

7656 E

Our Ref DS/BK/Q7654/Q7655/Q7656/Q7657
 Your Ref

FRENCH

DUNCAN
BUSINESS RECOVERY

80 Nethergate, Dundee, DD1 4ER

Tel: GRO Fax: GRO
 businessrecovery@ GRO
 www.frenchduncan.co.uk

26 September 2008

Dear Sirs

PROPOSED PROTECTED TRUST DEEDS OF WILLIAM JOHN QUARM
 ANNE QUARM
 THE FIRM OF WJ & ANNE QUARM
 THE FIRM OF BAYHEAD SHOP

Please find enclosed information regarding each of the above four Trust Deeds. Due to the complexity of this case and the inextricable links between the four Trust Deeds you are being sent information on all four and I felt it would be beneficial to you to give some explanation and provide a summarised statement of affairs with this letter for ease of reference.

In the 1970's Mr & Mrs Quarm acting in Partnership as WJ & Anne Quarm acquired a public house and some 33 acres of land at Claddach Kirkibost on North Uist. This partnership traded the pub until 1986 when the pub and a small area of land was sold. Thereafter the couple built a house on the remaining land in which they currently reside, and in 1988 and 1991 two further areas of land were sold. The partnership currently operates as a Bed & Breakfast on a small scale.

In 1994, Mr & Mrs Quarm, as partners in the firm of WJ & A Quarm took on the lease of Bayhead Shop at Bayhead on North Uist and that business has been operated as a partnership since that time.

Legal advice has been sought on the position and the advice has been that these are two quite separate and distinct partnerships each with their own assets and liabilities.

Regrettably, Mr Quarm's current health is such that he has been advised by his GP to retire. However, the Bayhead shop partnership has substantial debts that were being paid from ongoing trading. As a result of ceasing to trade these debts can not be serviced and the partnership has insufficient assets to cover the liabilities. As partners, Mr & Mrs Quarm are both jointly and severally liable for the debts of the partnership. Therefore the Quarms and the firm of Bayhead Shop have signed Trust Deeds.

The partnership of WJ & Anne Quarm owns the house and land at Claddach Kirkibost, against which are secured debts to Royal Bank of Scotland. There are no other known liabilities and this partnership appears to be solvent. The surplus assets will fall to Mr & Mrs Quarm in equal shares. However, legal advice has been that this firm should also sign a Trust Deed, primarily to make the sale of the house and the land easier in terms of the conveyancing with regard to the way in which Title has been registered.



As a result of Mr Quarm's enforced retirement he will not have a future income stream and the couple will not have any surplus from Mrs Quarm's employment income to enable a contribution to be made. The return to creditors in the Trust Deeds will therefore be wholly from asset realisations.

The attached summarized statement of affairs indicates how the assets and liabilities flow between the individuals and the partnerships. A full statement of affairs and estimated scheme of division is attached for each Trust Deed. It is currently estimated that creditors will receive 39.79 pence in the £ from Mr Quarm and 35.41 pence in the £ from Mrs Quarm. Notes are provided to each of the four statements of affairs but I would draw the following to your attention.

- 1 The house and surrounding areas of land all owned by the partnership of WJ & Anne Quarm have been valued by Uist Property as follows:

House	£192,500
Land adjacent to house	£ 20,000
Croft Land (de-crofted)	£ 25,000
8 Building plots	£200,000

It is envisaged that the House, land adjacent to the house and the croft land would be attractive as one lot to any prospective purchaser of the house.

The building plots have been valued at £25,000 each, on the basis of having outline planning permission and in an ideal market. Only two of the plots have planning permission and it will be necessary for the Trustee to apply for permission for the other six plots at a cost of £300 each. Uist Property are confident, though clearly can not make any guarantees, that permission would be granted. In the absence of any such permission it is unlikely that the land would have much value.

With regard to the Schemes of Division and estimate of costs in the Trust Deed, I am unable to estimate with any accuracy the costs in relation to the Trust Deed of the partnership of WJ & Anne Quarm since I am unable to predict how easily or quickly the land will sell, especially in the current market. While there has been slight interest in the house, it is not known whether the building plots will sell individually or whether a local developer might be interested in all eight. Therefore, the legal costs associated with the sale can not be predicted.

For the purposes of the information provided to creditors at this stage I have deemed it prudent to show each plot at an average realisable value of £15,000 less the following costs:

i)	Application for planning permission on 6 plots	£1,800
ii)	Selling Agent's fees - 1.5%	£1,800
iii)	Legal fees (say) - £750 per plot	£6,000

However, all plots will be advertised at £25,000 once the planning permission is received.

- 2 It is believed that all of the debts due to the Royal Bank of Scotland fall within the bank's security and that this security only extends to the house and the land immediately surrounding the house. Full security documentation is awaited from the bank to verify the position.
-



3 The couple operate two vehicles which are owned by the firm of Bayhead Shop. One of these is valued at £1,000 and is thus of no interest to the Trustee. The other was acquired on finance and there is believed to be equity of around £4,000 in the vehicle. In view of Mrs Quarm's need to get to work she will require use of one of the vehicles. In view of Mr Quarm's health and the remote location in which they live it is proposed that they also be allowed to retain the other vehicle, subject to Mrs Quarm meeting the remaining monthly finance payments from her employment income and the finance provider agreeing to this.

4 A formal valuation of the business of Bayhead Shop has been instructed through the Torrance Partnership and is awaited. In the meantime, I have continued to trade the business in the short term pending that valuation and whilst a couple of parties who had shown interest in acquiring the business were approached. Regrettably, those parties do not wish to pursue the matter. The couple's accountants and the North Uist Trust have also been approached to ascertain if they are aware of any possible interested parties but to date are not aware of any such interest. A decision on whether to continue to trade will be made when I receive the valuation and my agent's advice.

5 Creditors will note my estimate of fees as follows:

Bayhead Shop	£5,000*	Primarily in dealing with short term trading to preserve the value of the business whilst a valuation of the business is obtained and possible interested parties are investigated
--------------	---------	--

Individuals	£3,500*	
-------------	---------	--

WJ & Anne Quarm	£23,238*	As above, I am unable to predict how easily or how quickly the assets will sell and I would propose that I set my fee at 6½% of gross asset realisations with a de minimus level of £15,000. The estimated fee in the scheme of division is based on 6½% of the asset values in the statement of affairs. In the event that my time costs are lower than 6½% of asset realisations I will, of course, restrict my fees to the level of my firm's time costs.
-----------------	----------	--

* All fees are exclusive of VAT.

I would hope to be able to carry out the work required within these budgets but clearly the time which my firm incurs in connection with the realisation of the house and land assets is difficult to estimate at this stage.

Creditors will be aware that they have the right at any time to have the Trustee's remuneration fixed and his accounts audited by the Accountant in Bankruptcy. The fee for carrying out this work is 5% of the Trustees remuneration, which will ultimately reduce the amount available for payment of a dividend.



Should you have any queries regarding the above please do not hesitate to contact either myself or my colleague, Barry Kennedy.

Yours faithfully

GRO

Derek Simpson
Trustee

Derek Simpson is licensed as an Insolvency Practitioner by the Institute of Chartered Accountants in England & Wales