertain
Estimated values of the prescribed part and the company's net property:	Uncertain
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	No
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are main proceedings

3. Summary of the Joint Administrators' Proposals

The Administrators make the following proposals for achieving the purpose of administration.

- i) The Administrators will continue to manage and finance the Company's business, affairs and property from asset realisations in such manner as they consider expedient with a view to 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).
- ii) The Administrators may investigate and, if appropriate, pursue any claims that the Company may have under the Companies Act 1985 or IA86 or otherwise. In addition, the Administrators shall do all such other things and generally exercise all their powers as Administrators as they in their discretion consider desirable in order to achieve the purpose of the Administration or to protect and preserve the assets of the Company or to maximise their realisations or for any other purpose incidental to these proposals.
- iii) The Administrators may at their discretion establish in principle the claims of unsecured creditors for adjudication by a subsequent liquidator and that the costs of so doing be met as a cost of the Administration as part of the Administrators' remuneration.
- iv) A creditors' committee will be established if sufficient creditors are willing to act on it. The Administrators propose to seek the election of a creditors' committee and to consult with it from time to time. Where the Administrators consider it appropriate, they will seek sanction from the committee to a proposed action rather than convening a meeting of all creditors.
- v) The Administrators may use any or a combination of "exit route" strategies in order to bring the Administration to an end, but in this particular instance the Administrators are likely to wish to pursue the following options as being the most cost effective and practical in the present circumstances: -
 - (a) Once asset disposals are complete, the Administrators will place the Company into creditors' voluntary liquidation. In these circumstances, it is proposed that DC Chubb and PN Spratt be appointed as Joint Liquidators and any act required or authorised to be done by the Joint Liquidators may be done by either or both of them. In accordance with Paragraph 83(7) Sch.B1 IA86 and Rule 2.117A(2)(b) IR86, creditors may nominate alternative liquidators, provided that the nomination is made before the proposals are approved; or
 - (b) In the event that it is more cost effective to do so, the Administrators will apply to the court to allow the Administrators to distribute surplus funds, if any, to unsecured non-preferential creditors. If such permission is given, the Administration will be brought to an end by notice to the Registrar of Companies under Paragraph 84 Sch.B1 IA86, following registration of which the Company will be dissolved three months later. If permission is not granted, the Administrators will place the Company into creditors' voluntary liquidation or otherwise act in accordance with any order of the court.

3. Summary of the Joint Administrators' Proposals

- vi) The Administrators shall be discharged from liability pursuant to Paragraph 98(1) Sch.B1 IA86 in respect of any action of theirs as Administrators at a time determined by the court.
- vii) It is proposed that the unpaid pre-Administration costs detailed at Appendix A are approved for payment as expenses of the Administration. If the meeting of creditors elects a creditors' committee it will be for the creditors' committee to approve payment of the unpaid pre-Administration costs as expenses of the Administration.
- viii) It is proposed that the Administrators' remuneration be fixed under Rule 2.106 of the Insolvency Rules 1986 by reference to the time properly given by the Administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that disbursements for services provided by the Administrators' own firm (defined as Category 2 disbursements in Statement of Insolvency Practice No.9) be charged in accordance with the Administrators' firm's policy as set out in Appendix B. It will be for the creditors' committee to fix the basis and level of the Administrators' remuneration and Category 2 disbursements but if no committee is appointed, it will be for the general body of creditors to determine these instead. In any event, the basis of the Administrators' remuneration and Category 2 disbursements are to be fixed no later than 18 months after the date of the Administrators' appointment.

4. Receipts and payments account for the period 19 February 2011 to 27 July 2011

	<i>Estimated to realise per Directors' Statement of Affairs</i>	Previously reported to 18-Feb-11	Movements in period	Cumulative to 27-Jul-11	Notes
	£	£	£	£	
Receipts					
Trade and other debtors	6,019,631	2,500,000		2,500,000	
Leasehold improvements, computer equipment & other assets	3,541,064				
Monies received where ownership is disputed	131,896	131,896		131,896	
Net debtor receipts >120 days	83,827	83,827	13,415	97,242	
Contribution towards costs received from BGC	122,441	122,441	22,995	145,436	1
Interest received	1,055	1,055		1,055	
Pre-appointment insurance premium refund	37,956	37,956		37,956	
VAT payable	22,937	22,937	2,291	25,228	
	<u>9,560,695</u>	<u>2,900,112</u>	<u>38,701</u>	<u>2,938,813</u>	
Payments					
Petitioning creditor costs	4,062			4,062	
Agents' fees	673			673	
Statutory advertising	221			221	
Insurance	741			741	
Committee expenses			220	220	
Room hire and meeting costs	771			771	
Pre-appointment costs - legal	134,195	134,195	34,007	168,202	
Pre-appointment costs - PwC	119,895	119,895		119,895	
Administrators' remuneration	121,686	121,686	429,840	551,526	
Administrators' disbursements			119	119	
Legal and other professional costs	224,323	224,323	59,751	284,074	
Bank charges	394	394	200	594	
Irrecoverable VAT	91,727	91,727	79,201	170,928	2
VAT receivable	13,092	13,092	11,304	24,396	2
	<u>711,780</u>	<u>711,780</u>	<u>614,642</u>	<u>1,326,422</u>	
Distributions					
Distribution to secured creditor		390,823		390,823	
		<u>390,823</u>		<u>390,823</u>	
Net movements / cash in hand (note 3)	1,797,509	(575,941)		1,221,568	

Notes

1. Certain costs incurred by the Joint Administrators and their legal advisers are recoverable by MEQ from BGC under the sale and purchase agreement.
2. Only 12.49% of input VAT is recoverable.
3. Held on an interest bearing account with HSBC.

4. Receipts and payments account for the period 19 February 2011 to 27 July 2011

Pre-appointment bank accounts under the control of the Joint Administrators

	GBP equivalent
Balance at 19 February 2011	773,262
Receipts	165,889
Payments	(163,873)
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Balance at 27 July 2011	775,278
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Notes

1. Third party funds (pre-appointment) are held in four different currency accounts. The balances have been stated in GBP as at 27 July 2011.
2. These funds are examined and either paid to BGC or retained by the Company under the terms of the SPA.

5. Statement of expenses incurred but not yet paid

Expenses incurred but not yet paid	GBP	Notes
Administrators' time costs	160,706	(1)
Administrators' disbursements	4,405	
Legal and other professional costs:		
- Lester Aldridge LLP	3,571	
- Nabarro LLP	114,401	(1) and (3)
- Wenger Plattner (CHF 3,800)	2,846	(1) to (3) inclusive
Irrecoverable VAT	49,545	
Total expenses	<u>335,475</u>	

Notes

1. Part of the costs incurred by the Administrators and their legal advisers are recoverable by the Company from BGC under the sale and purchase agreement.
2. Based on GBP exchange rate as at 28 June 2011.
3. The costs cover the period to 18 July 2011 based on the most recent figures available to us.

6. Statement of creditors' rights

The IR86 provide for creditors to request further information and challenge the Administrators' remuneration and expenses. The relevant provisions are as follows: -

Rule 2.48A Creditors' request for further information

- (1) If—
- (a) within 21 days of receipt of a progress report under Rule 2.47—
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
 - (b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor,
- makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2.47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2).
- (2) The administrator complies with this paragraph by either—
- (a) providing all of the information asked for, or
 - (b) so far as the administrator considers that—
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
 - (iii) the administrator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information.
- (3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of—
- (a) the giving by the administrator of reasons for not providing all of the information asked for, or
 - (b) the expiry of the 14 days provided for in paragraph (1),
- and the court may make such order as it thinks just.
- (4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2.109(1B) by such further period as the court thinks just.”

6. Statement of creditors' rights

Rule 2.109 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4).

(1A) Application may be made on the grounds that—

- (a) the remuneration charged by the administrator,
- (b) the basis fixed for the administrator's remuneration under Rule 2.106, or
- (c) expenses incurred by the administrator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.

(1B) The application must, subject to any order of the court under Rule 2.48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly.

(3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

- (a) an order reducing the amount of remuneration which the administrator was entitled to charge;
- (b) an order fixing the basis of remuneration at a reduced rate or amount;
- (c) an order changing the basis of remuneration;
- (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration;
- (e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify;

and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.

(5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration.