

The Insolvency Act 1986

2.24B**Administrator's progress report**

Name of Company
The Franking Machine Company Supplies Limited

Company number
02673780

In the High Court of Justice, Chancery Division, Manchester District Registry
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Court case number
3444 of 2012

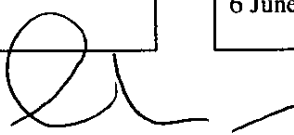
We
Paul Dumbell
KPMG LLP
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Administrators of the above company attach a progress report for the period

from	to
7 December 2012	6 June 2013

Signed


Paul Dumbell (Joint Administrator)

Dated

2 July 2013

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.

Luke Almond KPMG LLP St James' Square Manchester M2 6DS United Kingdom DX Number DX 724620 Manchester 42	Tel 0161 246 4866 DX Exchange
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When you have completed and signed this form, please send it to the Registrar of Companies at -

Companies House, Crown Way, Cardiff CF14 3UZ

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**The Franking Machine Company
Supplies Limited and The Franking
Machine Company Finance Limited
(both in Administration)**

**Progress Report
for period 7 December 2012
to 6 June 2013**

KPMG LLP

2 July 2013

This report contains 16 pages

Appendices contain 15 pages

PD/RB/LOA



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Notice: About this Report

This Report has been prepared by Paul Dumbell and Brian Green, the Joint Administrators of The Franking Machine Company Supplies Limited and The Franking Machine Company Finance Limited, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 on the progress of the Administrations, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in The Franking Machine Company Supplies Limited and The Franking Machine Company Finance Limited or other companies in the same group.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this Report, for any purpose or in any context other than under the Insolvency Rules 1986, does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person.

Paul Dumbell and Brian Green are authorised to act as insolvency practitioners by Institute of Chartered Accountants of England and Wales.

The Joint Administrators act as agents for The Franking Machine Company Supplies Limited and The Franking Machine Company Finance Limited and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the Administrations.



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KPMG LLP

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1 Glossary

Act	Insolvency Act 1986 (as amended)
Administration/Administrations	The Administration orders granted by the holder of a qualifying floating charge in respect of The Franking Machine Company Supplies Limited and The Franking Machine Company Finance Limited dated 7 December 2012 Court case numbers 3444 and 3445 of 2012 respectively
Agents	Edward Symmons LLP
Agreement	The agreement between the Companies and Newco, dated 11 January 2013
BACS	Bankers' Automated Clearing Services
Bank / RBS	Royal Bank of Scotland plc
Companies / FMC	The Franking Machine Company Supplies Limited and The Franking Machine Company Finance Limited (both in Administration)
Directors	Samuel Herbert Reid and Simon Goodman
Finance	The Franking Machine Company Finance Limited (in Administration)
Freeth	Freeth Cartwright LLP
GSS	KPMG LLP Global Sustainability Services
Hotel	132-134 St Mary's Road, Garston, L19 2JG and 2-6 Seddon Road, Garston, L19 2LJ
JB Leitch	JB Leitch LLP
Joint Administrators	Paul Dumbell and Brian Green of KPMG LLP
KPMG	KPMG LLP
Newco / Limited	The Franking Machine Company Limited
Period	7 December 2012 to 6 June 2013



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Premises	130 St Marys Road, Garston, Liverpool L19 2JG
Proposals	Joint Administrators' statement of Proposals in accordance with Paragraph 49 of Schedule B1 to the Act
QFC	Qualifying Floating Charge
Rules	Insolvency Rules 1986
SSAS	Small Self Administered Scheme
SIP	Statement of Insolvency Practice
Solicitors	DLA Piper UK LLP
Supplies	The Franking Machine Company Supplies Limited (in Administration)
VAT	Value Added Tax

The references in this report to sections, paragraphs or rules are to the Act, Schedule B1 of the Act and the Rules respectively

All values discussed in this report are net of VAT unless stated otherwise



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2 Executive Summary

- This progress report covers the period from the appointment of Paul Dumbell and Brian Green of KPMG LLP (the "Joint Administrators") on 7 December 2012 to 6 June 2013 (the "Period")
- The Joint Administrators' Statement of Proposals was deemed to have been approved on 13 February 2013 and have not been modified
- The Companies sold, leased and maintained franking machines as well as provided ancillary services such as the sale of ink and other consumables
- The Companies secured funding from the Bank based on the number of sales/lease agreements being made. In the two years prior to insolvency there had been a decrease in sales, particularly in the last 12 months, which led to the Companies experiencing cash flow problems
- To preserve the value of the Companies' assets the Bank appointed Paul Dumbell and Brian Green as Joint Administrators of the Companies on 7 December 2012 under the terms of their QFC pursuant to Paragraph 14 of Schedule B1 to the Act
- Upon appointment, the Joint Administrators reviewed the asset base of the Companies in order to assess the prospect of potential realisations
- Following this assessment, the Companies continued to trade under the control of the Joint Administrators in order to stabilise the business and safeguard assets
- In addition, the Joint Administrators entered into an arrangement with The Franking Machine Company Limited, the Directors' new company, in relation to ongoing maintenance contract renewals
- Following the expiration of the restriction on marketing the business and assets, on 11 April 2013, the Joint Administrators commenced a programme of contacting a number of the other Royal Mail accredited operators in the UK franking machine industry. An online data room was set up, with access granted to any interested parties
- An update in relation to marketing the Companies' business and assets will be provided in the Joint Administrators next report
- Based on the expected level of realisations, it is currently unlikely that a dividend will be available for unsecured creditors

Yours faithfully

Paul Dumbell
Joint Administrator



3 Statement of Proposals

Paul Dumbell and Brian Green of KPMG were appointed as Joint Administrators of the Companies on 7 December 2012 by the Bank, under its QFC, pursuant to Paragraph 14 of Schedule B1 to the Act

In accordance with Paragraph 100(2) of Schedule B1 to the Act, the functions of the Joint Administrators are being exercised by any or both of the Joint Administrators

In accordance with Paragraph 49 of Schedule B1 to the Act, the Joint Administrators set out their Proposals for achieving the purpose of the Administrations and for the conduct of the Administrations in the report dated and circulated to all known creditors on 30 January 2013

Subsequently, in accordance with Paragraph 52(1)(b) of Schedule B1 of the Act, a meeting of creditors was not convened and one was not subsequently requested

As a result, the Statement of Proposals, as circulated, was deemed to have been approved on 13 February 2013 pursuant to Rule 2.33(5A) of the Rules, with the exception of any proposals in relation to the Joint Administrators' fees, disbursements or discharge of liability

4 Progress to date

4.1 Ongoing trade

The Companies continue to trade under the control of the Joint Administrators in order to stabilise the business and safeguard the primary asset of the Companies the future rental stream of the lease agreements held in Finance

As there are a number of contracts where the Companies are contractually obliged to provide maintenance, the Joint Administrators strategy is to continue to offer this support to preserve this income stream

Given the income stream will be received into Finance, any associated trading costs will be borne by Finance. Further, Supplies will levy a management charge against Finance for any costs that it incurs in relation to the ongoing trading of the Companies

Since appointment trading has progressed positively, with a high proportion of invoices raised between January and June being paid at the date of this report



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4.2 Newco

The Joint Administrators have entered into an arrangement with The Franking Machine Company Limited, the Directors' new company ('Newco') (the "Agreement") The agreement was completed on 11 January 2013

The agreement grants Newco gradual access over a 12 month period to the Companies' customer base such that they can carry out renewals on maintenance agreements, historically provided by Supplies, and seek upgrades with Finance customers. In return they will pay a commission fee for acquiring the Companies' customers and will reimburse any settlement amounts due on existing rental contracts which they upgrade. Newco will also make a contribution towards the Companies' trading costs during the first 12 months.

This arrangement was entered into with the intention of stabilising the business, realising value for the Companies' existing customer base and to provide a mechanism for accelerating the collection of future rentals via upgrades.

It should be noted that the Joint Administrators may terminate this agreement if they receive a credible offer for all or part of the business of the Companies, or if they conclude it is necessary to do so in order to achieve the statutory purposes of the Administration.

Under the agreement, Newco acquired the Companies' internet domain names for £1 and settled the net amount of outstanding debt due to Supplies in relation to stock used by Newco (£7,890), prior to the Joint Administrators' appointment.

4.3 Employees

Although the Companies will collect monies due under existing leases, there will be no contract renewals or new sales made during the Administration. As such, all sales staff were made redundant on appointment and the remaining staff continued to be employed in order to assist with the Joint Administrators' strategy. The hotel continued to trade until 9 December 2012 before its only two employees were made redundant.

In addition to those staff already mentioned, the Directors, some of their family members and a part time accountant were made redundant as they were not required to assist with the Joint Administrators' strategy.

Of the 11 staff originally retained, two employees were made redundant on 11 March 2013 (the Operations Manager and a member of the finance team) and a further employee on 1 May 2013 (an engineer).

Further, in mid-March we received resignation letters from three of the engineers and two of the finance staff. Each of these employees had been offered positions with Newco and in turn accepted these positions.

Under the Agreement with Newco, access to the finance and engineering staff is shared between the Companies and Newco. Newco in turn agreed to make a monthly



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contribution towards the Companies' wage costs and related overheads for the use of the Companies' employees

Given the Companies' need to maintain an ongoing service to customers, particularly in relation to maintenance, we have informally agreed with Newco that the Companies and their customers will continue to have access to the engineers. In return, a contribution will be made to Newco to cover the associated costs.

At the date of this report Supplies has three remaining employees: an engineer, one finance assistant and a cleaner.

The Joint Administrators have also instructed an interim accountant to work on a part-time basis and take on the finance role that was created by the resignation of two of the finance staff.

4.4 Sale of business

A condition detailed in the sale agreement with Newco was that the business and assets could not be actively marketed within the first three months of the agreement period, although we were not prohibited from speaking with any party that contacted us.

During this three-month period we were contacted by a number of parties and held preliminary conversations around their potential interest. However, in keeping with the agreement, no information was shared with these parties.

Following the expiration of the restriction on marketing the business and assets on 11 April 2013, we commenced a programme of contacting a number of the other Royal Mail accredited operators in the UK franking machine industry.

An online dataroom has been set up, with access granted to any interested parties on receipt of a signed non-disclosure agreement.

An update in relation to marketing the Companies' business and assets will be provided in the Joint Administrators' next report.

4.5 Leasehold premises

The Companies primarily trade from leasehold premises at 130 St Mary's Road, Garston, Liverpool (the "Premises").

A second leasehold property (the "Hotel") was also occupied by the Companies on appointment (132 – 134 St Mary's Road & 2 – 6 Seddon Road). This consists of a hotel, some unused floor space, a dance studio and a small workshop used by the Companies as part of the primary trading activity. Rent is £8,625 per quarter, payable in advance on the usual rent quarters.

Both properties are owned by the Directors' SSAS pension scheme.



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The Joint Administrators continue to occupy the Premises whilst the Companies continue to trade

On 11 January 2013 the landlord of the Hotel accepted a formal surrender of the Hotel Lease from the Companies. However, the small workshop on the site of the Hotel is still currently required for the purposes of the Administration, the Joint Administrators have agreed to occupy this workshop under licence from the landlord for a period of up to 12 months

Further, on 11 January 2013, Newco agreed to occupy the top floor of the Premises under licence from the Joint Administrators, also for a period of up to one year

The Agents were instructed to value both of the leases and have confirmed that there was £nil value in each of the agreements

4.6 Books and Records

Upon appointment the Joint Administrators secured and located the Companies' books and records. As the Companies are continuing to trade, the majority of books and records remain at the Premises and will be collected in due course

Given the importance of the customer contracts, original contracts were requested and have now been received from the Bank. Copy contracts have also been collected from the Companies' Premises

4.7 Legal disputes

At the date of appointment, 46 customer accounts, with a total of £1.2 million outstanding, were subject to legal disputes

The Joint Administrators met with the Companies' former solicitors, JB Leitch. At the meeting JB Leitch confirmed that they were not interested in pursuing debts on a contingent basis

Following the meeting, £80,000, less solicitors' fees and disbursements, has been received from JB Leitch's client account in relation to a settlement received in respect of a legal dispute

The Joint Administrators subsequently instructed Freeth to act on behalf of the Companies in respect of both pre- and post-appointment legal disputes with customers

4.8 Stock and other assets

Stock is made up of older and newer franking machines, as well as a limited level of consumables. In addition the Companies own 11 vehicles, which are either company cars or leased to employees, and minimal fixtures and fittings, both in the Premises and Hotel

The Agents were instructed to value all stock, fixtures and fittings and all of the Companies' vehicles for the purpose of assessing potential realisations



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Following our Agents' recommendation, the Hotel's fixtures and fittings were sold to the Directors for £1,000

Seven company vehicles were sold in the period for £57,750 (in line with our Agents' valuation). Of the four company vehicles remaining, one is currently being marketed for sale, one remains in use as a company vehicle and one is subject to a pre-appointment lease with a family member of one of the Directors. The ownership of the final vehicle is currently subject to dispute.

4.9 **Cost of realisations**

Since 7 December 2012 the Joint Administrators have been engaged primarily in

- Reviewing the asset base of the Companies in order to assess the prospect of potential realisations,
- Formulation and implementation of an initial strategy to deal with the business and assets of the Companies within Administration,
- Analysing the viability of the Companies' different income streams in line with the Joint Administrators objectives and strategy,
- Trading the business with a view to continuing the lease agreements in place with customers and maximising realisations,
- Negotiating, preparing, agreeing and overseeing the agreement with Newco,
- Discussions with the landlord of the Premises and Hotel with regard to the ongoing occupation of the Premises and the surrender of the Hotel,
- Marketing the business and assets of the Companies for sale,
- Liaising with KPMG LLP GSS (Health, Safety and Environment) team and implementing their recommendations,
- Reporting to secured and unsecured creditors,
- Dealing with employee matters and claims,
- Correspondence with trade creditors,
- Submission of interim D returns, and
- Other statutory issues associated with the Administrations

4.10 **Communication**

The Joint Administrators wrote to all known creditors on 13 December 2012 advising them of their appointments.

Following this, the Joint Administrators' Statement of Proposals was circulated to all creditors of the Companies on 30 January 2013.

Notice of deemed approval of the Proposals, as circulated, was sent to all creditors and members on 13 February 2013.



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A further progress report will be provided to creditors in December 2013 should the Joint Administrators' proposals not have been completed by then

4.11 Liabilities

4 11 1 Secured creditors

The Bank holds a number of valid debentures over the Companies with the first one, dated July 2002, containing fixed and floating charges

The Bank's indebtedness at the date of appointment totalled approximately £3 8 million, it is currently anticipated that the Bank will not be repaid in full

4 11 2 Preferential creditors

Subject to TUPE considerations, there are expected to be minimal preferential creditors, relating only to the one week of arrears of pay and holiday pay due to the 12 employees made redundant on the date of appointment

4 11 3 Unsecured creditors

The statement of affairs indicated that unsecured creditor claims total £1 0 million in Supplies and £2 4 million in Finance. Of these amounts, trade creditor claims total £57,605 in Supplies with no trade creditors within Finance. The balances relate to either inter-company debts or unsecured employee claims. Based on current forecasts it is unlikely that there will be a dividend available for unsecured creditors of either of the two Companies

4 11 4 Prescribed Part

In accordance with section 176A of the Act, where a floating charge was created post 15 September 2003 and, therefore post Enterprise Act 2002, a prescribed part should be made available to unsecured creditors should floating charge realisations be sufficient

As the Bank's floating charges in relation to both Companies were created and registered in 2002 the prescribed part does not apply in these matters

4.12 Expenses for the period

4 12 1 Receipts and payments

The receipts and payments for the Period are set out in the attached receipts and payments accounts (see Appendix 2). A schedule of expenses incurred for each of the Companies during the period is attached at Appendix 5

4 12 2 Office holders remuneration

The Joint Administrators' time costs in Supplies during the Period were £154,086, representing 537 hours at an average hourly rate of £287

The Joint Administrators' time costs in Finance during the Period were £424,894, representing 1,596 hours at an average hourly rate of £266



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The majority of Joint Administrators' time costs to date have been spent continuing to trade the business, specifically ensuring the collection of lease rental debts as they fall due, making purchases, settling other trading costs and responding to any customer queries

Other key areas of the Administrations have included the collection of pre-appointment book debts, sale of business and dealing with creditor correspondence

Please note that all staff who have worked on this assignment, including work undertaken by GSS, pension, tax and VAT specialists, cashiers and secretarial staff have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to this assignment but is reflected in the general level of charge out rates

Attached at Appendices 3 and 4 is a detailed analysis of time spent and charge out rates for each grade of staff for the various areas of work carried during the Period, in accordance with SIP 9

The statutory provisions relating to the Joint Administrators' remuneration are set out in Rule 2.106 of the Rules. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which can be obtained at

http://www.13.org.uk/media/documents/publications/professional/Guide_to_Administrators_Fees_Nov2011.pdf

However, if you are unable to access this guide and would like a paper copy, please contact Harry Guthrie on 0161 838 4696

The Joint Administrators will seek to draw remuneration on the basis of time properly given by them and their staff in dealing with matters arising in the Administration at their normal hourly rate of charging (as detailed in Appendix 4)

Under Rule 2.106 of the Rules, where the Administrator has made a statement under Paragraph 52(1)(b) of Schedule B1 of the Act that, on the basis that there will be no surplus available to creditors, there will be no meeting of creditors convened, then the proposals relating to Administrators' remuneration shall be taken as passed if passed with the approval of each secured creditor of the company, and also the approval of the preferential creditors (whose debt amounts to more than 50% of the total preferential debt) where the Administrator intends to make a preferential distribution

Creditors are reminded that the quantum of office holder remuneration can be challenged by unsecured creditors representing at least 10% by value of total unsecured claims, including that creditor's claim, by making an application to court in accordance with Rule 2.109 of the Rules. The full text of this rule can also be provided on request



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Please note that no fees or disbursements have been drawn by the Joint Administrators to date. In accordance with Rule 2.106, the Joint Administrators will seek approval from the secured creditors prior to the drawing of any fees or disbursements.

4.12.3 Other Information

In accordance with Rule 2.48A of the Rules, additional information about the expenses charged for the period is available from the office holder upon request by any secured creditor, and any other creditor or creditors owed 5% or more in value of the unsecured liabilities. A request must be made within 21 days of receipt of this report.



5 Comments on the Appendices

5.1 Appendix 1: Statutory Information

Information to creditors required by statute is contained in Appendix 1 to this report

5.2 Appendix 2: Receipts and payments account for the period

An analysis of receipts and payments for the period 7 December 2012 to 6 June 2013 is contained in Appendix 2

This takes account of receipts and payments on a cash basis and does not show future receipts and payments receivable/payable

As detailed in section 4.1 the majority of income within the Administrations is expected to relate to the collection of lease rentals. As all lease agreements are held by Finance, this income will be recognised in the Administration of Finance. Subsequently all related costs and expenses will be recognised as expenses or costs of Finance.

5.3 Receipts

5.3.1 Sales

Net machine rental income, primarily relating to existing customer leases, of £477,133 was received in the Period. £473,541 was received into Finance, with £2,665 received incorrectly into Supplies and £927 received correctly into Supplies. As such £2,665 will be transferred to Finance in due course.

5.3.2 Administrative support fee

As detailed in section 4.3, £7,189 was received from Newco in the Period in respect of the administrative support provided to Newco by the Companies' employees.

5.3.3 Hotel receipts

For practical reasons the hotel business continued to trade for the first three days of the Period before being closed on 9 December 2012. During this time the business generated net receipts of £104.

5.3.4 Book debts

Book debts of £27,959 were received in the Period into Supplies, relating to ongoing trade book debt receipts and Newco settling its pre-appointment debt, as detailed in section 4.2. Further, book debts of £120,762 were received in the Period in relation to Finance's book debts.

5.3.5 Goodwill

During the Period £9,900 was received in respect of one quarter of the Companies' customer list, as per the Agreement. In addition, per the Agreement, £1 was received in respect of the Companies' interest in any domain names.



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5 3 6 Furniture & equipment

As detailed in section 4 8 £1,000 was received in respect of the Hotel's furniture, equipment, fixtures and fittings in the Period

5 3 7 Motor vehicles

As detailed in section 4 8 seven motor vehicles were sold during the period One of these vehicles was owned by Supplies and sold for £4,444 Four of these vehicles were owned by Finance and sold for £18,306 The remaining two vehicles were also owned by Finance and sold for £35,000, however these funds are currently held in our Agents' client account and are due to be transferred to the correct Administration account shortly

5 3 8 Cash received due to Newco

Newco customers have incorrectly paid £6,697 to Supplies and £5,808 to Finance during the Period These funds will be transferred to Newco in due course

5 3 9 Bank interest

Bank interest totalling £55 (£1 relating to Supplies and £54 relating to Finance) was received in the Period

5.4 Payments

5 4 1 Trade purchases

Purchases of £4,449 were paid by Finance to supplies in the Period, primarily in relation to the purchase of consumables on behalf of customers who have such items included within their contract free of charge

5 4 2 Direct labour and sub contractors

Finance paid wages of £87,661 and £4,719 to sub contractors in the Period

In addition Supplies paid labour costs £10,687 and associated payroll processing costs of £79 in the Period Finance will reimburse Supplies for these costs in due course

5 4 3 Rent and rates

£14,500 was paid, in respect of occupation of the Premises, by Finance to Supplies during the Period £9,667 of this has now been paid by Supplies to the landlord under the terms of the lease The remaining £4,833 is currently held by Supplies in respect of future rent not yet due

Business rates of £1,156 were paid by Finance in the Period

5 4 4 Utilities

Supplies paid water rates of £54 and Finance paid electricity charges of £1,358 and telephone charges of £934 in the Period Finance will reimburse Supplies in due course for any utility costs it incurs



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5 4 5 Travel

£3,348 was paid in respect of employee travel during the Period. This primarily relates to the purchase of fuel required by the Companies' engineers so that they were able to attend customer sites to deal with maintenance queries.

5 4 6 Sundry expenses

During the Period £275 was paid in respect of maintaining the onsite security system. In addition other sundry expenses of £624, relating to waste disposal and courier services, were paid during the Period.

5 4 7 Petty cash

Finance has released £2,022 in petty cash to the business in the Period. The petty cash is to be utilised to cover general day to day trading expenses of the Companies, for example fuel required by engineers to be able to attend customer sites.

Petty cash will be reallocated within the receipts and payments account once it has been used by the business.

5 4 8 Hotel payments

During the time that the hotel business traded £98 of expenses were incurred and paid.

5 4 9 Legal fees and disbursements

Legal fees of £49,648 and disbursements of £84 were paid to our Solicitors during the Period, this related to advice received in respect of to the Joint Administrators' appointment, the Agreement and other ongoing legal matters.

5 4 10 Statutory advertising

Supplies and Finance both paid £77 in respect of statutory advertising in the Period.

5 4 11 Bank charges

Supplies paid bank charges of £243 in the Period. Of this charges £200 related to trading costs and so Finance will reimburse Supplies for these costs in due course. In addition Finance paid bank charges of £180 in the Period.

5 5 Appendix 3: Analysis of the office holders' time costs

An analysis of the Joint Administrators' time costs for period 7 December 2012 to 6 June 2013 is contained in Appendix 3 of this report.

5 5 1 Analysis of the office holders' time costs - Supplies

The Joint Administrators' time costs from 7 December 2012 to 6 June 2013 total £154,086.

The Joint Administrators have been involved in the following activities



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- A total of £20,445 in time costs has been incurred dealing with employee related matters, namely liaising with the directors and the employees on an ongoing basis throughout the trading period
- A total of £15,513 in time costs has been incurred whilst exploring a sale of Supplies' business and assets
- A total of £15,105 in time costs has been incurred dealing with Supplies' debtors, both trade debtors and otherwise
- A total of £11,989 in time costs has been incurred dealing with the Administration appointment and related formalities, including the statutory notice of appointment that the Joint Administrators are required to send during the week following appointment
- A total of £10,425 in time costs has been incurred dealing with general creditor correspondence, primarily in relation to liaising with trade creditors as the Companies continue to trade throughout the Period

5.5.2 Analysis of the office holders' time costs - Finance

The Joint Administrators' time costs from 7 December 2012 to 6 June 2013 total £424,894

The Joint Administrators have been involved in the following activities

- A total of £186,554 in time costs has been incurred in relation to trading Finance on an ongoing basis. This includes £113,671 incurred dealing with sales and other trading income, £54,958 relating to time incurred dealing with purchases and other trading expenditure and £17,925 incurred dealing with trading projections and strategy
- A total of £43,490 in time costs has been incurred whilst exploring a sale of Finance's business and assets
- A total of £43,190 in time costs has been incurred dealing with Finance's debtors, both trade debtors and otherwise
- A total of £26,495 in time costs has been incurred dealing with general creditor correspondence, primarily in relation to liaising with trade creditors as the Companies continue to trade throughout the Period
- A total of £11,638 in time costs has been incurred dealing with the books and records of Finance. This includes the locating, securing, collecting and reviewing these books and records
- A total of £10,297 in time costs has been incurred dealing with the Administration appointment and related formalities, including the statutory notice of appointment that the Joint Administrators are required to send during the week following appointment



5 6 Appendix 5: Expenses for the period

Expenses for the period are summarised in Appendix 5 which include the time costs as analysed in Appendix 3

5 6 1 Expenses for the period – Supplies

Within Supplies expenses for this period total £12,219, of which £119 has been paid in the period and £12,100 is accrued. Accrued expenses include legal fees and disbursements, agents' fees and disbursements, insurance and sundry expenses.

Please note that in addition to the aforementioned expenses, the Joint Administrators' fees of £154,086 and disbursements of £442 have also been accrued in the period of the report. However, as fee approval has not yet been requested from or granted by the secured and preferential creditors, these expenses have not been included within the analysis.

5 6 2 Expenses for the period – Finance

Within Finance expenses for this period total £213,585, of which £171,035 has been paid in the period and £42,550 is accrued. Accrued expenses include purchases, labour, sub contractors, rates, utilities telephone, sundry trading expenses, insurance, legal fees and disbursements, bank charges, agents' fees and disbursements, and sundry other costs.

Please note that in addition to the aforementioned expenses, the Joint Administrators' fees of £424,894 and disbursements of £5,859 have also been accrued in the period of the report. However, as fee approval has not yet been requested from or granted by the secured and preferential creditors, these expenses have not been included within the analysis.



*The Franking Machine Company Supplies Limited and The Franking Machine
Company Finance Limited (both in Administration)*

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Appendix 1

Statutory Information

Company name	The Franking Machine Company Supplies Limited
Company registration number	02673780
Date of incorporation	23 December 1991
Previous registered office	43 Castle Street Liverpool L2 9TL
Present registered office	KPMG LLP St James' Square Manchester M2 6DS
Court details	The Administration orders granted High Court of Justice, Chancery Division, Manchester District Registry in respect of The Franking Machine Company Supplies Limited dated 7 December 2012 Court case number 3444 of 2012
Date of appointment	7 December 2012
Office holder details	Paul Dumbell was appointed on 7 December 2012 and is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales Brian Green was appointed on 7 December 2012 and is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales
Basis of remuneration	Time cost
Fee resolution date	Fee resolution has not yet been approved
Extension obtained	Not applicable



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Company name	The Franking Machine Company Finance Limited
Company registration number	02868280
Date of incorporation	2 November 1993
Previous registered office	130 St Marys Road Garston Liverpool L19 2JG
Present registered office	KPMG LLP St James' Square Manchester M2 6DS
Court details	The Administration orders granted High Court of Justice, Chancery Division, Manchester District Registry in respect of The Franking Machine Company Finance Limited dated 7 December 2012 Court case number 3445 of 2012
Date of appointment	7 December 2012
Office holder details	Paul Dumbell was appointed on 7 December 2012 and is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales Brian Green was appointed on 7 December 2012 and is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales
Basis of remuneration	Time cost
Fee resolution date	Fee resolution has not yet been approved
Extension obtained	Not applicable



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Appendix 2 – Joint Administrators' Receipts and Payments accounts for the period 7 December 2012 to 6 June 2013

**The Franking Machine Company Supplies Limited
(In Administration)
Administrators' Trading Account**

Statement of Affairs	From 07/12/2012 To 06/06/2013	From 07/12/2012 To 06/06/2013
POST-APPOINTMENT SALES		
Sales	927 31	927 31
Hotel Income	104 17	104 17
	<u>1,031 48</u>	<u>1 031 48</u>
PURCHASES		
Hotel Purchases	98 00	98 00
	<u>(98 00)</u>	<u>(98 00)</u>
OTHER DIRECT COSTS		
Direct labour	10,687 10	10,687 10
	<u>(10,687 10)</u>	<u>(10,687 10)</u>
TRADING EXPENSES		
Sub contractors - Finance to reimburse	78 75	78 75
Rent - Finance to reimburse	(4,833 32)	(4 833 32)
Water rates	53 66	53 66
	<u>4,700 91</u>	<u>4,700 91</u>
TRADING SURPLUS/(DEFICIT)	<u>(5,052 71)</u>	<u>(5,052 71)</u>



*The Franking Machine Company Supplies Limited and The Franking Machine
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**The Franking Machine Company Supplies Limited
(In Administration)
Administrators' Abstract of Receipts & Payments**

Statement of Affairs	From 07/12/2012 To 06/06/2013	From 07/12/2012 To 06/06/2013
FIXED CHARGE ASSETS		
Book debts	7,980 00	7 980 00
Goodwill	9 900 00	9,900 00
Bank interest, gross	0 76	0 76
	<u>17,880 76</u>	<u>17,880 76</u>
ASSET REALISATIONS		
Furniture & equipment	1,000 00	1,000 00
Motor vehicles	4,444 00	4,444 00
Book debts	<u>19 978 73</u>	<u>19,978 73</u>
	25 422 73	25 422 73
OTHER REALISATIONS		
Bank interest, gross	0 07	0 07
Trading Surplus/(Deficit)	(5,052 71)	(5,052 71)
Cash received due to finance	2,665 04	2,665 04
Cash Received due to Newco	<u>6,696 82</u>	<u>6 696 82</u>
	4 309 22	4,309 22
COST OF REALISATIONS		
Statutory advertising	76 50	76 50
Bank charges	<u>242 68</u>	<u>242 68</u>
	(319 18)	(319 18)
	<u>47,293 53</u>	<u>47,293 53</u>
REPRESENTED BY		
Floating ch VAT rec'able		226 80
Fixed charge current		10,560 76
Floating charge current2		38,430 85
Fixed charge VAT payable		(1,980 00)
Floating ch VAT payable		(1,295 09)
PAYE/NIC		(1,130 77)
Floating ch VAT control		1,160 98
Fixed charge VAT control		1,320 00
		<u>47,293 53</u>

Note



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**The Franking Machine Company Finance Limited
(In Administration)
Administrators' Trading Account**

Statement of Affairs	From 07/12/2012 To 06/06/2013	From 07/12/2012 To 06/06/2013
POST-APPOINTMENT SALES		
Sales	473,541.07	473,541.07
Administrative Support Fee	<u>7,188.62</u>	<u>7,188.62</u>
	480,729.69	480,729.69
PURCHASES		
Purchases	<u>4,448.87</u>	<u>4,448.87</u>
	(4,448.87)	(4,448.87)
OTHER DIRECT COSTS		
Direct labour	<u>87,660.61</u>	<u>87,660.61</u>
	(87,660.61)	(87,660.61)
TRADING EXPENSES		
Sub contractors	4,718.75	4,718.75
Rent	14,499.96	14,499.96
Rates	1,156.32	1,156.32
Heat & light	1,358.24	1,358.24
Travel	3,348.66	3,348.66
Telephone/Telex/Fax	933.97	933.97
Repairs and maintenance	275.00	275.00
Sundry expenses	623.79	623.79
Petty Cash	<u>2,022.66</u>	<u>2,022.66</u>
	(28,937.35)	(28,937.35)
TRADING SURPLUS/(DEFICIT)	<u>359,682.86</u>	<u>359,682.86</u>



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**The Franking Machine Company Finance Limited
(In Administration)
Administrators' Abstract of Receipts & Payments**

Statement of Affairs	From 07/12/2012 To 06/06/2013	From 07/12/2012 To 06/06/2013
FIXED CHARGE ASSETS		
Goodwill	1 00	1 00
	<u>1 00</u>	<u>1 00</u>
ASSET REALISATIONS		
Motor vehicles	18,306 00	18,306 00
Book debts	<u>120,762 44</u>	<u>120,762 44</u>
	139,068 44	139,068 44
OTHER REALISATIONS		
Bank interest, gross	53 61	53 61
Trading Surplus/(Deficit)	359,682 86	359,682 86
Cash in due to Newco	<u>5,807 66</u>	<u>5,807 66</u>
	365,544 13	365,544 13
COST OF REALISATIONS		
Legal fees	49,647 56	49,647 56
Legal fees (2)	84 00	84 00
Statutory advertising	76 50	76 50
Bank charges	<u>180 00</u>	<u>180 00</u>
	(49,988 06)	(49,988 06)
	<u>454,625 51</u>	<u>454,625 51</u>
REPRESENTED BY		
Floating ch VAT rec'able		10,705 61
Fixed charge current		1 20
Floating charge current		482,189 83
Fixed charge VAT payable		(0 20)
Floating ch VAT payable		(96,990 01)
Floating ch VAT control		<u>58,719 08</u>
		<u>454,625 51</u>

Note



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Appendix 3 – Analysis of Joint Administrators' time costs for the period 7 December 2012 to 6 June 2013

The Franking Machine Company Supplies Limited

Reporting period:

07 December 2012 to 06 June 2013

SIP 9 Compliant fees worksheet

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Trading							
Asset Realisation							
Health & safety		0 85	4 55		5 40	£1,335 75	£247 36
Cashuering							
General (Cashuering)			29 10		29 10	£5,708 50	£196 17
Reconciliations (& IPS accounting reviews)			0 30		0 30	£68 50	£228 33
Employees							
Correspondence		29 30	39 00		68 30	£20,444 50	£299 33
DTI redundancy payments service		1 00	29 00		30 00	£7,615 00	£253 83
Pensions reviews			3 00		3 00	£659 00	£219 67
Tax							
Initial reviews - CT and VAT	2 00	11 50			13 50	£5,167 50	£382 78
Post appointment corporation tax	1 00	3 60	4 65		9 25	£3,021 00	£326 59
Post appointment PAYE			9 00		9 00	£2,250 00	£250 00
Post appointment VAT		2 60	13 10		15 70	£3,769 00	£240 06
Trading							
Cash & profit projections & strategy			2 30		2 30	£575 00	£250 00
Purchases and trading costs	9 63		10 50		20 13	£7,295 55	£362 42
Sales	9 63				9 63	£4,670 55	£485 00
Administration & planning							
Bankrupt/Director/Member							
Notification of appointment			2 10		2 10	£525 00	£250 00
General							
Books and records		10 50	17 00		27 50	£7,870 00	£286 18
Fees and WIP				0 80	0 80	£92 00	£115 00
Statutory and compliance							
Appointment and related formalities	6 00	5 00	29 80		40 80	£11,988 50	£293 84
Bonding and bordereau		1 00		0 50	1 50	£422 50	£281 67
Checklist & reviews		4 00	7 20		11 20	£3,450 00	£308 04
Pre-appointment checks			0 60		0 60	£111 00	£185 00
Reports to debenture holders	1 50	3 50		0 50	5 50	£2,062 50	£375 00
Statutory advertising			0 30		0 30	£75 00	£250 00
Strategy documents	1 50		9 40		10 90	£3,197 50	£293 35
Creditors							
Creditors and claims							
General correspondence			52 80		52 80	£10,424 50	£197 43
Notification of appointment		1 00	0 80		1 80	£565 00	£313 89
Secured creditors			1 00		1 00	£250 00	£250 00
Statutory reports	1 00	7 00	16 70		24 70	£7,163 00	£290 00



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Investigation

Directors

Correspondence with directors	11 20	11 20	£2,150 00	£191 96
D form drafting and submission	14 50	14 50	£2,975 00	£205 17
Investigations				
Correspondence re investigations	0 70	0 70	£175 00	£250 00

Realisation of assets

Asset Realisation

Debtors	1 50	30 50	12 50	44 50	£15,105 00	£339 44
Leasehold property		4 50	8 40	12 90	£3,742 50	£290 12
Other assets	5 00			5 00	£2,425 00	£485 00
Sale of business	20 50	3 50	22 50	46 50	£15,512 50	£333 60
Stock and WIP			2 20	2 20	£550 00	£250 00
Vehicles			2 70	2 70	£675 00	£250 00
Total in period	59 26	119 35	356 90	537 31	£154 086 35	£286 77

Fees drawn

B/f	0 00
In the period	0 00
C/f	0 00

Hours/Costs to date

0 00	£0 00	£0 00
537 31	£154 086 35	£286 77
537 31	£154 086 35	£286 77

Notes

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central Administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.



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The Franking Machine Company Finance Limited

Reporting period.

07 December 2012 to 06 June 2013

SIP 9 Compliant fees worksheet

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Trading							
Asset Realisation							
Health & safety		0 60			0 60	£219 00	£365 00
Cashiering							
General (Cashiering)		10 00	24 50		34 50	£8,195 50	£237 55
Reconciliations (& IPS accounting reviews)		6 00	12 30		18 30	£5,265 00	£287 70
Employees							
Agreeing employee claims			2 60		2 60	£650 00	£250 00
Correspondence		2 00	6 00		8 00	£2,230 00	£278 75
DTI redundancy payments service			2 00		2 00	£500 00	£250 00
Pensions reviews			0 30		0 30	£75 00	£250 00
Realisation of assets							
Health & safety			35 00		35 00	£6,475 00	£185 00
Tax							
Initial reviews - CT and VAT	2 00	11 45			13 45	£5,293 75	£393 59
Post appointment corporation tax	1 00	2 90			3 90	£1,543 50	£395 77
Post appointment VAT		6 90	14 45		21 35	£5,789 75	£271 18
Trading							
Cash & profit projections & strategy		20 00	42 50		62 50	£17,925 00	£286 80
Purchases and trading costs	8 63	5 00	221 40		235 03	£54,958 05	£233 83
Sales	9 13	110 50	313 60		433 23	£113,670 55	£262 38
Administration & planning							
Bankrupt/Director/Member							
Notification of appointment			2 70		2 70	£675 00	£250 00
General							
Books and records		19 75	11 00		30 75	£11,637 50	£378 46
Fees and WIP				0 80	0 80	£92 00	£115 00
Statutory and compliance							
Appointment and related formalities	3 50	5 00	28 50		37 00	£10,296 50	£278 28
Bonding and bordereau		1 00		0 50	1 50	£422 50	£281 67
Checklist & reviews	0 10	4 00	26 00		30 10	£6,971 50	£231 61
Reports to debenture holders	1 50	20 50		0 50	22 50	£8,267 50	£367 44
Statutory advertising			0 30		0 30	£75 00	£250 00
Strategy documents	1 50	5 00	10 20		16 70	£5,222 50	£312 72
Creditors							
Creditors and claims							
General correspondence			138 40		138 40	£26,494 50	£191 43
Notification of appointment		1 00	0 80		1 80	£565 00	£313 89
Secured creditors			1 00		1 00	£250 00	£250 00
Statutory reports	1 00	12 00	18 30		31 30	£9,381 50	£299 73

Investigation



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Directors

Correspondence with directors			1 20	1 20	£300 00	£250 00
D form drafting and submission	1 00	3 00	4 50	8 50	£2,705 00	£318 24
Directors' questionnaire / checklist	1 50			1 50	£727 50	£485 00
Investigations						
Correspondence re investigations	0 80	2 00	0 70	3 50	£1,293 00	£369 43
Review of pre-appt transactions	1 00	8 00	33 00	42 00	£9 510 00	£226 43

Realisation of assets

Asset Realisation

Debtors	1 50	86 50	43 60	131 60	£43,190 00	£328 19
Leasehold property			2 00	2 00	£500 00	£250 00
Other assets	6 00		11 00	17 00	£5,335 00	£313 82
Sale of business	17 00	66 50	56 50	140 00	£43,490 00	£310 64
Stock and WIP		14 00	22 00	36 00	£9 180 00	£255 00
Vehicles		1 00	25 70	26 70	£5 522 50	£206 84
Total in period	57 16	424 60	1,112 05	1 595 61	£424,894 10	£266 29

Fees drawn

B/f	0 00
In the period	0 00
C/f	0 00

Hours/Costs to date

0 00	£0 00	£0 00
1 595 61	£424,894 10	£266 29
1 595 61	£424 894 10	£266 29

Notes

All staff who have worked on this assignment, including cashiers and secretarial staff have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central Administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.



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Category 1 and 2 expenses incurred 7 December 2012 to 6 June 2013

The Franking Machine Company Supplies Limited (in Administration)

Expense type	Value (£)
Category 1	
Lunch allowance	37 67
Train costs	14 20
Other transportation costs	21 17
Bordereau	320 00
	393 04
Category 2	
Mileage	49 40
	49 40
Total	442 44

Source KPMG records

The Franking Machine Company Finance Limited (in Administration)

Expense type	Value (£)
Category 1	
Lunch allowance	489 66
Train costs	824 50
Other transportation costs	64 07
Print services	56 40
Storage	340 00
Telephone	31 88
Bordereau	1,000 00
Sundry costs	20 00
	2,826 51
Category 2	
Mileage	3,032 26
	3,032 26
Total	5,858 77

Source KPMG records



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KPMG Restructuring policy for the recovery of disbursements

Where funds permit, the office holder will look to recover both category 1 and category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows

Category 1 disbursements These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses and equivalent costs reimbursed to the office holder or his or her staff

Category 2 disbursements These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage

Any disbursements paid from the estate are disclosed within the attached summary of disbursements

The only category 2 disbursements that KPMG Restructuring currently charges is mileage, this is calculated as follows:

Mileage claims fall into three categories

Use of privately-owned vehicle– Rate First 10,000 miles = 45p/mile, exceeding 10,000 miles = 25p/mile

Use of company car – 10-26p per mile

Use of partner's car – 10-26p per mile

For all of the above car types, when carrying passengers an additional 5p per mile per passenger will also be charged where appropriate



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Appendix 4 – Chargeable rates from 1 October 2012

Grade	Rate per hour (£)
Partner	565
Associate partner	485
Director	485
Senior manager	450
Manager	365
Assistant manager	250
Assistant	185
Support	115



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**Appendix 5 – Schedule of expenses for the period 7
December 2012 to 6 June 2013 – The Franking Machine
Company Supplies Limited (in Administration)**

Section	Account	Accrued	Paid	Undisclosed in prior period	Total
Cost of realisations	Legal fees	5,000 00	-	n/a	5,000 00
	Legal disbursements	100 00	-	n/a	100 00
	Statutory advertising	-	76 50	n/a	76 50
	Bank charges	-	42 68	n/a	42 68
	Agents'/Valuers' fees	1,000 00	-	n/a	1,000 00
	Agents'/Valuers' disbursements	500 00	-	n/a	500 00
	Insurance	5,000 00	-	n/a	5,000 00
	Sundry expenses	500 00	-	n/a	500 00
Total		12,100.00	119.18	-	12,219.18

Please note that in addition to the expenses outlined above, Joint Administrators' fees of £154,086 and disbursements of £442 have also been accrued in the period of the report. Fee approval has not yet been requested from or granted by the secured and preferential creditors and as such these expenses have not been included within the analysis.

For information relating to the Joint Administrators' fees incurred in the reporting period please see sections 4.12 and 5.5.



*The Franking Machine Company Supplies Limited and The Franking Machine
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The Franking Machine Company Finance Limited (in Administration)

Section	Account	Accrued	Paid	Undisclosed in prior period	Total
Trading expenses	Purchases	3,000 00	4,448 87	n/a	7,448 87
	Direct labour	12,000 00	87,660 61	n/a	99,660 61
	Sub contractors	6,000 00	4,718 75	n/a	10,718 75
	Rent	-	14,499 96	n/a	14,499 96
	Rates	250 00	1,156 32	n/a	1,406 32
	Utilities	4,500 00	1,358 24	n/a	5,858 24
	Travel	-	3,348 66	n/a	3,348 66
	Telephone	500 00	933 97	n/a	1,433 97
	Repairs and maintenance	-	275 00	n/a	275 00
	Sundry expenses	1,500 00	623 79	n/a	2,123 79
	Petty cash	-	2,022 66	n/a	2,022 66
	Insurance	5,000 00	-	n/a	5,000 00
		32,750 00	121,046.83	-	153,796 83
Cost of realisations	Legal fees	5,000 00	49,647 56	n/a	54,647 56
	Legal disbursements	100 00	84 00	n/a	184 00
	Statutory advertising	-	76 50	n/a	76 50
	Bank charges	200 00	180 00	n/a	380 00
	Agents'/Valuers' fees	3,000 00	-	n/a	3,000 00
	Agents'/Valuers' disbursements	1,000 00	-	n/a	1,000 00
	Sundry expenses	500 00	-	n/a	500 00
		9,800.00	49,988 06	-	59,788.06
Total		42,550 00	171,034.89	-	213,584.89

Please note that in addition to the expenses outlined above, Joint Administrators' fees of £424,894 and disbursements of £5,859 have also been accrued in the period of the report. Fee approval has not yet been requested from or granted by the secured and preferential creditors and as such these expenses have not been included within the analysis.

For information relating to the Joint Administrators' fees incurred in the reporting period please see sections 4.12 and 5.5.