

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
--

Court case number
3444 of 2012

We  
Paul Dumbell  
KPMG LLP  
St James' Square  
Manchester  
M2 6DS  
United Kingdom

Brian Green  
KPMG LLP  
St James' Square  
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United Kingdom

Administrators of the above company attach a progress report for the period

from
19 October 2013

to
18 April 2014

Signed

  
Paul Dumbell (Joint Administrator)

Dated

14 May 2014

**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

DX 33050 Cardiff

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COMPANIES HOUSE



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

**Progress Report  
for the period 19 October  
2013 to 18 April 2014**

KPMG LLP

14 May 2014

*This report contains 30 Pages*

PD/LOA/RM



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*KPMG LLP*

*14 May 2014*

## **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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## **1 Glossary**

Act	Insolvency Act 1986 (as amended)
Administration(s)	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
Bank	Royal Bank of Scotland Plc
Companies	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)
Joint Administrators	Paul Dumbell and Brian Green of KPMG LLP
KPMG	KPMG LLP
FMCL	The Franking Machine Company Limited
Period	19 October 2013 to 18 April 2014
Purchaser	F P Mailing (North West) Limited (trading as "The Mailing Room")
Rules	Insolvency Rules 1986 (as amended)
SIP	Statement of Insolvency Practice
Supplies	The Franking Machine Company Supplies Limited (in Administration)



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## **2 Executive Summary**

- This progress report covers the period from 19 October 2013 to 18 April 2014 (the "Period") in respect of the Administrations of The Franking Machine Company Supplies Limited and The Franking Machine Company Finance Limited (the "Companies")
- The Joint Administrators traded the business of the Companies from the date of their appointment to 2 September 2013. During the Period, the Joint Administrators have continued to settle costs incurred in trading the business in Administration. A number of costs remain outstanding and it is expected that these will be settled in the coming weeks.
- The Joint Administrators entered into an agreement with The Franking Machine Company Limited ("FMCL"), the Directors' new company, in relation to ongoing maintenance contract renewals. However, the agreement was terminated on 2 September 2013. During the Period, the Joint Administrators have been working to finalise the account with FMCL, which arose under the agreement. This process is continuing and will be concluded as soon as possible.
- A sale of the business and assets of the Companies to F P Mailing (North West) Limited ("the Purchaser") was completed on 2 September 2013. An element of the consideration was contingent and related to future rental income collections. During the Period, the Joint Administrators have continued to collect contingent Rental Income Consideration. A total of £225,852 has been collected in the Period.
- The Joint Administrators' investigations into matters and transactions carried out by the Companies prior to their appointment are ongoing. An update will be provided to creditors in due course.
- On 15 November 2013 the Joint Administrators obtained a court order to extend the period of the Administrations by 12 months to 6 December 2014. This was in order to provide sufficient time to deal with a number of outstanding matters.
- The debt outstanding to the secured creditor, Royal Bank of Scotland Plc ("the Bank"), at the date of appointment totalled approximately £3.8 million. The Joint Administrators have distributed a total of £1.3 million to the Bank to date, in accordance with its security, of which £200,000 was distributed during the Period. It is expected that the Bank will not be repaid its lending in full.
- Based on the expected level of realisations, it is unlikely that a dividend will be available for preferential or unsecured creditors.

Yours faithfully

Paul Dumbell  
*Joint Administrator*



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### **3 Statement of Proposals**

Paul Dumbell and Brian Green were appointed as Joint Administrators of the Companies on 7 December 2012 by the Bank pursuant to Paragraph 14 of Schedule B1 to the Insolvency Act 1986 (the "Act")

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

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

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 Insolvency Rules 1986 (the "Rules"), with the exception of any proposals in relation to the Joint Administrators' fees, disbursements or discharge of liability

### **4 Progress of the Administration**

#### **4.1 Communication**

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

The Joint Administrators' Statement of Proposals was circulated to all known creditors on 30 January 2013 and the notice of deemed approval of the Joint Administrators' Statement of Proposals was sent to all known creditors on 13 February 2013

The Joint Administrators' first progress report to creditors was sent to all known creditors on 2 July 2013. The Joint Administrators' second progress report was sent on 4 November 2013

This report forms the Joint Administrators' third progress report

#### **4.2 Trading in Administration**

The Joint Administrators traded the business of the Companies from the date of their appointment. This was in order to stabilise the business and also to safeguard the primary asset of the Companies, this being the future rental income arising from the lease agreements held in The Franking Machine Company Finance Limited ("Finance")

Trading in Administration ended upon the sale of the business and assets of the Companies to F P Mailing (North West) Limited on 2 September 2013



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During the Period, the Joint Administrators have continued to settle costs incurred in connection with the trading of the business. A number of costs remain outstanding and it is expected that these will be settled in the coming weeks.

#### **4.3 The Franking Machine Company Limited**

The Joint Administrators entered into an agreement with The Franking Machine Company Limited, a new company operated by the Directors of the Companies, on 11 January 2013.

The agreement granted FMCL gradual access, over a 12 month period, to the Companies' customer base. This provided FMCL with opportunity to carry out matters under the maintenance agreements that were historically provided by The Franking Machine Company Supplies Limited ("Supplies") and also to seek lease upgrades with customers of Finance customers. As consideration, FMCL would pay a commission for acquiring the Companies' customers and would pay Finance any settlement amounts due on existing rental contracts when a customer upgraded. FMCL would also contribute to the Companies' trading costs incurred under the duration of the agreement.

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 rental income via lease upgrades.

The agreement was terminated on 2 September 2013.

During the Period, the Joint Administrators have been working to finalise the account with FMCL that arose under the agreement. This process is continuing and will be concluded as soon as possible.

#### **4.4 Asset realisation**

##### **4.4.1 Sale of business**

As has previously been reported, a sale of the business and assets of the Companies to F P Mailing (North West) Limited was completed on 2 September 2013, trading as "The Mailing Room". The tables below sets out the assets included in the sale to the Purchaser together with the consideration that was payable.

<b>Finance assets</b>	<b>£</b>
the Business Intellectual Property	1
the Email Addresses	2,500
the Finance Databases	5,000
the Finance Goodwill	75,900
the Finance Machinery	1





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the Rental Income Debts	700,000 and the "Rental Income Consideration" (see below)
the Work in Progress	1

<b>Supplies assets</b>	<b>£</b>
the Email Addresses	2,500
the Equipment	1
the Information Technology	2,000
the Stock	1
the Supplies Databases	5,000
the Supplies Machinery	1
the Supplies Goodwill	10,000
the Telephone Numbers	5,000

"Rental Income Consideration" means a sum equal to 37.5% of the first £2.8 million of rental income receipts received by the Purchaser and 50% of the any rental income receipts in excess of £2.8 million

Payments made by customers, in respect of the rental agreements, transferred to the Purchaser as part of the sale form the rental income receipts that the Rental Income Consideration is based on

Once the Purchaser has received rental income from a customer, it calculates the Rental Income Consideration due in respect of that receipt and then pays that part over to the Joint Administrators in the following month

During the Period, the Joint Administrators have continued to collect Rental Income Consideration from the Purchaser. A total of £225,852 has been received from the Purchaser during the Period

#### 4.4.2 Motor vehicles

During the Period, a total of £11,000 has been received in respect of the sale of a vehicle owned by Finance

To date, nine vehicles owned by the Companies have been sold for a collective total of £74,250. There are two vehicles remaining, one is subject to a pre-appointment lease with



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a family member of one of the Directors. The ownership of the other vehicle is currently subject to dispute.

## **4.5 Liabilities**

### **4.5.1 Secured creditors**

#### **4.5.1.1 Royal Bank of Scotland Plc**

As security for its lending to the Companies, the Bank had been granted a number of debentures, the first being registered in July 2002. It contained fixed and floating charges against the Companies and their assets.

The debt outstanding to the Bank at the date of appointment totalled approximately £3.8 million. The Joint Administrators have distributed a total of £1.3 million to the Bank to date, in accordance with its security, of which £200,000 was distributed during the Period.

It is expected that the Bank will not be repaid its lending in full.

### **4.5.2 Preferential creditors**

Preferential claims relate to the preferential part of employees' unpaid wages and accrued holiday pay.

In this case, preferential claims comprise one week's arrears of wage and also accrued holiday pay due to the 23 employees that were made redundant on the date of the Joint Administrators' appointment.

It is expected that there will be insufficient funds available to enable a distribution of funds to the preferential creditors.

### **4.5.3 Unsecured creditors**

The Companies' records indicated that amounts due to unsecured creditors totalled £1.0 million in Supplies and £2.4 million in Finance.

From this total, trade creditor claims total £57,605 in Supplies and there are no trade creditors in Finance. The balances of the unsecured debt relate possibly to either inter-company balances or unsecured employee claims.

It is expected that there will be insufficient funds available to enable a distribution of funds to the unsecured creditors.

#### **4.5.3.1 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 both Companies were created and registered in 2002, the prescribed part does not apply.



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## **4 6 Expenses for the period**

### **4 6 1 Receipts and payments**

The receipts and payments for the Period are set out in the receipts and payments accounts shown in Appendix 2

### **4 6 2 Joint Administrators' remuneration**

The Joint Administrators' time costs in Supplies during the Period were £36,234, representing 116 hours at an average hourly rate of £313. Therefore, total time costs in Supplies, incurred since the outset of the Administration are £248,427.

The Joint Administrators' time costs in Finance during the Period were £158,270, representing 452 hours at an average hourly rate of £350, bringing total time costs to £772,459.

Please note that 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 this assignment but is reflected in the general level of charge out rates.

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Rules.

A creditors' guide to Administrators' fees can be found at

[http://www.r3.org.uk/media/documents/technical\\_library/SIPS/SIP%209%20E&W.pdf](http://www.r3.org.uk/media/documents/technical_library/SIPS/SIP%209%20E&W.pdf)

However, if you are unable to access this guide and would like a copy please contact Luke Almond at KPMG LLP, St James' Square, Manchester, M2 6DS.

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 Joint Administrator intends to make a preferential distribution.

As the Joint Administrators do not intend to make a preferential distribution, approval of the proposals relating to Administrators' remuneration was sought and received from the Bank, being the only secured creditor of the Companies, on 18 December 2013.

Approval was received on the basis that the Joint Administrators draw their remuneration on the basis of time properly spent by them and their staff in dealing with matters arising in the Administrations at their normal hourly rate of charging. This is currently restricted to a total fee of £285,000 plus expenses across both Companies.

During the Period the Joint Administrators have drawn fees of £272,033 and expenses of £7,727 across the two Companies. A further fee of £12,967 will be paid to the Joint



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Administrators prior to the closure of the Administration of Supplies out of funds due from HM Revenue & Customs

Creditors are reminded that the quantum of the Joint Administrators remuneration can be challenged by unsecured creditors representing at least 10% by value of total unsecured claims, including that creditors 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

#### 4.6.3 **Other information**

In accordance with Rule 2.48A of the Rules, additional information about the expenses charged for the period is available from the Joint Administrators 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 **Investigation**

The Joint Administrators have a responsibility to investigate the events that led to the insolvency of the Companies and the subsequent Administration appointments. Upon their appointment, the Joint Administrators ensured that they located and secured all relevant data and information to enable them to comply with this requirement

The Joint Administrators have worked in conjunction with KPMG's Forensic accounting team to complete an initial analysis of the data and information gathered. This initial analysis highlighted specific areas that required further detailed investigation and the Joint Administrators have now requested that the Directors and FMCL provide further information to assist them with their investigation

The Joint Administrators work in this matter is ongoing and an update will be provided to creditors in due course

## 6 **Outstanding matters and extension of the period of the Administrations**

Further to their application, on 15 November 2013 the Joint Administrators obtained a court order to extend the period of the Administrations by 12 months to 6 December 2014. This was in order to provide sufficient time for the Joint Administrators to deal with a number of outstanding matters before the Administrations could be exited. These matters include

- post sale of business and assets issues
  - overseeing the monitoring and receipt of the contingent and deferred consideration,
  - assisting the Purchaser and customers with the transition following the sale,
  - finalising the position with regards to the agreement with FMCL,



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- completing the reconciliation and transfer of relevant funds, with regards to customer payments that he been made in error to either FMCL or the Companies, and
- finalising the trading position with the Companies' supplier base
- sale of the residual assets,
- collection of outstanding book debts,
- investigation of the directors pre-appointment actions, and,
- distribution of funds to the secured creditors

## **7 Comments on the Appendices**

### **7.1 Appendix 1: Statutory Information**

Information to creditors required by statute is shown in Appendix 1

### **7.2 Appendix 2: Receipts and payments account for the Period**

An analysis of receipts and payments for the period 19 October 2013 to 18 April 2014 is shown in Appendix 2

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

The majority of income within the Administrations relates to the collection of lease rental income. As all lease agreements were held by Finance, this income will be recognised in the Administration of Finance. Subsequently all related costs and expenses are recognised as expenses or costs of Finance.

#### **7.2.1 Receipts**

##### **7.2.1.1 Sales**

Net franking machine rental income of £14,400 was received in the Period into Finance. This primarily relates to existing customer leases receipts due from the trading period.

##### **7.2.1.2 Goodwill**

Goodwill realisations of £1 plus VAT due to Supplies were transferred from Finance to Supplies in the Period.

##### **7.2.1.3 Rental income debts**

A total of £225,852 was received in respect of rental income debts during the Period from the Purchaser. This is as described in section 4.4.1.

##### **7.2.1.4 Motor vehicles**

A total of £11,000 was received in the Period in respect of the sale of one motor vehicle owned by Finance.



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**7 2 1 5 Book debts**

Book debts collections of £25 were received in the Period into Finance

**7 2 1 6 Petty cash**

Petty cash on appointment totalled £348 This has been transferred from Finance to Supplies during the Period

**7 2 1 7 Cash received due to third party**

A third party has incorrectly paid £145 to Finance during the Period This will be reimbursed in due course A total of £548 received in error in a prior period into Supplies has been refunded during the Period

**7 2 1 8 Cash received due to unconfirmed party**

FMCL customers and other customers have incorrectly paid £1,530 to Finance during the Period In addition £17,813 previously received by Supplies which is due to an unknown party was transferred to Finance in the Period These amounts will be reimbursed in due course

**7 2 1 9 Cash received due to Purchaser**

£1,219 (gross of VAT) has been received in error from customers who have transferred to the Purchaser This will be reimbursed in due course In addition, £133,145 that had previously been received in error by Finance has been transferred to the Purchaser

**7 2 1 10 Cash received due to Finance / Supplies**

During the Period monies that were previously incorrectly received by Finance (£348) and Supplies (£2,320) were transferred to Supplies and Finance respectively

**7 2 1 11 Bank interest**

Bank interest totalling £661 has been received in the Period (£43 relating to Supplies and £619 relating to Finance)

**7 2 2 Payments**

**7 2 2 1 Direct labour and sub contractors**

Finance reimbursed Supplies for wages of £13,236 and sub contractors of £314 in the Period

In addition Finance paid £2,800 to sub contractors in the Period

**7 2 2 2 Rent**

Finance reimbursed Supplies for £4,833 of rent previously paid, during the Period

**7 2 2 3 Utilities**

Finance paid water rates of £169, heat and light costs of £3,729 and telephone charges of £505 in the Period



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**7.2.2.4 Insurance**

During the Period, insurance refunds of £2,823 (Finance) and £1,399 (Supplies) were received. In addition, Finance reimbursed Supplies for the £6,198 it had paid in insurance costs for the trading period.

**7.2.2.5 Sundry expenses**

During the Period, sundry trading expenses of £401 were paid from Finance in respect of refuse collection.

**7.2.2.6 Administrators' remuneration and expenses**

During the Period, the Joint Administrators have drawn fees of £221,028 (Finance) and £51,005 (Supplies). In addition, expenses of £7,238 (Finance) and £488 (Supplies) were also drawn in the Period.

**7.2.2.7 Agents'/Valuers' disbursements**

A total of £7,500 was paid to the Joint Administrators' agents, Edward Symmons LLP, during the Period (£6,500 from Finance and £1,000 from Supplies). This related to the assistance provided throughout the Administrations in dealing with the Companies' assets.

**7.2.2.8 Legal fees and disbursements**

A total of £31,727 was paid to the Joint Administrators' solicitors, DLA Piper UK LLP, during the Period (£26,727 from Finance and £5,000 from Supplies). This related to the assistance provided throughout the Administrations. In addition, legal disbursements of £539 (Finance) and £375 (Supplies) were also paid in the Period.

**7.2.2.9 Storage costs**

A total of £150 was paid in the Period in relation to the storage of statutory books and records.

**7.2.2.10 Bank charges**

During the Period, Finance paid £80 in bank charges. It also reimbursed Supplies for £40 of bank charges previously paid by Supplies on behalf of Finance.

**7.3 Appendix 3: Analysis of the Joint Administrators' time costs**

An analysis of the Joint Administrators' time costs for the Period is shown in Appendix 3.

**7.3.1 Analysis of the Joint Administrators' time costs - Supplies**

The Joint Administrators' time costs from 19 October 2013 to 18 April 2014 total £36,234, representing 116 hours at an average rate of £313 per hour.

During the Period, the Joint Administrators have been involved in the following activities:



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- a total of £6,276 in time costs has been incurred in connection with checklists and reviews and complying with other statutory matters,
- a total of £4,240 in time costs has been incurred dealing with Supplies' post appointment Corporation Tax and VAT, (Tax £1,068, VAT £3,172), and
- a total of £9,458 in time costs has been incurred in ongoing investigations into the pre-appointment transactions carried out by Supplies

### **7 3 2 Analysis of the Joint Administrators time costs - Finance**

The Joint Administrators' time costs from 19 October 2013 to 18 April 2014 total £158,270, representing 452 hours at an average rate of £350 per hour

During the Period, the Joint Administrators have been involved in the following activities

- a total of £20,790 in time costs has been incurred dealing with the sale of Supplies assets to the Purchaser,
- a total of £12,566 in time costs has been incurred in connection with checklists and reviews and complying with other statutory matters
- a total of £23,568 in time costs has been incurred in relation to correspondence with the directors,
- a total of £22,980 in time costs has been incurred reviewing the transactions that took place prior to the appointment of the Joint Administrators by Finance,
- a total of £13,078 in time costs has been incurred corresponding with customers of the Companies in respect of outstanding book debts, and,
- a total of £8,546 in time costs has been incurred in connection with post appointment VAT and the submission of returns to HM Revenue & Customs

## **7.4 Appendix 5: Expenses for the Period**

Expenses for the period are summarised in Appendix 4 which include the time costs as analysed in Appendix 3

### **7 4 1 Expenses for the period – Supplies**

Within Supplies expenses for this period total £3,875, of which £175 was paid in the Period and £3,700 accrued. Accrued expenses include legal fees / disbursements and sundry expenses

Please note that in addition to the expenses outlined above, Joint Administrators' fees of £36,234 have also been accrued in the Period

### **7 4 2 Expenses for the period – Finance**

Within Finance expenses for this period total £16,270, of which £270 was paid in the period and £16,000 accrued. Accrued expenses include legal fees / disbursements and sundry expenses





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Please note that in addition to the expenses outlined above, Joint Administrators' fees of £158,270 and disbursements of £38 have also been accrued in the Period



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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	18 December 2013
Extension obtained	15 November 2013 – Court approval – extension to 6 December 2014



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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	18 December 2013
Extension obtained	15 November 2013 – Court approval – extension to 6 December 2014



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## Appendix 2

### Joint Administrators' Receipts and Payments accounts for the period 19 October 2013 to 18 April 2014

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

Statement of Affairs	From 19/10/2013 To 18/04/2014	From 07/12/2012 To 18/04/2014
<b>POST-APPOINTMENT SALES</b>		
Sales	NIL	927 31
Hotel Income	NIL	104 17
	<u>NIL</u>	<u>1,031.48</u>
<b>PURCHASES</b>		
Hotel Purchases	NIL	98 00
	<u>NIL</u>	<u>(98 00)</u>
<b>OTHER DIRECT COSTS</b>		
Direct labour - Finance to reimburse	13,236 27	NIL
	<u>13,236 27</u>	<u>NIL</u>
<b>TRADING EXPENSES</b>		
Sub contractors - Finance to reimburse	313 75	NIL
Rent - Finance to reimburse	4,833.32	NIL
Insurance - Finance to reimburse	7 596.71	NIL
	<u>12 743 78</u>	<u>NIL</u>
<b>TRADING SURPLUS/(DEFICIT)</b>	<u>25,980.05</u>	<u>933 48</u>



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

Statement of Affairs	From 19/10/2013 To 18/04/2014	From 07/12/2012 To 18/04/2014
<b>FIXED CHARGE ASSETS</b>		
Goodwill	1 00	32,401 00
Bank interest, gross	42 53	57 91
	43 53	32 458 91
<b>FIXED CHARGE COSTS</b>		
Fixed charge surplus trf	32,458 91	32,458 91
	(32 458 91)	(32 458 91)
<b>ASSET REALISATIONS</b>		
Plant & machinery	NIL	1 00
Furniture & equipment	NIL	3 001 00
Motor vehicles	NIL	4 444 00
Stock	NIL	1 00
Book debts	NIL	29 848 61
Petty Cash	348 24	348 24
Fixed charge realisations surplus	32,458 91	32,458 91
	32,807 15	70 102 76
<b>OTHER REALISATIONS</b>		
Bank interest, gross	NIL	0 07
Trading Surplus/(Deficit)	25,980 05	933 48
Cash received due to Finance	(2,319 75)	NIL
Cash received due to unconfirmed party	(17 812 50)	NIL
Cash received due to third party	(547 75)	NIL
	5,300 05	933 55
<b>COST OF REALISATIONS</b>		
Administrators' fees	51 004 62	51 004 62
Administrators' expenses	488 44	488 44
Agents'/Valuers' fees	1,000 00	1 000 00
Legal fees	5,000 00	5 000 00
Legal Disbursements	375 00	375 00
Statutory advertising	NIL	76 50
Bank charges	(40 00)	124 74
	(57 828 06)	(58 069 30)
	<b>(52,136 24)</b>	<b>12,967 01</b>
<b>REPRESENTED BY</b>		
Floating ch VAT rec'able		13 256 56
Fixed charge VAT payable		(6 480 20)
Floating ch VAT payable		(1 695 69)
Floating ch VAT control		1 406 14
Fixed charge VAT control		6 480 20
		<b>12,967 01</b>



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

Statement of Affairs	From 19/10/2013 To 18/04/2014	From 07/12/2012 To 18/04/2014
<b>POST-APPOINTMENT SALES</b>		
Sales	14 400 47	689,000 45
Administrative Support fee	NIL	7,188 62
Funding payment	NIL	7 000 00
	<u>14 400 47</u>	<u>703 189 07</u>
<b>PURCHASES</b>		
Purchases	NIL	7,059 09
	<u>NIL</u>	<u>(7 059 09)</u>
<b>OTHER DIRECT COSTS</b>		
Direct labour	13,236 27	111,660 07
	<u>(13,236 27)</u>	<u>(111 660 07)</u>
<b>TRADING EXPENSES</b>		
Sub contractors	3,113 75	25,411 25
Rent	4,833 32	21 749 94
Rates	NIL	1 156 32
Water rates	168 96	222 62
Heat & light	3,728 58	5,086 82
Travel	NIL	4,958 61
Telephone/Telex/Fax	505 42	2,524 92
Insurance	3,375 10	9,496 60
Repairs and maintenance	NIL	275 00
Sundry expenses	400 66	1,918 12
	<u>(16,125 79)</u>	<u>(72,800 20)</u>
<b>TRADING SURPLUS/(DEFICIT)</b>	<u><u>(14,961 59)</u></u>	<u><u>511,669 71</u></u>



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

Statement of Affairs	From 19/10/2013 To 18/04/2014	From 07/12/2012 To 18/04/2014
<b>FIXED CHARGE ASSETS</b>		
Cash received due to Suppliers	(1 20)	NIL
Goodwill	NIL	83,401 00
Bank interest, gross	104 00	108 00
	<u>102 80</u>	<u>83,509 00</u>
<b>FIXED CHARGE COSTS</b>		
Fixed charge surplus of	83 458 70	83 458 70
	<u>(83,458 70)</u>	<u>(83,458 70)</u>
<b>ASSET REALISATIONS</b>		
Rental income debts	225,851 58	925,851 58
Plant & machinery	NIL	1 00
Motor vehicles	11 000 00	69,806 00
Stock - work in progress	NIL	1 00
Book debts	25 00	120,787 44
Fixed charge realisations surplus	83 458 70	83 458 70
	<u>320,335 28</u>	<u>1 199,905 72</u>
<b>OTHER REALISATIONS</b>		
Bank interest, gross	514 95	1 247 46
Trading Surplus/(Deficit)	(14,961 59)	511,669 71
Cash received due to third party	145 20	145 20
Cash received due to Suppliers	(348 24)	NIL
Cash received due to unconfirmed party	19,343 10	37,368 00
Due to Purchaser (net of VAT)	(133,145 13)	NIL
Due to Purchaser (gross of VAT)	1,218 90	1 674 90
	<u>(127,232 81)</u>	<u>552,105 27</u>
<b>COST OF REALISATIONS</b>		
Administrators' fees	221,028 37	221,028 37
Administrators' expenses	7,238 41	7,238 41
Agents'/Valuers' fees	6,500 00	6,500 00
Agents'/Valuers' disbursements	NIL	922 95
Legal fees	26 726 50	76,374 06
Legal disbursements	539 32	623 32
Storage costs	149 55	149 55
Statutory advertising	NIL	76 50
Bank charges	120 00	720 00
	<u>(262,302 15)</u>	<u>(313,633 16)</u>
<b>FLOATING CHARGE CREDITORS</b>		
Royal Bank of Scotland	200 000 00	1,300,000 00
	<u>(200,000 00)</u>	<u>(1,300,000 00)</u>
	<u><u>(352,555 58)</u></u>	<u><u>138,428 13</u></u>
<b>REPRESENTED BY</b>		
Floating ch. VAT rec'able		69,067 89
Fixed charge current		50 30
Floating charge current		73,148 57
Floating ch. VAT payable		(174,510 43)
		<u>170,671 80</u>
		<u><u>138,428 13</u></u>



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## Appendix 3

### Analysis of Joint Administrators' time costs for the period 19 October 2013 to 18 April 2014

The Franking Machine Company Supplies Limited  
For the period 19/10/2013 to 18/04/2014

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
<b>Administration &amp; planning</b>							
Cashiering							
General (Cashiering)			14 40		14 40	£2 871 00	£199 38
Reconciliations (& IPS accounting reviews)			0 60		0 60	£159 00	£265 00
General							
Books and records			0 75		0 75	£146 25	£195 00
Fees and WIP		3 00	5 40	0 50	8 90	£2 268 00	£254 83
Statutory and compliance							
Appointment and related formalities	1 00	2 00	2 15		5 15	£1 674 25	£325 10
Checklist & reviews	0 50	8 20	14 75		23 45	£6 275 75	£267 62
Closure and related formalities			0 50		0 50	£97 50	£195 00
Pre-appointment checks			0 25		0 25	£48 75	£195 00
Reports to debenture holders			1 60		1 60	£312 00	£195 00
Strategy documents		1 00			1 00	£385 00	£385 00
Tax							
Post appointment corporation tax		1 00	3 50		4 50	£1 067 50	£237 22
Post appointment VAT	0 50	5 00	5 15		10 65	£3 171 75	£297 82
Creditors							
Creditors and claims							
Agreement of preferential claims		2 50			2 50	£962 50	£385 00
General correspondence			2 55		2 55	£497 25	£195 00
Legal claims		1 00			1 00	£385 00	£385 00
Secured creditors		1 00			1 00	£385 00	£385 00
Statutory reports	1 25	5 00	3 25		9 50	£3 290 00	£346 32
Employees							
Correspondence			2 50		2 50	£662 50	£265 00
Investigation							
Directors							
D form drafting and submission		3 50			3 50	£1 347 50	£385 00
Investigations							
Correspondence re investigations		2 00			2 00	£770 00	£385 00
Review of pre-appt transactions	19 50				19 50	£9 457 50	£485 00
<b>Total in period</b>					<b>115 80</b>	<b>£36 234 00</b>	<b>£312 90</b>
Brought forward time (appointment date to SIP9 period start date)					714 36	£208 761 60	£292 24
Unallocated time arising in prior period					7 10	£3 431 50	£483 31
SIP9 period time (SIP9 period start date to SIP9 period end date)					115 80	£36 234 00	£312 90
Carry forward time (appointment date to SIP9 period end date)					837 26	£248 427 10	£296 71





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**The Franking Machine Company Finance Limited  
For the period 19/10/2013 to 18/04/2014**

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
<b>Administration &amp; planning</b>							
<b>Cashiering</b>							
General (Cashiering)			23 40		23 40	£4 689 00	£200 38
Reconciliations (& IPS accounting reviews)			1 00		1 00	£265 00	£265 00
<b>General</b>							
Books and records		2 50	0 55		3 05	£1 225 75	£401 89
Fees and WIP		8 50	5 05	0 50	14 05	£4 317 25	£307 28
<b>Statutory and compliance</b>							
Appointment and related formalities	2 00	7 00	4 20		13 20	£4 484 00	£339 70
Checklist & reviews		22 80	18 50		41 30	£12 565 50	£304 25
Reports to debenture holders	2 00		2 60		4 60	£1 477 00	£321 09
Statutory receipts and payments accounts		1 30			1 30	£500 50	£385 00
Strategy documents		3 00			3 00	£1 155 00	£385 00
<b>Tax</b>							
Post appointment corporation tax	0 50	0 75	0 50		1 75	£673 75	£385 00
Post appointment VAT	0 50	18 20	6 65		25 35	£8 546 25	£337 13
<b>Creditors</b>							
<b>Creditors and claims</b>							
General correspondence		7 00	6 45		13 45	£3 952 75	£293 88
Legal claims		6 00			6 00	£2 310 00	£385 00
Payment of dividends		2 00			2 00	£770 00	£385 00
Secured creditors		5 00	1 00		6 00	£2 120 00	£353 33
Statutory reports	0 75	9 00	3 25		13 00	£4 587 50	£352 88
<b>Investigation</b>							
<b>Directors</b>							
Correspondence with directors	3 00	5 50			8 50	£3 572 50	£420 29
D form drafting and submission		6 50			6 50	£2 502 50	£385 00
<b>Investigations</b>							
Correspondence re investigations	9 30	49 50			58 80	£23 568 00	£400 82
Mail redirection		1 70	1 55		3 25	£956 75	£294 38
Review of pre-appt transactions	36 20	13 50			49 70	£22 979 50	£462 36
<b>Realisation of assets</b>							
<b>Asset Realisation</b>							
<b>Debtors</b>							
Deferred consideration	2 00	29 50	3 85		35 35	£13 078 25	£369 96
Other assets		12 00	23 70		35 70	£9 332 50	£261 41
Sale of business		4 50	1 75		6 25	£2 073 75	£331 80
Vehicles		54 00			54 00	£20 790 00	£385 00
Trading			0 20		0 20	£53 00	£265 00
Purchases and trading costs			21 60		21 60	£5 724 00	£265 00
Total in period					<b>452 30</b>	<b>£158 270 00</b>	<b>£349 92</b>
<b>Brought forward time (appointment date to SIP9 period start date)</b>							
					2 229 96	£605 180 35	£271 39
<b>Unallocated time arising in prior period</b>							
					18 60	£9 009 00	£484 35
<b>SIP9 period time (SIP9 period start date to SIP9 period end date)</b>							
					452 30	£158 270 00	£349 92
<b>Carry forward time (appointment date to SIP9 period end date)</b>							
					2 700 86	£772 459 35	£286 00



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**Joint Administrators' chargeable hourly rates**

**Chargeable rates from 1 October 2012**

<b>Grade</b>	<b>Rate per hour £</b>
Partner	565
Associate Partner	485
Director	485
Senior Manager	450
Manager	365
Assistant Manager	250
Assistant	185
Support	45

**Chargeable rates from 1 October 2013**

<b>Grade</b>	<b>Rate per hour £</b>
Partner	565
Associate Partner	485
Director	485
Senior Manager	475
Manager	385
Assistant Manager	265
Assistant	195
Support	45



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**Joint Administrators' disbursements for the period 19 October 2013 to 18 April 2014**

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

Expense type	Value (£)
<b>Category 1</b>	
There have been no category 1 expenses incurred in the Period	0 00
	0 00
Brought forward	439 04
Total Category 1 Expenses	439 04
<b>Category 2</b>	
There have been no category 1 expenses incurred in the Period	0 00
	0 00
Brought forward	49 40
Total Category 2 Expenses	49 40
<b>Total</b>	<b>488.44</b>

*Source KPMG records*



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

Expense type	Value (£)
<b>Category 1</b>	
Professional and legal fee	7 00
Lunch allowances	19 59
Mileage	11 70
	<hr/>
	38 29
	<hr/>
Brought forward	3,477 55
	<hr/>
Total Category 1 Expenses	3,515 84
	<hr/>
<b>Category 2</b>	
-	0 00
	<hr/>
	0 00
	<hr/>
Brought forward	3,753 86
	<hr/>
Total Category 2 Expenses	3,753 86
	<hr/>
<b>Total</b>	<b>7,269.70</b>
	<hr/>

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.



## Appendix 4

### Schedule of expenses for the period 19 October 2013 to 18 April 2014

#### The Franking Machine Company Supplies Limited (in Administration)

Section	Account	Accrued (£)	Paid (£)	Undisclosed in prior period	Total (£)
Cost of realisations	Legal fees	3,000 00	-	n/a	3,000 00
	Legal disbursements	200 00	175 00	n/a	375 00
	Sundry expenses	500 00	-	n/a	500 00
Total		3,700.00	175.00	-	3,875.00

The table above shows expenses that have been paid or incurred in the period which have not been paid and/or accrued in prior reporting periods

Please note that in addition to the expenses outlined above, Joint Administrators' fees of £36,234 have also been accrued in the Period



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

Section	Account	Accrued (£)	Paid (£)	Undisclosed in prior period	Total (£)
<b>Cost of realisations</b>	Legal fees	15,000 00	-	n/a	15,000 00
	Legal disbursements	500 00	-	n/a	500 00
	Bank charges	-	120 00	n/a	120 00
	Sundry expenses	500 00	150 00	n/a	650 00
<b>Total</b>		<b>16,000.00</b>	<b>270.00</b>	<b>-</b>	<b>16,270.00</b>

The table above shows expenses that have been paid or incurred in the period which have not been paid and/or accrued in prior reporting periods

Please note that in addition to the expenses outlined above, Joint Administrators' time costs of £158,270 and disbursements of £38 have also been accrued in the Period