

Liquidator's Progress Report

S.192

Pursuant to Sections 92A and 104A and 192
of the Insolvency Act 1986

To the Registrar of Companies

Company Number

01794834

Name of Company

Scala Collections Limited

I / We

M N Cropper, 10 Fleet Place, London, EC4M 7RB

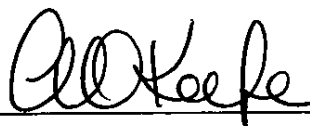
A P Beveridge, 10 Fleet Place, London, EC4M 7RB

S C E Mackellar, 2nd Floor, Palm Grove House, PO Box 4571, Tortolla, British Virgin Islands, VG1110

the liquidator(s) of the company attach a copy of my/our Progress Report
under section 192 of the Insolvency Act 1986

The Progress Report covers the period from 26/04/2013 to 25/04/2014

Signed



Date

21/5/14

Zolfo Cooper
The Zenith Building
26 Spring Gardens
Manchester
M2 1AB

Ref 06323-003/PRICH/NSTA/VQC/SAD

THURSDAY



A10 *A38FO4R4* 22/05/2014 #211
COMPANIES HOUSE

POWER OF ATTORNEY
by
MARK NICHOLAS CROPPER

Zc ZOLFO COOPER
10 Fleet Place
London
EC4M 7RB

This power of attorney is made by **MARK NICHOLAS CROPPER** of **10 FLEET PLACE, LONDON, EC4M 7RB** (Principal)

1 APPOINTMENT AND POWERS

The Principal appoints the persons whose names and addresses are set out in Schedule 1 to this power of attorney (Attorneys and each an Attorney) and in the Principal's name and in his/her professional capacity as an insolvency practitioner, including (but not limited to) any appointment as administrator, receiver, administrative receiver, liquidator, nominee or supervisor of a company voluntary arrangement or individual voluntary arrangement or trustee in bankruptcy or any analogous or associated appointment or procedure in whatever jurisdiction:

- 1 1 to sign, execute, deliver and/or issue all agreements, documents, certificates and instruments (all whether as a deed or not) which any Attorney in his or her absolute discretion considers desirable in connection with the Principal's appointment as one of the joint [administrators][liquidators][trustees in bankruptcy] (the Stated Purpose).
- 1 2 to take any steps or do any thing which any Attorney in his or her absolute discretion considers desirable in connection with the Stated Purpose.

2 POWER BY WAY OF SECURITY

This power of attorney shall be irrevocable save with the consent of the Attorneys but shall expire on **31 JULY 2014**.

3 RATIFICATION

The Principal undertakes to ratify and confirm whatever any Attorney does or purports to do in good faith in the exercise of any power conferred by this power of attorney.

4 VALIDITY

The Principal declares that a person who deals with any of the Attorneys in good faith may accept a written statement signed by the relevant Attorney to the effect that this power of attorney has not been revoked as conclusive evidence of that fact.

5 INDEMNITY

The Principal undertakes to indemnify each of the Attorneys fully against all claims, losses, costs, expenses, damages or liability which any of them sustains or incurs as a result of any action taken by any of them in good faith pursuant to this power of attorney (including any cost incurred in enforcing this indemnity).

6 GOVERNING LAW AND JURISDICTION

This power of attorney (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this power of attorney, its subject matter or its formation, (including non-contractual disputes or claims)) shall be governed by and construed in accordance with the law of England and Wales. The Principal irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this power of attorney or its subject matter or formation (including non-contractual disputes or claims).

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

**SCHEDULE 1
ATTORNEYS**

Name	Address
CHARLES PETER HOLDER	10 FLEET PLACE, LONDON, EC4M 7RB
ANNE CLARE O'KEEFE	THE ZENITH BUILDING, 26 SPRING GARDENS, MANCHESTER, M2 1AB
FRASER JAMES GRAY	10 FLEET PLACE, LONDON, EC4M 7RB

Signed as a deed by [PRINCIPAL]:

Nick Gray

Date:

21/08/2013

in the presence of:

Helen Ruane

Witness

Name: HELEN RUANE

Address: % ZOUFO COOPER, THE ZENITH BUILDING,
26 SPRING GARDENS, MANCHESTER, M2 1AB

Occupation:

COMPLIANCE OFFICER

Joint Liquidators' Progress Report for the period 26 April 2013 to 25 April 2014

Scala Collections Limited
In Liquidation

21 May 2014

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1 Statutory information

- 1 1 Nick Cropper, Alastair Beveridge and Stuart Mackellar were appointed Joint Liquidators of Scala Collections Limited (the Company) on 26 April 2012, following the filing of Form 2.34B - Notice of move from Administration to Creditors Voluntary Liquidation with the Registrar of Companies.
- 1 2 The Liquidation is being handled by Zolfo Cooper's Manchester office, situated at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB
- 1 3 The trading address of the Company was Artigiano Design Centre, Elm Lane, Shalfleet, Isle of Wight, PO30 4JY. The business traded under the names Artigiano and Spirito de Artigiano
- 1.4 The registered office of the Company has been changed to c/o Zolfo Cooper's Manchester office, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB and its registered number is 01794834
- 1 5 As approved by the creditors under rule 4.63A of the Insolvency Rules 1986, any act required or authorised to be done by the Joint Liquidators may be done by all or any one of them

2 Progress of the Liquidation

- 2 1 The Joint Liquidators' Receipts and Payments Account for the period 26 April 2013 to 25 April 2014, together with a Cumulative Account for the period 26 April 2012 to 25 April 2014 is attached at Appendix A
- 2.2 All costs incurred to date have been paid.

Transfers from the Administration

- 2 3 As previously advised, sums totalling £37,749 and £60,683 were transferred from the Administration. These sums relate to the balance of fixed and floating charge realisations respectively
- 2 4 In addition, an Unsecured Creditors' Fund of £173,275, calculated on the net floating charge property in the Administration, was also transferred

Rates refunds

- 2 5 Rates refunds totalling £1,614 have been received during the period. No further refunds are expected

Bank interest

- 2 6 Bank interest totalling £18 has been received into the fixed account and interest totalling £437 has been received in the floating accounts during the period

3 Assets still to be realised

VAT claims

- 3 1 The Company had lodged two claims prior to its Administration with HM Revenue & Customs (HMRC) in respect of input VAT it believed had not been recovered in full. Further details of the claims are contained in previous reports issued by the Joint Liquidators and Joint Administrators.
- 3 2 The claims total £2.07 million and, following crown set-off, an estimated £1.5 million may be available to the Liquidation if the claims are successful.
- 3 3 As previously advised, the Joint Liquidators are pursuing these claims; however, the outcome of the claims tribunal is dependent upon the decision in one of two unconnected appeals currently in progress with HMRC.
- 3 4 A recent update from the Tax Tribunals Service (TTS) confirmed that a hearing in relation to the lead case was to be held on 15 May 2014. The outcome and any decisions in respect of this lead case are not likely to be disclosed until at least July 2014.
- 3 5 The Joint Liquidators continue to liaise with the TTS for updates in relation to the proceedings and will provide further updates in future reports.

4 Joint Liquidators' fees

- 4.1 The basis of the Joint Liquidators' fees was approved pursuant to rule 4.127 (5A) of The Insolvency Rules 1986 by the secured creditor as being by reference to the time properly spent by the Joint Liquidators and their staff on matters arising in the Liquidation.
- 4.2 The Joint Liquidators' time costs for the period 26 April 2013 to 25 April 2014 are £18,411. This represents 59 hours at an average rate of £314 per hour. A Time Analysis for the period which provides details of the costs incurred by activity and by staff grade is attached at Appendix B.
- 4.3 Principal areas of activity during the period are discussed in further detail below:
 - **Administration and planning** - time has been incurred progressing and monitoring the case strategy, complying with statutory duties and performing general administrative work. Case related treasury and support time is also recorded here.
 - **Realisation of assets - debtors** - time has been incurred following progress of the tribunal cases, liaising with the TTS and reviewing the position in relation to the VAT claims.
 - **Realisation of assets - floating charge** - time recorded within this category includes liaising with councils and dealing with rates refunds.
 - **Creditors** - time has been incurred preparing statutory reports. Time has also been spent corresponding with the secured creditor. Time spent agreeing the claims of unsecured creditors, calculating the interim dividend and making a distribution is recorded in this section.

- 4 4 A copy of 'A Creditors' Guide to Liquidation' can be downloaded from Zolfo Cooper's creditor portal (<http://www.zcinfoportal.com>) - click in the menu on the left side of the screen. If you would prefer this to be sent to you in hard copy please contact Nathalie Staakman of this office on 0161 838 4516, by post at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB, or email creditorreports@zolfocooper.eu and a copy will be forwarded to you.
- 4 5 A Cumulative Time Analysis for the period 26 April 2012 to 25 April 2014 which provides details of the costs incurred by activity and by staff grade since the Joint Liquidators' appointment is also attached at Appendix C
- 4 6 To date £11,673 plus category 1 disbursements of £840 have been drawn on account. In addition, fees in relation to the Unsecured Creditors' Fund of £10,408 plus disbursements of £273 have been drawn.
- 4 7 The Joint Liquidators confirm that the category 2 disbursements, in relation to photocopying charged at the rate of ten pence per sheet for notifications and reports to creditors and other copying, have been taken in the sum of £16
- 4 8 Additional information in relation to the Joint Liquidators' policy on staffing, the use of sub-contractors, payment of disbursements and details of their current charge-out rates by staff grade is provided at Appendix D

5 Estimated outcome for creditors

Secured creditor - Lloyds TSB Bank Plc

- 5 1 The Company granted fixed and floating charges to the secured creditor on 15 December 2006 and 17 December 2006. At the date of appointment of the Joint Administrators the secured creditor was owed £16.49 million (excluding interest and charges) under its security
- 5 2 The secured creditor received distributions of £2.55 million during the Administration and has received £30,120 during the course of the Liquidation. Further distributions will be dependent upon the outcome of the VAT claims. The secured creditor will suffer a shortfall on its lending

Preferential creditors

- 5.3 All employees transferred during the preceding Administration and therefore there are no preferential creditors in the Liquidation

Unsecured Creditors' Fund

- 5.4 Pursuant to section 176A of the Insolvency Act 1986, where there is a floating charge which post-dates 15 September 2003, the Joint Liquidators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**), commonly known as the prescribed part

- 5 5 As the Company granted a floating charge to the secured creditor after 15 September 2003, the Joint Liquidators are required to create an Unsecured Creditors' Fund. The Joint Liquidators confirm that, based on realisations to date, the amount available for the Unsecured Creditors' Fund was £173,275 before costs
- 5 6 An interim dividend of 14 7 pence in the pound was paid on 22 May 2013 from the Unsecured Creditors' Fund. Future dividends will be dependent upon the outcome of the VAT claims as detailed in section 3

Unsecured creditors

- 5 7 There will be insufficient funds to enable a dividend to be paid to the unsecured creditors of the Company other than by way of the Unsecured Creditors' Fund

6 Creditors' rights

- 6.1 Within 21 days of the receipt of the report, a secured creditor, or an unsecured creditor (with the agreement of at least 5% of the value of the unsecured creditors) may request in writing that the Joint Liquidators provide further information about their remuneration or expenses which have been itemised in this progress report
- 6 2 Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% of the value of unsecured creditors) may, within eight weeks of receipt of this progress report, make an application to court on the grounds that the basis fixed for the Joint Liquidators' remuneration is inappropriate, or that the remuneration or the expenses incurred by the Joint Liquidators as set out in this progress report are excessive

7 Next report

- 7 1 The Joint Liquidators are required to provide a progress report within two months of the end of the next year of the Liquidation. If the Liquidation has been completed before then a final meeting will be called, and a draft report circulated prior to that meeting

Yours faithfully



Anne O'Keefe
For Nick Cropper
Joint Liquidator

Encs

**Receipts and Payments Account for the period
26 April 2013 to 25 April 2014 and a Cumulative
Account for the period 26 April 2012 to 25 April 2014**

Appendix A

	Period £	Cumulative £
Fixed charge assets		
Receipts		
Transfer from Administration	-	37,749
Bank interest	18	215
	<u>18</u>	<u>37,964</u>
Payments		
Joint Administrators' final fees	-	7,814
Bank charges	12	12
	<u>(12)</u>	<u>(7,826)</u>
Distributions		
Lloyds TSB Bank Plc	30,120	30,120
	<u>(30,120)</u>	<u>(30,120)</u>
Balance of fixed charge assets	<u>(30,114)</u>	<u>18</u>
Floating charge assets		
Receipts		
Transfer from Administration	-	60,683
Unsecured Creditors' Fund from Administration	-	173,275
Rates refunds	1,614	9,722
Bank interest	437	1,759
	<u>2,051</u>	<u>245,439</u>
Payments		
Joint Administrators' final fees	-	37,033
Joint Administrators' final disbursements	-	2
Joint Liquidators' fees	-	11,673
Unsecured Creditors' Fund fees	8,121	10,408
Professional fees	-	1,723
Category 1 disbursements		
Stationery and postage	270	595
Storage costs	-	72
Company searches	-	14
Telephone	-	6
Statutory advertising	-	153
Unsecured Creditors' Fund disbursements		
Photocopying	52	52
Stationery and postage	48	221
Category 2 disbursements		
Photocopying	-	16
Sundry expenses	-	20
Bank charges	38	38
	<u>(8,529)</u>	<u>(62,026)</u>

Receipts and Payments Account for the period 26 April 2013 to 25 April 2014 and a Cumulative Account for the period 26 April 2012 to 25 April 2014 (continued)

	Period £	Cumulative £
Distributions		
Unsecured creditors		
Unclaimed dividends	11,685	11,685
14 7p/E on 22/05/13	(163,958)	(163,958)
	<u>(152,273)</u>	<u>(152,273)</u>
 Balance of floating charge assets	 <u>(158,751)</u>	 <u>31,140</u>
 Total balance		 <u>31,158</u>
 Represented by		
Interest bearing accounts		31,071
VAT receivable		87
		<u>31,158</u>

Note Statement of Insolvency Practice 7 states the heading used in the receipts and payments account should follow those used in any prior Statement of Affairs (SoA) or estimated outcome statement. The SoA was provided by the Company's directors at the commencement of the Administration and provided estimated to realise values for the categories of assets realised. The receipts above represent funds passed into the Liquidation from the Administration, and as such, a meaningful comparison to the SoA cannot be made.

Time Analysis for the period 26 April 2013 to 25 April 2014

Appendix B

	Employee grade (hours)				£		
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning	7.1		1.1		8.2	4,107.00	501
Strategy and control	0.3	0.1	0.3	0.1	0.8	279.50	349
Statutory duties	0.6		1.3	0.3	2.2	731.00	332
Case administration	2.5		3.9	9.9	16.3	3,555.00	218
Accounting and treasury							
Realisation of assets - debtors							
Crown debtors			0.6		0.6	168.00	280
Internal and external documentation			1.0		1.0	320.00	320
Realisation of assets - floating charge							
Asset realisation strategy	0.1				0.1	47.00	470
Recovery of assets	0.1		0.3		0.4	131.00	328
Asset accounting and administration	0.3			1.8	2.1	420.00	200
Creditors							
Internal documentation	0.2	-			0.2	94.00	470
Creditor strategy			0.4	-	0.4	112.00	280
Reporting to creditors	1.6		5.8		7.4	2,483.50	336
Secured creditors	0.1		0.9		1.0	299.00	299
Unsecured creditors	3.4	0.4	13.7	0.4	17.9	5,664.00	316
Totals	16.3	0.5	29.3	12.5	58.6	18,411.00	314

Cumulative Time Analysis for the period 26 April 2012 to 25 April 2014 Appendix C

	Employee grade (hours)				£		
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning							
Strategy and control	13.1		4.8		17.9	8,209.50	459
Statutory duties	0.4	0.4	1.6	0.9	3.3	931.50	282
Case administration	1.5	0.6	5.1	0.6	7.8	2,571.50	330
Accounting and treasury	4.8	0.1	11.0	32.4	48.3	8,984.50	186
Internal documentation	0.4	0.1	-		0.5	221.00	442
Investigations							
Other investigations				0.8	0.8	120.00	150
Realisation of assets - debtors							
Crown debtors			2.7		2.7	756.00	280
Internal and external documentation			1.0		1.0	320.00	320
Realisation of assets - floating charge							
Asset realisation strategy	0.5				0.5	227.00	454
Recovery of assets	0.1		2.4		2.5	719.00	288
Dealing with third party assets	-		0.8		0.8	224.00	280
Asset accounting and administration	0.4			1.8	2.2	465.00	211
Creditors							
Creditor claims		0.1			0.1	41.00	410
Internal documentation	0.4				0.4	184.00	460
Creditor strategy			1.4		1.4	392.00	280
Reporting to creditors	1.6		10.8		12.4	3,908.50	315
Secured creditors	1.6		2.6		4.2	1,450.00	345
Unsecured creditors	4.9	0.7	34.5	1.4	41.5	12,440.00	300
Totals	29.7	2.0	78.7	37.9	148.3	42,164.50	284

Additional information in relation to the Joint Liquidators' fees pursuant to Statement of Insolvency Practice 9

Appendix D

1 Policy

Detailed below is Zolfo Cooper's policy in relation to

- staff allocation and the use of sub-contractors;
- professional advisors; and
- disbursements

1.1 Staff allocation and the use of sub-contractors

The Joint Liquidators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case

The case team will usually consist of a partner, a senior associate, an associate and an analyst. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Joint Liquidators' charge-out rate schedule below provides details of all grades of staff and their experience level.

With regard to support staff, time spent by treasury in relation to specific tasks on an assignment is charged but secretarial time is only recovered if a large block of time is incurred, eg report compilation and distribution

The Joint Liquidators have not utilised the services of any sub-contractors in this case.

1.2 Professional advisors

On this assignment the Joint Liquidators have used the professional advisor listed below. The Joint Liquidators have also indicated alongside, the basis of their fee arrangement with them, which is subject to review on a regular basis.

Name of professional advisor	Basis of fee arrangement
Goodman Nash (agents - rates refunds)	Percentage of realisations

The Joint Liquidators' choice was based on their perception of the professional advisor's experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of their fee arrangement with them.

1.3 Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case eg postage, case advertising, invoiced travel and external printing, room hire and document storage. Any properly reimbursed expenses incurred by the Joint Liquidators and their staff will also be chargeable.

Category 2 disbursements do require prior approval by creditors before they are paid. If they are incurred, they will be drawn in accordance with the resolution approved by creditors. Category 2 disbursements that may be incurred include photocopying which is charged at the rate of ten pence per sheet for notifications and reports to creditors and other copying.

2 Charge-out rates

A schedule of Zolfo Cooper charge-out rates for this assignment effective from 1 April 2014 is detailed below, together with those applicable prior to that date. Time is charged by partners and case staff in units of six minutes.

Description	Rates from 1 April 2014	Description	Rates pre 1 April 2014
	£		£
Partner 1*	595	Partner 1*	595
Partner 2*	540	Partner 2*	540
Director	520	Director	470
Associate director	440	Associate director	430
Senior associate	390	Senior associate	390
Associate	330	Associate	320
Analyst	280	Analyst	280
Junior analyst	200	Junior analyst	160
Senior treasury associate	230	Senior treasury associate	230
Treasury associate	155	Treasury associate	155
Treasury analyst	100	Treasury analyst	100
Support	84	Support	84

***Key**

Partner 1 - partners with three or more years' experience at partner level

Partner 2 - partners with fewer than three years' experience at partner level