

TO ALL KNOWN CREDITORS

17 July 2009

Ref: CR/SH/SW/J/NWM0914/PCF18

Direct line: 0161 333 2749  
Direct fax: 0161 333 3008

Dear Sirs

## **Zavvi Retail Limited (in Administration) ('the Company')**

I write, in accordance with Rule 2.47 of The Insolvency Rules 1986, to provide creditors with a report on the progress of the Administration. This report covers the period from 24 December 2008 to 23 June 2009 and should be read in conjunction with the Joint Administrators' Statement of Proposals dated 13 February 2009 ('the Proposals').

Zavvi Retail Limited entered Administration on 24 December 2008 and S Allport, A M Hudson and I were appointed to act as Joint Administrators. The appointment was made by a directors' application to Court under the provisions of Schedule B1 to the Insolvency Act 1986 ('The Act'). A summary of statutory information relating to the Administration is detailed at appendix 1.

Under the terms of the appointment, any of the functions to be performed by the Joint Administrators may be carried out or exercised by any one of them acting alone or by all of them acting severally.

### **Background**

The Company was the main trading entity of the Zavvi Group ('the Group') and was a wholly owned subsidiary of Zavvi Group Limited (in Administration) ('ZGL').

The Group, as detailed at appendix 5, was formed from a management buy out ('MBO') of the UK Virgin Megastore business, a division of the Virgin Group, in September 2007.

### **Summary of progress**

#### ***Meeting of creditors & the creditors' committee***

Following the meeting of creditors held on Monday 16 March 2009, a creditors' committee ('the Committee') was duly constituted. The first meeting of the Committee was convened on the same day, during which the Committee voted on resolutions in respect of the Joint Administrators' remuneration and disbursements, further details of which are provided later in this report.

A second meeting of the Committee was held on 18 May 2009, at which the Joint Administrators provided the Committee with an update on the progress of the Administration.

### ***Trading and the new agency agreement***

As previously advised, on 24 December 2008 the Company and Zavvi Limited ('ZL') entered into a new agency agreement ('the Agreement') which enabled the Company to continue to sell stock owned by ZL during the Administration and preserve value in the Company's assets.

The Company's retail stores continued to trade until 18 February 2009. The Joint Administrators managed the stores during the Administration, including the sale process and store closures.

As at the date of the Proposals, 9 of the Company's 114 UK stores had transferred to HMV Music Limited ('HMV'), preserving the employment of 269 people, 2 stores had closed immediately upon appointment and 72 stores had been closed for economic and commercial reasons, resulting in the redundancy of 1,062 employees.

On 17 February 2009 the Company entered into further agreements to sell 5 stores to HMV and 7 stores to Head Entertainment LLP ('Head'), preserving the employment of a further 333 people. Additionally, the remainder of ZL's stock was sold to Head. Following this, on 18 February 2009 the Company's remaining 19 trading stores were closed, resulting in the redundancy of approximately 469 employees.

In addition to employees based in stores, following the cessation of trading it was necessary to make further redundancies of head office employees. 14 employees were retained to assist in finalising matters relating to the trading period and to assist the Joint Administrators and their staff. All remaining employees based at the Company's head office were made redundant by 17 April 2009.

### ***Settlement of the new agency agreement***

Under the Agreement, ZL was responsible for payment of all the Company's certified operational costs in relation to the performance of the Agreement for the period 24 December 2008 to 23 February 2009.

In line with the Agreement, during this period weekly cost reports were provided to ZL detailing actual costs incurred and an estimate of costs accrued but not paid. ZL remitted funds to cover these costs on a weekly basis. As at 23 February 2009, ZL had remitted circa £11.65 million to the Company to cover these operational costs.

As outlined above, 14 head office employees were retained by the Company following the cessation of trade, to assist both the Company and ZL. Accordingly, a second new agency agreement ('Agency Agreement 2') was entered into for the period from the 24 February 2009 to 17 April 2009, to enable ZL to pay for their share of the wages and associated costs of these employees.

ZL was charged a fee of £10,000 per week to cover the Company's cost of administering the Agency Agreement 2. A total fee of £80,000 was received over the period of the Agency Agreement 2.

The terms of the Agreement required the Company to reconcile the final operational cost position within 20 business days of the end of the Agreement. It quickly became apparent that an accurate reconciliation was not feasible within this timeframe due to the volume of trading relationships entered into during the trading period and delays in obtaining final invoices from certain suppliers.

Accordingly, both the Company and ZL agreed to postpone this final reconciliation to enable a more accurate final cost position to be reached. This reconciliation has been completed and the Joint Administrators have agreed a final settlement relating to ZL's funding of operational costs, bringing total contributions to circa £12.05 million. All payments from ZL under this Agreement have now been made and a proportion of cash advances received from ZL at the outset of the Administration have been repaid.

We understand that ZL has now proceeded into Members' Voluntary Liquidation, to be wound up in an orderly manner on a solvent basis.

### ***Directors' conduct report***

The Joint Administrators have submitted their confidential report on the conduct of all persons who have been directors or shadow directors of the Company during the three years preceding the appointment, to the Insolvency Service, in accordance with the provisions of the Company Directors Disqualification Act 1986.

### **Asset realisations**

#### ***Sale of business***

##### *HMV*

As previously reported, a sale of nine stores and associated fixtures and fittings was completed to HMV on 14 January 2009. All nine properties have now transferred to HMV and the element of contingent consideration has been received. 269 employees transferred to HMV as part of this sale.

On 17 February 2009 the Joint Administrators secured the sale of a further five stores and associated fixtures and fittings to HMV for total consideration of £0.16 million. 111 employees transferred to HMV as part of this sale.

The consideration of £0.16 million was apportioned as follows:

	£
Store equipment	69,998
Goodwill	90,002
<b>Total</b>	<b>160,000</b>

All properties purchased as part of this sale have now successfully transferred to HMV.

In the period between the completion of the sale agreements detailed above and the successful transfer of property leases to HMV, HMV occupied the stores under licence and prepaid a series of licence fees to cover the Company's rent and service charge liabilities. Total licence fee income from HMV was £0.95 million, of which £16,000 was repaid when properties were successfully transferred before the licence periods ended.

#### *Head*

On 17 February 2009, the Joint Administrators also entered into an agreement to sell 8 stores to Head, contingent upon Head agreeing acceptable occupancy terms with the landlords of these stores. In total, 7 stores were eventually transferred to Head along with 222 employees.

Total consideration of £0.11 million was apportioned as follows:

	£
Store equipment	80,000
Head office IT equipment	15,001
Cash floats	15,000
<b>Total</b>	<b>110,001</b>

As noted above, Head also purchased ZL's remaining stock.

#### **Debtor collections**

At the date of appointment the Company's debtor ledger totalled circa £4.10 million, of which £2.60 million was deemed to be recoverable, with the remaining circa £1.50 million deemed irrecoverable due to counterclaims and the contractual nature of the debt.

Realisations at the date of the Proposals totalled £0.77 million. In the intervening period we have realised a further £1.49 million of the outstanding ledger, bringing total realisations at 23 June 2009 to circa £2.26 million.

Following the identification of further provisions we currently consider that circa £0.10 million of the remaining ledger is collectable. To assist with the recovery of the remaining balances, the Joint Administrators have engaged JP Associates, a debt collection firm, on a contingent fee basis.

During the period the Company commenced legal action to recover a debt of £25,000. This matter is currently ongoing.

***Fixtures and fittings***

Sales of certain fixtures and fittings not included in the HMV and Head transactions have realised £0.10 million. We do not expect to realise any further amounts for fixtures and fittings.

***Business rate prepayments and rateable value appeals***

The Joint Administrators engaged King Sturge LLP to advise on business rate recoveries in relation to the Company's leasehold properties. At 23 June 2009 business rates recoveries totalled circa £1.88 million.

We continue to work with King Sturge LLP to pursue further realisations which we believe are recoverable.

***Prepayments and other debts***

To date the Joint Administrators have recovered £0.15 million of prepayments and miscellaneous debts due to the Company, principally in relation to property-related debts and a pre-appointment insurance refund.

***Loan notes***

Since the date of the Proposals we have received £0.10 million from ZL in full and final settlement of amounts outstanding under loan notes issued to the Company following the implementation of the EUK purchasing and distribution agreement.

***Cash******Cash at the date of appointment***

At the date of the Proposals, realisations in respect of cash at the date of the appointment totalled £3.09 million.

Due to the nature of the original agency agreement and the Group's pre-appointment banking arrangements, there was significant uncertainty over whether certain funds in the Company's bank accounts were owned by the Company or by ZL. During the period since the Proposals a detailed reconciliation of the Company's pre-appointment bank accounts was completed, resulting in an additional £0.50 million of cash being identified as belonging to the Company.

Separately, following the cessation of trade and the termination of the Company's change order service, a £0.20 million cash reserve which the Company was contractually obliged to maintain whilst this service remained in use was released.

The Joint Administrators also recovered bank charges totalling circa £34,000 that were incorrectly deducted from the Company's accounts.

Total realisations in respect of cash balances are now £3.83 million. We do not expect future realisations from this source.

### *Till floats*

In addition, at the date of appointment the Company's till floats, as verified by Ernst & Young LLP ('Ernst & Young') staff who attended each store, totalled circa £1.02 million. These floats remained in operational use whilst the stores traded. Under the terms of the agency agreement ZL indemnified the Company against any diminution in the value of the floats during the trading period and consequently the Joint Administrators were able to secure the full value of till floats as quantified at appointment.

### **Intercompany debtors**

#### *Zavvi Group Limited (In Administration) ('ZGL')*

The Company is part of a VAT group which has ZGL as its representative member.

The Company has an unsecured claim against ZGL for circa £3.50 million, representing the net VAT due to it at the date of appointment. Whilst a dividend to unsecured creditors is expected from ZGL, it is not yet known what the value of this dividend will be.

#### *Zavvi Retail (Ireland) Limited (in Liquidation) ('ZRIL') and Zavvi Online (Guernsey) Limited (in Liquidation) ('ZOGL')*

Per the directors' Statement of Affairs, the Company is owed £4.97 million from ZRIL and £3.69 million, from ZOGL. The recoverability of these debts is dependent upon the outcome of the insolvencies of these companies, which remains uncertain at this time.

#### *VR Services Limited (in Administration) ('VRSL')*

Since the Proposals, we have received evidence of an intercompany debt owing from VRSL of circa £0.95 million, which would represent an unsecured claim in the Administration of VRSL. However, the Company has an intercompany balance owing to VRSL of circa £1.23 million and it is therefore anticipated that these two amounts will be offset against each other. Accordingly, no realisations are anticipated from this source.

### **Other matters**

#### **Vouchers**

As previously reported there were circa 510,000 unredeemed vouchers at the date of appointment with a combined value of £4.1 million. It was not feasible to allow the redemption of vouchers during the Administration and customers with unredeemed vouchers are entitled to submit claims as creditors of the Company.

To date, circa 29,000 claims have been received from approximately 20,000 unique claimants. Due to the volume of customer creditor claims received, the Joint Administrators engaged a specialist data processor, to process the claims of voucher holders. Over 99% of voucher creditors who have submitted a claim have now been issued formal notification of the status of their claim.

The Joint Administrators have engaged Addleshaw Goddard LLP ('AG') to independently review the terms of the voucher trust account set up by the Company's directors prior to the Administration. AG considers that whilst the trust appears to be valid, the beneficiaries of the trust are not known with sufficient certainty since there is no way of identifying all customers who purchased vouchers on or after 27 November 2008.

Consequently, an application to Court is in progress to request that the Joint Administrators be permitted to advertise for potential voucher holders to submit their claims and to rely upon the claims received (including those received to date) as making up the beneficiaries of the trust. It is hoped that this will enable the Joint Administrators to make full or almost full repayment in respect of all vouchers purchased on or after 27 November 2008.

The Court is also being asked to rule that a deadline of 30 September 2009 be set for voucher holders to submit their claims.

For customers whose claims relate to vouchers purchased on or after 27 November 2008, we continue to anticipate that a full, or almost full, refund will be made in due course. We will contact these creditors separately when we are in a position to proceed with a dividend distribution.

Customers whose claims relate to vouchers purchased before 27 November 2008 will rank as unsecured creditors in the Administration and will share equally in any distribution of surplus assets with other unsecured creditors. Unsecured voucher creditors will be contacted along with the Company's other unsecured creditors when either the Joint Administrators or a subsequently appointed Liquidator are in a position to proceed with a distribution of surplus funds.

### ***Property***

At the date of appointment the Company held the leases to a total of 122 properties. 106 leases related to trading stores, 14 to vacant or sublet stores, 1 to a disused warehouse and 1 to the Group's head office.

60 of the Company's leases have now been disposed of or have expired, including those leases relating to stores transferred to HMV and Head. The disposal of these leases has materially reduced the level of contingent lease exit claims in the Administration. Realisations from disposals of leasehold interests total £0.49 million.

We have requested that landlords accept a surrender of all the leases that remain with the Company.

***Corporation tax***

The Joint Administrators, assisted by Ernst & Young tax professionals, have completed and submitted the Company's pre appointment corporation tax returns for compliance purposes and to ensure that the maximum amount of tax losses are available to offset any post-appointment corporation tax charges.

Additionally, our tax team has incurred time investigating specific tax matters, including but not limited to the following:

- Tax issues related to the sale agreements entered into with HMV and Head.
- The treatment of agency fee income and the pre appointment margin settlement (£11.1 million).

Further tax work will be required in respect of the Company's post appointment corporation tax returns.

All tax related time costs are included within the Joint Administrators' total time costs, set out in detail later in this report.

***VAT***

Following our appointment, VAT specialists from Ernst & Young assisted the Company and other members of the VAT group in completing a pre-appointment VAT return. As detailed above, £3.5 million is due from ZGL in respect of the net VAT owed to the Company at appointment.

The first VAT return of the post-appointment period, covering the period from 24 December 2008 to 30 May 2009, was recently submitted.

***Receipts and payments account***

I enclose an abstract of receipts and payments for the Company in respect of the period from 24 December 2008 to 23 June 2009 at appendix 2. Please note that this does not reflect estimated future realisations or costs.

***Joint Administrators' remuneration and disbursements***

The Joint Administrators' remuneration was fixed, by resolution of the Committee passed on 16 March 2009, on the basis of time properly spent by them and their staff in dealing with matters arising in the Administration.

The Committee resolved that:

1. The Joint Administrators' be authorised to draw fees of £2,363,637 plus VAT, in respect of their time costs to 6 March 2009.
2. The Joint Administrators be authorised to draw fees up to the value of 80% of future time costs beyond 6 March 2009 plus VAT, from time to time and on account.
3. The balance of fees be agreed by subsequent resolution(s) of the Committee at future committee meetings or by postal resolution, in accordance with Rule 2.106 of the Insolvency Rules 1986.
4. The Joint Administrators be permitted to charge and draw payment for Category 2 disbursements in full from time to time during the Administration.

As at 23 June 2009 the Administrators have incurred time costs of £3,177,836 against which £2,363,637 has been drawn to date. An analysis of the time spent is attached at appendix 3 to this report. At appendix 4 there is a statement of the Administrators' policy in relation to charging time and disbursements.

To date, the Administrators have incurred total disbursements of £90,535, against which £64,583 has so far been drawn.

## **Outcome to creditors**

### ***Secured creditors***

There are no known secured creditors in this Administration.

### ***Preferential creditors***

#### *Employees*

Until all employee claims have been submitted to the Redundancy Payments Office and notified to us, we are unable to estimate the value of preferential claims. However, per the Statement of Affairs, the directors' estimate is circa £0.7 million.

We expect that preferential claims will be paid in full.

### ***Unsecured creditors***

#### *Lease exit costs*

Lease exit costs are a contingent liability of the Administration and have been estimated by the directors of the Company in the Statement of Affairs on the assumption that it takes the landlord two years to re-let the property. This is an illustrative assumption used by the directors and does not reflect an agreed methodology for the Joint Administrators or a future Liquidator in quantifying unliquidated claims.

Per the Statement of Affairs, these lease exit costs are estimated by the directors at circa £110.37 million.

The actual value of such claims will be affected by individual lease terms, the ability of the landlord to re-let the property and other mitigating steps. It should be noted that landlords have an obligation to mitigate losses in respect of such claims.

#### *Trade creditors*

Trade creditor claims continue to be received but are currently estimated at circa £4.34 million.

#### *Intercompany creditors*

Per the directors' Statement of Affairs, intercompany creditor balances total circa £56.91 million, as detailed below:

<b>Intercompany Creditor</b>	<b>£ million</b>
VR Services Limited (in Administration)	1.23
Zavvi Group Limited (in Administration)	0.24
Broomco (4103) Limited	0.12
Zavvi Entertainment Group Limited (in Administration)	55.32
<b>Total</b>	<b>56.91</b>

The claim in respect of Zavvi Entertainment Group Limited (in Administration) has not been verified by the Joint Administrators.

#### *Employees*

Per the directors' Statement of Affairs, unsecured employee claims are estimated at circa £4.11 million in respect of Pay in Lieu of notice and Redundancy pay (£2.40 million and £1.71 million respectively).

#### *Vouchers*

Per the directors' Statement of Affairs, unsecured claims in respect of vouchers are estimated at circa £3.45 million. To date we have received unsecured claims in respect of vouchers totalling circa £0.30 million.

#### *Other creditors*

Per the directors' Statement of Affairs, other unsecured creditor claims are estimated at circa £7.63 million, primarily in relation to further accruals and property costs.

***The Prescribed Part***

The Prescribed Part is a proportion of floating charge assets set aside for unsecured creditors pursuant to Section 176A of the Act. The Prescribed Part applies to floating charges created on or after 15 September 2003.

There are no known floating charges granted by the Company. As such, the Prescribed Part does not apply to this Administration.

***Distributions to creditors***

In the absence of any secured creditors in this Administration, the Joint Administrators estimate that there will be surplus funds to enable a dividend to be paid to unsecured creditors of the Company.

Until the final level of realisations is known and, in particular, the value of landlord and all other unsecured claims can be estimated with greater certainty, it is not possible to accurately estimate the level of final dividend available to unsecured creditors.

However, at this stage in the Administration, it is currently estimated that a dividend could be payable in the range of 5 to 10 pence in the £1.

***The end of the Administration***

As set out in the Proposals and subsequently agreed at the meeting of creditors on 16 March 2009, should there be a surplus available for unsecured creditors it is proposed that the Company will move straight into Creditors' Voluntary Liquidation ("CVL") upon the filing with the Registrar of Companies of a notice pursuant to Paragraph 83 of Schedule B1 to the Act. It was proposed that T A Jack and S Allport of Ernst & Young LLP 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.

However, in the event that there is no surplus available at the end of the Administration to enable a distribution to be made to unsecured creditors, it was proposed that the Company will be dissolved. Accordingly, the Joint Administrators will send a notice to that effect to the Registrar of Companies. On registration of the notice the Joint Administrators' appointment will come to an end. In accordance with the provisions of Paragraph 84(6) of Schedule B1 to the Act the Company will be deemed to be dissolved three months after the registration of the notice.

I will report to you again at the conclusion of the Administration or in six months' time, whichever is the sooner.

Yours faithfully  
for Zavvi Retail Limited (in Administration)



T A Jack  
Joint Administrator

Enc: Appendix 1 Summary of statutory information  
Appendix 2 Joint Administrators' abstract of receipts and payments for the period from 24 December 2008 to 23 June 2009  
Appendix 3 Summary of Joint Administrators' time-costs and disbursements for the period from 24 December 2008 to 23 June 2009  
Appendix 4 Joint Administrators' policy on fees and disbursements  
Appendix 5 Zavvi Group structure

The Institute of Chartered Accountants in England and Wales authorises T A Jack and S Allport to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986 and The Association of Chartered Certified Accountants authorises A M Hudson to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986.

The affairs, business and property of the Company are being managed by the Joint Administrators, T A Jack, A M Hudson and S Allport, who act as agents of the Company only and without personal liability.

**Appendix 1****Zavvi Retail Limited (in Administration)  
Summary of Statutory Information**

Registered number:	02224492
Name of court:	High Court of Justice, Chancery Division, Companies Court
Court reference numbers:	11725 of 2008
Registered office address:	c/o Ernst & Young LLP, 100 Barbirolli Square, Manchester, M2 3EY
Administrators' names:	T A Jack, A M Hudson and S Allport
Administrators' address:	Ernst & Young LLP, 100 Barbirolli Square, Manchester M2 3EY
Date of appointment:	24 December 2008
Full name and address of the Appointors:	Directors of the Company Horatio House, 77-85 Fulham Palace Road, London, W6 8JA
Changes in office holder:	N/A
Statement of functions <sup>1</sup> :	T A Jack, A M Hudson and S Allport act jointly and severally as Joint Administrators of the Company. Any and all functions of the Joint Administrators may be carried out by each of the Joint Administrators acting individually or acting together.

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<sup>1</sup> In accordance with Paragraph 100 of Schedule B1 to the Insolvency Act 1986

## Appendix 2

### Zavvi Retail Limited (in Administration) Joint Administrators' abstract of receipts and payments for the period from 24 December 2008 to 23 June 2009

Statement of Affairs - Estimated to realise (£)	Period 24 Dec 08 to 6 Feb 09 (£)	Period 7 Feb 09 to 23 June 09 (£)	Total (£)
<b>Receipts</b>			
<b>Trading Receipts</b>			
Agency fee income	8,874,399.41	3,179,195.36	12,053,594.77
Concessions income	230,238.00	64,529.83	294,767.83
Sundry income	-	635.56	635.56
Trading advance	6,000,000.00	(6,000,000.00)	-
<b>Non trading receipts</b>			
Agency agreement settlement	11,100,000.00	-	11,100,000.00
Agency services	250,000.00	-	250,000.00
Agency 2 fee income	-	188,536.74	188,536.74
Third party contribution	678,512.66	(533,658.37)	144,854.29
Equipment, fixtures & fittings	93,812.20	272,235.17	366,047.37
Sale of business - goodwill	225,000.00	90,002.00	315,002.00
Sale of business - patents	-	2.00	2.00
HMV licence fee income	-	931,403.59	931,403.59
Pre appointment debtors	772,169.88	1,493,580.04	2,265,749.92
Pre appointment sub-tenant rent debtors	-	450,899.99	450,899.99
Business rates refunds	-	1,430,989.97	1,430,989.97
Business rates appeals	87,881.00	356,571.14	444,452.14
Prepayments and other debts	-	153,434.30	153,434.30
Loan note settlement	-	100,000.00	100,000.00
Lease premium	350,000.00	135,000.00	485,000.00
Till floats on appointment	393,139.33	627,221.14	1,020,360.47
Cash at bank on appointment	3,097,299.00	733,995.93	3,831,294.93
Bank interest	24,869.57	50,744.51	75,614.08
Sundry income	-	616.59	616.59
<b>Total receipts</b>	<b>32,177,321.05</b>	<b>3,725,935.49</b>	<b>35,903,256.54</b>
<b>Payments</b>			
<b>Trading payments</b>			
Store overheads	222,940.89	770,931.62	993,872.51
Central overheads	65,792.75	86,738.51	152,531.26
Store closure costs	-	159,568.55	159,568.55
Customer refunds	-	1,126.74	1,126.74
Salaries and payroll	2,820,458.17	1,308,312.08	4,128,770.25
Employee expenses	26,926.83	16,237.92	43,164.75
Rent	407,079.61	2,976,273.84	3,383,353.45
Business rates	-	766,122.30	766,122.30
Other agency costs	-	9,000.58	9,000.58
Arrears due to employees	-	159,120.81	159,120.81
Bank charges	620.00	300.00	920.00
<b>Non trading payments</b>			
Administration costs	14,378.00	44,723.86	59,101.86
Asset realisation costs	48,079.00	2,750.00	50,829.00
Property realisation costs	-	61,986.70	61,986.70
Repayment of sub-tenant income	-	92,264.41	92,264.41
Administrators' fees	-	2,363,637.00	2,363,637.00
Administrators' disbursements	-	64,583.00	64,583.00
Legal Fees	162,002.46	349,613.18	511,615.64
Other professional fees	-	39,119.25	39,119.25
Salaries and payroll	-	264,284.38	264,284.38
Gift card claims - processing costs	-	32,393.83	32,393.83
Bank charges	-	14,985.98	14,985.98
<b>Total payments</b>	<b>3,768,277.71</b>	<b>9,584,074.54</b>	<b>13,352,352.25</b>
<b>Balances in hand</b>	<b>28,409,043.34</b>	<b>(5,858,139.05)</b>	<b>22,550,904.29</b>
<b>Notes</b>			
Receipts and payments are shown net of VAT			
All funds are held in interest bearing accounts			
The receipts and payments account has been prepared on a cash basis and does not take account of future receipts and payments			

## Appendix 3

### Zavvi Retail Limited (in Administration)

#### Summary of Joint Administrators' time-costs and disbursements for the period from 24 December 2008 to 23 June 2009

Activity	Staff Grade					Total Hours	Total Cost (£)	Average hourly rate
	Partner / Director	Senior Manager / Manager	Executive	Analyst	Other			
Accounting & Administration	21.0	255.0	268.2	456.4	12.1	1,012.7	202,803	200
Bank & Statutory Reporting	14.0	6.5	-	3.3	-	23.8	9,126	383
Creditors	100.0	284.6	235.3	1,105.1	-	1,725.0	326,496	189
Day 1 Site Visits	30.8	275.0	573.4	154.3	7.5	1,041.0	248,328	239
Debtors	4.0	104.2	17.0	197.3	-	322.5	59,183	184
Employee Matters	20.0	105.6	493.2	62.5	58.0	739.3	158,477	214
Immediate Tasks	13.0	35.5	11.3	9.2	-	69.0	25,903	375
Investigations & CDDA	14.0	-	8.5	15.7	-	38.2	9,344	245
Job Acceptance & Strategy	2.0	-	-	-	-	2.0	810	405
Legal Issues	11.0	8.8	-	-	-	19.8	8,977	453
Other Assets	171.5	38.5	215.0	19.4	-	444.4	156,769	353
Other Matters	70.4	1.2	14.1	59.7	-	145.4	39,979	275
Property	119.0	33.5	998.0	447.3	-	1,597.8	340,740	213
Public Relations Issues	2.5	34.5	-	-	-	37.0	5,308	143
Retention of Title	12.0	19.3	-	8.2	-	39.5	12,382	313
Site Closures	6.8	853.4	727.2	968.1	15.5	2,571.0	617,414	240
Statutory Duties	5.0	48.6	61.7	17.1	-	132.4	39,979	302
Trading	429.0	672.3	157.5	748.1	-	2,006.9	586,994	292
VAT & Taxation	60.7	305.0	134.7	249.0	-	749.4	328,824	439
<b>Total Hours</b>	<b>1,106.7</b>	<b>3,081.5</b>	<b>3,915.1</b>	<b>4,520.7</b>	<b>93.1</b>	<b>12,717.1</b>		
<b>Time Cost (£)</b>	<b>512,609</b>	<b>1,232,682</b>	<b>875,539</b>	<b>549,557</b>	<b>7,448</b>		<b>3,177,836</b>	
<b>Average Hourly Rate (£)</b>	463	400	224	122	80		250	
<b>Category 1 Disbursements</b>	75,328							
<b>Category 2 Disbursements</b>	15,207							
	<u>90,535</u>							

## Appendix 3

### Current hourly charge out rates

	Grade	Current hourly charge out rate (2008/2009) (£)
Restructuring	Partner / Director	405 - 700
	Senior Manager / Manager	275 - 590
	Executive	155 - 265
	Analyst	85 - 170
	Other	80
Tax	Partner / Director	550 - 960
	Senior Manager / Manager	360 - 735
	Executive	270 - 430
	Analyst	70 - 230
Assurance	Partner / Director	490 - 680
	Senior Manager / Manager	200 - 300
	Executive	110 - 215
	Analyst	70 - 100
Business Advisory / Business Risk Services	Senior Manager / Manager	230 - 260
	Analyst	280
Financial Modeling	Senior Manager / Manager	425
Technology and Security Risk Services	Senior Manager / Manager	400
	Executive	280
	Analyst	125
Mergers and Acquisitions	Senior Manager / Manager	275 - 360
	Executive	200 - 265
	Analyst	85 - 170
Marketing	Senior Manager / Manager	120
Transaction Support	Partner / Director	595
	Senior Manager / Manager	325 - 590
	Executive	175 - 305
	Analyst	80 - 170

## Appendix 4

### **Zavvi Retail Limited (in Administration) Joint Administrators' policy on fees and disbursements**

#### ***Office Holders' Charging Policy for Fees***

The Company's creditors have determined that the Administrators' remuneration should be fixed on the basis of time properly spent by the Administrators and their staff in attending to matters arising in the administration.

The Administrators have engaged a manager and other staff to work on the case. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by cashiers dealing with the company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown in appendix 3, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report.

#### ***Office Holders' Charging Policy for Disbursements***

Statement of Insolvency Practice No. 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the Committee. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as the Creditors' Committee require to support the disbursements drawn.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from the creditors as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.

Appendix 5

**Zavvi Retail Limited (in Administration)**  
**Zavvi Group structure**

