

Rule 1 26A/1 54

The Insolvency Act 1986

Notice to Registrar of Companies of
Supervisor's Progress Report

Pursuant to Rule 1 26A(4)(a) or
Rule 1 54 of the
Insolvency Rules 1986

R.1.26A(4)(a)/ R.1.54

For Official Use

To the Registrar of Companies

Company Number

03081008

Name of Company

Standard Soap Company Limited

I / We

A G Palmer, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB

A C O'Keefe, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB

supervisor(s) of a voluntary arrangement taking effect on

18 June 2013

Attach my progress report for the period

18 June 2013

to

17 June 2014

Number of continuation sheets (if any) attached

10

Signed



Date

18.7.2014

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

Ref 10633-003/ASIL/MBIR/AHO/SAD

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Insolvency

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Supervisors' Annual Report to Creditors for the period 18 June 2013 to 17 June 2014

Standard Soap Company Limited
In Company Voluntary Arrangement

18 July 2014

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Joint Supervisors' Report to Creditors
CVA605

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1 Introduction

- 1.1 Anne O'Keefe and Andrew Palmer were appointed Supervisors of Standard Soap Company Limited (the Company) at a meeting of creditors held on 18 June 2013, pursuant to the directors' proposal dated 29 May 2013 (the Proposal).
- 1.2 The Company Voluntary Arrangement (CVA) is being handled by Zolfo Cooper's Manchester office, situated at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.
- 1.3 The trading address of the Company was Derby Road, Ashby-de-la-zouche, Leicestershire, LE65 2HG (the Property).
- 1.4 The registered office of the Company is Derby Road, Ashby-de-la-zouche, Leicestershire, LE65 2HG and its registered number is 03081008.

2 The Proposal terms

- 2.1 Under the terms detailed within the Proposal the Supervisors have a duty to monitor and report on the following matters.
- Monitor, on an ongoing basis, the progress of the sale of the Property, the costs incurred by the Company during the continuance of the CVA.
 - Determine whether the CVA has been implemented or is not capable of being implemented in full.
 - Promptly report to the CVA creditors upon becoming aware of any matter which, in the context of a liquidation would constitute a reviewable transaction under section 238, 239, 244 or 245 of the Insolvency Act 1986, which was not disclosed in the Proposal and may convene a meeting of the CVA creditors.
- 2.2 Further to this, there was a requirement to report to creditors quarterly on the progress of the sale agreement conditions relating to property matters and costs incurred during the CVA.
- 2.3 On completion of the property sale, further details of which are provided below, the Supervisors took steps to agree a variation to this reporting requirement in the Proposal. The Supervisors completed a variation to the Proposal agreeing that reports would be provided to the CVA creditors less frequently, following the disposal of the major asset, as this was more cost-effective.

3 Realisation of assets

Sale of property

- 3.1 The Company's main asset was the freehold land and buildings on the north-east side of the Property, with a registered title number of LT144911. The Proposal specified that the Company was to accept an offer of £2.35 million received from Ben Bailey Homes Limited (the Purchaser).

- 3.2 In mid-July 2013 the Company submitted a planning application to the North West Leicestershire Council (the Council) for the building and erection of 37 dwellings, with the provision of landscaping, access roads and ancillary works. The application was discussed at council committee and final determination was received providing permission in mid-October 2013.
- 3.3 During the planning application stage, the Company executed the sale and purchase agreement with the Purchaser and as a result, contracts were exchanged in early September 2013. The Purchaser confirmed at that stage that the relevant internal consent had been received and approval of its funding was received from the Bank of Scotland Plc.
- 3.4 In October 2013, contract terms were negotiated and a final sale price of £2.2 million was agreed between the Company and the Purchaser. Under Debenham Tie Leung Limited's (DTZ) advisement, (who recommended acceptance of the offer at the reduced level), revised contracts were exchanged on 31 October 2013. In accordance with the terms of the Proposal, the Supervisors had authorisation to permit up to a 10% reduction from the originally stipulated purchase price of £2 35 million. The revised offer, being less than a 10% reduction, was accepted with the Supervisors' discretion. This was communicated to the CVA creditors. The Supervisors also received a copy of, and reviewed the sale contract, to ensure it complied with the Proposal.
- 3.5 Following exchange of contracts, steps were taken to progress the approval of the planning application. The Purchaser received a draft copy of the section 106 agreement from the Council's legal team in early December 2013. The section 106 agreement was subsequently signed in January 2014 and the sale completed in mid-January 2014.
- 3.6 Further to the completion of the Property sale and in line with the Proposal, distributions were made to the CVA creditors. Details of the distributions to date can be found in section 6 of this report.

Royalty payments

- 3.7 The Company formerly manufactured and distributed soap and the business had been implementing a business closure programme. As part of the programme, the bar soap business was sold to Soapworks Limited (Soapworks) in December 2011 and the Company ceased manufacturing liquid soap in January 2012 (the Business Sale). As part of this sale, a number of the Company's existing customers were transferred.
- 3.8 As part of the Business Sale it was also agreed that royalty payments in respect of sales achieved from the transferred customers, would be paid to the Company.
- 3.9 These realisations have been included in the CVA and as such, the Supervisors are expecting two final royalty payments in July 2014 and January 2015. Based on the cash flow prepared for the Proposal, receipts of £32,000 and £62,000 are expected. However, the Supervisors await confirmation of the final figures, which will be dependent on the trading performance of Soapworks.
- 3.10 On receipt of these final payments, the Supervisors will discharge all costs of the CVA and make final distributions to the CVA creditors, pursuant to the terms of the Proposal.

4 Assets still to be realised

- 4.1 The remaining assets of the Company are the receipt of royalty payments.

5 Supervisors' fees

- 5.1 The CVA provides that fees will be based upon the time costs of the Supervisors and their staff in executing the CVA.
- 5.2 The Supervisors' cumulative time costs for the period since the appointment to 17 June 2014 total £15,606. This represents 69 hours at an average rate of £226 per hour.
- 5.3 Attached at Appendix B is a Time Analysis in accordance with the provisions of Statement of Insolvency Practice 9 (SIP9), which provides details of the activity costs incurred by staff grade to date.
- 5.4 If you require a hard copy of this report or have any queries in relation to the contents of this report or the CVA generally, please contact Michael Birch on 0161 838 4547, creditorreports@zolfocooper.eu or write to Zolfo Cooper's office at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.
- 5.5 A copy of 'A Creditors' Guide to Supervisors' Fees' can be downloaded from Zolfo Cooper's creditor portal (<http://www.zcinfoportal.com>) - click on Creditors' Guide to Fees in the menu on the left side of the screen. If you would prefer this to be sent to you in hard copy please contact the Supervisors and they will forward a copy to you.
- 5.6 Attached at Appendix C is additional information in relation to the Supervisors' policy on staffing, the use of sub-contractors, disbursements and details of their current charge-out rates by staff grade.
- 5.7 To date, fees of £10,000 plus disbursements totalling £238 have been drawn on account.
- 5.8 The Supervisors confirm that the only category 2 disbursements that have been taken is photocopying, charged at the rate of ten pence per sheet for notifications and reports to creditors and other copying.
- 5.9 Agreed Nominees' fees of £15,000 for the pre-appointment work have been drawn in full, and paid by way of contribution from the Company.

6 Outcome of the CVA

- 6.1 There are two unsecured creditors of the Company, the Pension Protection Fund (PPF) and KLK Overseas Investments Limited and other group companies (KLK). Details of each claim and the outcome of the CVA can be found below.

Pension Protection Fund

- 6.2 The PPF is owed approximately £12.5 million in respect of the Standard Soap Company Limited pension scheme which was governed by the pension deed and pension rules.
- 6.3 An initial distribution of £473,000 was made on 18 July 2013 and a second distribution of £527,000 was made on 27 January 2014

KLK Overseas Investments Limited and other group companies

- 6.4 KLK are owed approximately £14.6 million.
- 6.5 Under the terms of the Proposal, KLK paid an initial contribution of £473,000 to the Supervisors. This was subsequently transferred to the PPF, as detailed above. Following the sale of the property, KLK have received a first distribution of £1,473,000 which, less their initial contribution, results in a net distribution of £1 million.
- 6.6 Pursuant to the Proposal, on conclusion of the CVA and following discharge of the costs of the CVA, the Supervisors will proceed to pay the remaining funds, split equally, to the PPF and KLK.

7 Next report

- 7.1 The Supervisors will provide a progress report within two months of the end of the next year of the CVA or earlier if the CVA has come to an end before that date. As it is expected that the CVA will be completed by February 2015, a final report will be circulated in advance of this date providing an update on all matters.
- 7.2 Should you require further information at any time, please contact Michael Birch of this office.

Yours faithfully



Andrew Palmer
Supervisor
Enc

**Receipts and Payments Account for the period
18 June 2013 to 17 June 2014**

Appendix A

Statement of Affairs		
£		£
	Receipts	
2,100,000	Freehold land and property*	2,000,000
	Initial cash consideration from KLK	473,000
	Contribution to Joint Nominees' fees	18,000
	Contribution to Joint Supervisors' fees	12,000
	Bank interest	90
		<u>2,503,090</u>
	Payments	
	Joint Nominees' fees and disbursements	15,000
	Joint Supervisors' fees	10,000
	Category 1 disbursements	
	Specific penalty bond	218
	Category 2 disbursements:	
	Photocopying and printing	20
	Bank charges	21
		<u>(25,259)</u>
	Distributions	
	Unsecured creditors:	
	PPF, 18/07/2013	473,000
	PPF, 27/01/2014	527,000
	KLK, 27/01/2014	1,473,000
		<u>(2,473,000)</u>
	Total balance	<u><u>4,831</u></u>
	Represented by	
	Interest bearing account	1,784
	VAT receivable	47
		<u><u>1,831</u></u>

*The property sale completed for £2.2 million - £0.2 million was discharged by the Company in payment of corporation tax on the sale. The Supervisors subsequently received net proceeds of £2 million

Note: the Supervisors are to complete a VAT reconciliation shortly. As part of this it is expected that the VAT charged on fees drawn to date will be refunded to the Company under the Paymex ruling.

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

Appendix C

1 Policy

Detailed below is Zolfo Cooper's policy in relation to:

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

1.1 Staff allocation and the use of sub-contractors

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

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

With regard to support staff, the Joint Supervisors would advise that time spent by treasury in relation to specific tasks on an assignment is charged. Only if there is a large block of time incurred by a member of the secretarial team, e.g. report compilation and distribution, do the Joint Supervisors seek to charge and recover their time in this regard.

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

1.2 Professional advisors

On this assignment the Joint Supervisors have not used the professional advisors.

1.3 Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a category 1 disbursement generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by the Joint Supervisors and their staff.

Additional information in relation to the Supervisors' fees pursuant to Statement of Insolvency Practice 9 (continued)

Appendix C

Category 2 disbursements do require prior approval by creditors before they are paid. If they are incurred, they will be drawn in accordance with the Proposal Category 2 disbursements that may be incurred are as follows.

- Photocopying - charged at the rate of 10 pence per sheet for notifications and reports to creditors and other copying
- Printing - charged at the rate of 10 pence per sheet for black and white printing and 15 pence per sheet for colour.
- Business mileage for staff travel - charged at the rate of 45 pence per mile.

2 Charge-out rates

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

Rates from 1 April 2014		Rates pre 1 April 2014	
Description	£	Description	£
Partner 1*	445	Partner 1*	445
Partner 2*	415	Partner 2*	415
Director	390	Director	360
Associate director	340	Associate director	320
Senior associate	280	Senior associate	280
Associate	250	Associate	240
Analyst	220	Analyst	220
Junior analyst	150	Junior analyst	125
Senior treasury associate	170	Senior treasury associate	170
Treasury associate	110	Treasury associate	110
Treasury analyst	85	Treasury analyst	85
Support	79	Support	79

***Key**

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

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