

DEBT/CRG/CP

25 June 2012

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Dear Simon

SECURETICKET (UK) LIMITED - IN LIQUIDATION

Further to our recent telephone conversation, I confirm that I have reviewed the documentation that you sent me including the recent summary emails from RSM Tenon Limited, the Liquidator. I have also reviewed the briefing note that you prepared which covers the other additional proceedings taken against the company and its former directors.

As ever, the objective is always to recover the funds due to the Council, notwithstanding the criminal proceedings and disqualification proceedings that may be undertaken at the same time. As you will be fully aware, the criminal and disqualification proceedings will not recover any funds for the Council and simply punish the directors for misconduct.

The purpose of appointing the Liquidator was to try and trace the whereabouts of the funds due to the Council. I understand that these were in the region of £500,000. I was involved at the outset when the Liquidator was appointed and I attended a meeting with you and the Liquidator and the Chief Executive to discuss the prospects of recovery. It was the Liquidator's intention to try and trace the funds to find out if those funds had been hidden anywhere or siphoned off in some way. Initially the Council funded the Liquidator to carry out some initial investigations.

It appears that the Liquidator has now completed their initial investigations and is proposing to close down the Liquidation on the basis that there is no prospect of recovery. I note that the Liquidator made a comment in his recent email that he knows where the funds have gone to, and I assume that he has explained that to you and those funds are not recoverable. My view is that those funds have probably disappeared amongst the myriad of companies within the network operated by these particular directors.

It would not surprise me if those funds were used to repay other debts and borrowings. However, I am sure the Liquidator has probably explained that to you and I suspect that if RSM Tenon Limited thought there was any prospect of recovering those funds, then they would have advised you of the appropriate

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INSTITUTE OF DIRECTORS



course of action to do so. They would have taken this course of action if only to have a fighting fund to cover their own fees as well as pay a dividend to yourselves and any other creditors.

I further note that Mr Qajar has been declared bankrupt. A Trustee in Bankruptcy could carry out investigations in relation to his personal affairs to see if any of the funds had reached him or to see if there was any possibility of placing any personal liability upon him. However, the success of that venture depends upon two aspects:

1. Being able to prove a case that Mr Qajar was personally liable, and this is not straightforward;
2. Satisfying ourselves that Mr Qajar has sufficient assets to pay any claim made against him.

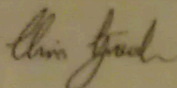
I agreed to carry out a Land Registry search against Mr Qajar's address and he is not the owner of that property. The property [REDACTED], is owned by two people called [REDACTED]. I therefore assume that Mr Qajar is actually renting this property. In those circumstances, the rental of property is usually a sign that the debtor has few assets which a Trustee in Bankruptcy could realise.

I have not investigated in depth the other directors, Mike Barnard and Sally Oakley. However, as I think the Liquidator pointed out, in order to pursue any recovery proceedings against them we would have to prove some personal liability. As I have said above, this is not straightforward notwithstanding that the directors may have acted entirely improperly. In order to prove a personal liability claim, the burden of proof is something similar to the criminal burden, and as you know from the police investigation notwithstanding the circumstances, the police do not have sufficient evidence to prosecute.

In summary, as an independent view, I must advise that pursuing this matter further would, in my opinion, simply involve the Council throwing good money after bad. Clearly this is a serious situation and in view of the significant amount of money involved, the matter needed to be investigated and pursued as far as possible on behalf of the stakeholders within Cambridge City Council. However, I do not think any further activity or expense would prove beneficial and I am afraid that I do not see that there is any prospect of recovery.

If there is anything further that you require, please contact me.

Yours sincerely



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