



**Shetland Realisations 2011 Limited (formerly Demlane Limited)
(in Administration)
Court of Session
Case No. 852 of 2010**

**Joint Administrators' final progress report for the six months ended 10
August 2011**

10 August 2011

Contact details for queries

Contact	Address	Direct line	E-mail	Fax
Scott Walker	PricewaterhouseCoopers LLP, 32 Albyn Place, Aberdeen, AB10 1YL	0131 524 2367	scott.f.walker@uk.pwc.com	01224 253 329

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1. Joint Administrators' final progress report for the six months ended 10 August 2011

Introduction

In accordance with Rule 2.38 and Rule 2.42 of the Insolvency (Scotland) Rules 1986 ("ISR86"), the Joint Administrators ("the Administrators") write to provide creditors with details of the progress of the Administration of Shetland Realisations 2011 Limited (formerly Demlane Limited) ("the Company").

This is the Administrators' final progress report.

Background information and initial actions taken by the Administrators

Details of the background to, and actions taken since our appointment are contained in our initial progress report dated 23 March 2011 and the Administrators' proposals dated 5 October 2010.

Immediately following their appointment, the Administrators took steps to protect and preserve the Company's assets. Assets comprised:

- cash at bank;
- deferred consideration from the sale of the Company's mussel harvesting business to Blueshell Mussels Limited ("Blueshell");
- stock;
- prepayments and other debtors; and
- plant and machinery.

Trading

The Administrators assessed the sole outstanding customer order immediately following their appointment and determined that it was not likely to be profitable to complete the order. No trading was undertaken and on 12 August 2010 all five of the Company's employees on Shetland were made redundant. One further employee was made redundant from the Livingston office on 13 August 2010. Three employees were retained in

Livingston to assist with a going concern sales process (one of whom was employed by the Company's parent entity, Isle of Shuna plc (in Administration) ("Shuna"), but they were also made redundant on 24 August 2010 after indicative offers showed no appetite for the retention of the employees.

Sale of business and assets

Interested parties were contacted immediately following the Administrators' appointment. Five site visits were conducted in Shetland following contact with in excess of 15 interested parties. Although eight offers were received, the Administrators were advised by their valuation agents to remarket the assets rather than accept any of those offers in an effort to achieve greater value via the open market.

After discussions with the Company and Shuna's secured creditor, the Company's tangible assets and Shuna's land and buildings were readvertised in October 2010 and a closing date for offers was set for 24 November 2010. Several offers were received on 24 November 2010 that were better than those received in the first round of the sales process. One of those offers was progressed to contract stage and, on 11 May 2011, the Administrators sold all of the Company's assets to the partnership of A & C Tait.

Change of name

As part of the sale of the Company's assets, A & C Tait purchased the Company's intellectual property, which included the right to use the trading name "Demlane". As such, on 22 June 2011, the Company's name was changed to Shetland Realisations 2011 Limited.

Realisation of other assets

The Administrators realised £95k, less legal costs of £6k, for deferred consideration totalling £120k in relation to the sale of the Company's mussel harvesting operation to Blueshell. Blueshell initially disputed the deferred consideration payment on the basis that the appointment of the

1. Joint Administrators' final progress report for the six months ended 10 August 2011

Administrators had severely reduced the value of the goodwill which it had purchased. Following legal advice and a period of negotiation, the settlement of £95k was received.

In the directors' Statement of Affairs, the Company was shown to have title to heritable property at Walls, Shetland valued at £274k. Following investigations and legal advice, it was found that Shuna had title to the land and buildings at Walls, Shetland. As such, there will be no realisations for the Company's creditors when Shuna's land and buildings are sold in due course.

There are still ongoing issues in relation to Shuna's title to the heritable property at Walls, Shetland. Once those matters have been resolved, Shuna's heritable property will be sold to A & C Tait. Meantime, Shuna's Administration has been extended to 10 February 2012 to provide time to conclude matters in that Administration.

In their Statement of Affairs, the directors showed a £35k deposit due to the Company as being realisable in relation to new plant and machinery that had been ordered from a supplier. The Administrators have investigated this balance and determined that it was a contractual, non-refundable deposit. No realisations were available to the Company's creditors from that deposit.

The directors also showed amounts receivable from HM Revenue & Customs ("HMRC") totalling £19k in relation to VAT and a Marine Fuel Duty reclaim. HMRC is a creditor of the Company and has exercised its right of set-off. Accordingly, there were no realisations available from HMRC.

At the date of the Administrators' appointment, the directors considered that there were book debts due to the Company with a value of £45k. The Company factored its book debts to HSBC Invoice Financing (UK) Limited ("HIFL") and title to all of the Company's book debts transferred to HIFL immediately upon the Administrators' appointment. A surplus of £6k was

realised by the Administrators after HIFL had collected the debts due to it. There were no further realisations from book debts.

The Company's bank applied its right of set off at the date of the Administrators' appointment. As such, the balance at bank totalling £11k shown in the directors' Statement of Affairs was irrecoverable.

Circulation of the Administrators' proposals

On 5 October 2010 the Administrators circulated their proposals for achieving the purpose of administration to creditors.

The Administrators stated in their proposals that they had formed the view that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part as defined by Section 176A of the Insolvency Act 1986 ("IA86") and advised that they did not propose to convene a meeting of the Company's creditors at that time.

Following receipt of a requisite percentage of written requests for a meeting of the Company's creditors, a meeting of creditors was held on Shetland on 19 November 2010.

Adoption of the Administrators' proposals

The proposals were approved by creditors without modification at the meeting of creditors held on 19 November 2010.

Receipts and payments account

An account of the receipts and payments in the Administration for the six months ended 10 August 2011 is set out in section 3 to this report.

Receipts in the period comprise:

- £32,499.00 received from A & C Tait in relation to the sale of all the Company's unencumbered plant and machinery;

1. Joint Administrators' final progress report for the six months ended 10 August 2011

- £1.00 received from A & C Tait in relation to the Company's intellectual property; and
- a refund of £841.64 on the Company's former maritime insurance premium.

Payments in the period include:

- agents' fees of £4,972.90 and disbursements of £535.84 paid to Thainstone Specialist Auctions Limited in relation to the valuation and marketing of the Company's moveable assets;
- insurance costs of £6,663.89 in relation to the Company's assets, public liability and other associated risks;
- legal fees of £8,250.50 and disbursements of £196.21 in relation to the recovery of the debt due from Blueshell and the sale of the Company's assets;
- employee related costs of £50.00 in relation to the submission of the Company's tax returns;
- utilities costs totalling £5,936.59 in relation to electricity at the factory at Walls, Shetland;
- IT costs of £200.00 to update the Company's website following the Administration;
- storage costs of £719.38 in relation to the storage of the Company and Administrators' statutory records;
- Registrars' fees of £10.00 for the filing of the change of name documentation at Companies House;
- office holders' fees totalling £93,400.03 and office holders' expenses totalling £2,889.06 in relation to the period 11 August 2010 to 10 August 2011; and
- bank charges totalling £12.00.

Outcome for creditors

The secured creditor has suffered a shortfall under its security.

There will be no dividend payable to the Company's preferential creditors.

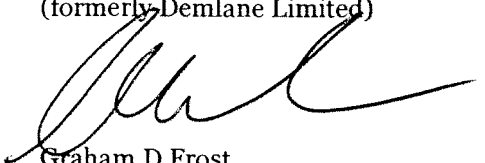
There will be no funds available for distribution to the Company's ordinary unsecured creditors by virtue of the prescribed part or otherwise.

The Administrators have filed notice on Form 2.26B (Scot) with the Registrar of Companies to move the Company from Administration to dissolution in terms of paragraph 84(1) of Schedule B1 IA86. The Administrators' appointment will cease to have effect when the Registrar registers that notice.

Administrators' remuneration

The Administrators' remuneration is approved by the Company's secured creditor. In the period 11 February 2011 to 10 August 2011, the Administrators have had approval for and have drawn remuneration totalling £93,400.03 excluding VAT, representing 659.9 hours, at an average hourly rate of £141.50.

For and on behalf of Shetland Realisations 2011 Limited
(formerly Demlane Limited)



Graham D Frost
Joint Administrator

2. Statutory and Other Information

Court details for the Administration:

Full name:

Trading name:

Registered number:

Registered address:

Company directors:

Company secretary:

Shareholdings held by the directors and secretary:

Date of the Administration appointment:

Administrators' names and addresses:

Appointor's / applicant's name and address:

Objective pursued by the Administrators:

Division of the Administrators' responsibilities:

End of the Administration:

Dividend for unsecured creditors:

Values of the prescribed part and the Company's net property:

Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:

The European Regulation on Insolvency Proceedings (Council Regulation (EC) No. 1346/2000 of 29 May 2000):

Court of Session P852 of 2010

Shetland Realisations 2011 Limited (formerly Demlane Limited)

Demlane Limited

SC155774

32 Albyn Place, Aberdeen, AB10 1YL

Roderick Alexander Drake Burgess

None

Nil

11 August 2010

Graham D Frost and J Bruce Cartwright of PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh, EH2 4NH

The Director, c/o Kirkidale Industrial Estate, Walls, Shetland, ZE2 9QX

Objective (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 failing that

Objective (c) – Realising property in order to make a distribution to one or more secured or preferential creditors

Whereas, John Bruce Cartwright and Graham Douglas Frost each a licensed insolvency practitioner of PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh are to be appointed as Joint Administrators of Demlane Limited ("Joint Administrators"). I, the sole director being the appointer of the Joint Administrators, hereby declare pursuant to paragraph 100(2) of Schedule B1 to the Insolvency Act 1986 that all and/or any of the powers which are conferred on the Joint Administrators by the Insolvency Act 1986 may be done by all and/or any of the Joint Administrators acting jointly or alone.

Dissolution

Nil

Nil

Not applicable

The European Regulation on Insolvency Proceedings applies to this Administration.

3. Receipts and payments for the period 11 February 2011 to 10 August 2011

Administration
of Shetland Realisations 2011 Limited

TRADING ACCOUNT

Statement of Affairs	£	Period	
		From: 11/02/2011 To: 10/08/2011	Cumulative From: 11/08/2010 To: 10/08/2011
	£	£	£
Trading Overheads			
Gross wages & salaries	nil	0.00	(3,346.40)
Employers NIC	nil	0.00	(202.99)
Subcontractors	nil	0.00	(375.00)
		<u>0.00</u>	<u>(3,924.39)</u>
Surplus/(Deficit)		<u>0.00</u>	<u>(3,924.39)</u>

REALISATION ACCOUNT

Statement of Affairs

Period
From: 11/02/2011
To: 10/08/2011

Cumulative
From: 11/08/2010
To: 10/08/2011

£	£	£
RELATING TO FLOATING CHARGE/UNSECURED ASSETS		
Realisations		
50,000.00	0.00	(3,924.39)
120,000.00	0.00	0.00
nil	32,499.00	32,499.00
nil	1.00	1.00
15,000.00	841.64	841.64
9,695.00	0.00	0.00
174,483.00	0.00	5,922.16
11,236.00	0.00	95,000.00
8.00	0.00	282.15
	0.00	7.65
	<u>33,341.64</u>	<u>130,629.21</u>
Costs of realisation		
nil	(4,972.90)	(4,972.90)
nil	(535.84)	(535.84)
nil	(6,663.89)	(6,663.89)
nil	(8,250.50)	(14,250.50)
nil	(196.21)	(346.21)
	<u>(20,619.34)</u>	<u>(26,769.34)</u>
Administration and appointment-related costs		
nil	(50.00)	(50.00)
nil	(5,936.59)	(5,936.59)
nil	(200.00)	(200.00)
nil	(719.38)	(719.38)
nil	(10.00)	(10.00)
nil	(93,400.03)	(93,400.03)
nil	(2,889.06)	(2,889.06)
nil	0.00	(73.44)
nil	0.00	(103.94)
nil	0.00	(9.32)
nil	(12.00)	(468.11)
	<u>(103,217.06)</u>	<u>(103,859.87)</u>
Balance	<u>(90,494.76)</u>	<u>0.00</u>
REPRESENTED BY:		
		<u>0.00</u>

.....
Graham Frost
Administrator

4. The Administrators' original approved proposals

"Proposals for achieving the purpose of the Administration

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 funding provided by a secured creditor and 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) If funds are available and if the Administrators do not intend to give notice pursuant to Paragraph 83 Sch.B1 IA86 to move from administration to creditors' voluntary liquidation, the Administrators may make a distribution to the secured or preferential creditors in terms of Rule 2.41(4) of ISR86
- iv) If the Administrators think that funds will become available for unsecured creditors, 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 (where the Administrators think there will be sufficient funds for a distribution to unsecured creditors other than by virtue of the prescribed part) or out of the prescribed part as costs associated with the prescribed part (where the Administrators think that funds will become available to the unsecured creditors by virtue of the prescribed part but not otherwise).

- 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) (If it transpires that there are insufficient funds with which to make a distribution to unsecured non-preferential creditors) Once all of the assets have been realised and the Administrators have concluded all work within the Administration, the Administrators will file a notice under Paragraph 84(1) Sch.B1 IA86 with the Registrar of Companies, following registration of which the Company will be dissolved three months later.
 - (b) (If there are prospects of a distribution to unsecured creditors) Once asset disposals are complete, the Administrators will place the Company into creditors' voluntary liquidation. In these circumstances, it is proposed that J Bruce Cartwright and Graham D Frost 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 2.47(3) ISR86, creditors may nominate alternative liquidators, provided that the nomination is made after the receipt of these proposals and before they are approved.
- 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 14 days after they cease to be Joint Administrators of the Company or in any case at a time determined by the court.
- vii) It is proposed that the Administrators' fees be fixed under Rule 2.39 of I(S)R86.
- viii) Category 2 disbursements (as defined by Statement of Insolvency Practice 9 (Scotland)) be charged in accordance with their firm's policy."

Appendix Form 2.26B (Scot) – Notice of move from Administration to dissolution

Rule 2.48

Form 2.26B(Scot)

The Insolvency Act 1986

Notice of move from administration to dissolution


Pursuant to paragraph 84(1) of Schedule B1 to the Insolvency Act 1986 and Rule 2.48(1) of the Insolvency (Scotland) Rules 1986

Name of Company
Shetland Realisations 2011 Limited
(formerly Demlane Limited)

Company number
SC155774

- (a) Insert name(s) and address(es) of administrator(s) I / We (a) Graham Douglas Frost and John Bruce Cartwright of PricewaterhouseCoopers LLP, 32 Albyn Place, Aberdeen, AB10 1YL
- (b) Insert name and address of registered office of company having been appointed administrator(s) of (b) Shetland Realisations 2011 Limited (formerly Demlane Limited)
- (c) Insert date of appointment on (c) 11 August 2010 by (d) the directors
- (d) Insert name of applicant / appointor hereby give notice that the provisions of paragraph 84(1) of Schedule B1 to the Insolvency Act 1986 apply.

I / we attach a copy of the final progress report.

Signed 
Joint / Administrator(s)

Dated 10 August 2011

Contact Details:

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

Scott Walker	
PricewaterhouseCoopers LLP, 32 Albyn Place, Aberdeen, AB10 1YL	
Tel 0131 524 2367	
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, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF
DX 235 Edinburgh / LP 4 Edinburgh-2