

The Insolvency Act 1986

Administrators' progress report

Name of Company
HMC Health & Beauty Limited

Company number
03883690

In the
High Court of Justice, Chancery Division,
Leeds District Registry
[full name of court]

Court case number
384 of 2016

(a) Insert full name(s) and
address(es) of the
administrator(s)

I/ We (a) Julian Pitts of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ and Bob Maxwell of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ

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

(b) Insert dates


from

to

(b) 4 May 2016

(b) 3 November 2016

Signed


Joint Administrator

Dated

15/11/16

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.

Begbies Traynor (Central) LLP	
Fourth Floor, Toronto Square, Toronto Street, Leeds LS1 2HJ	
	Tel Number 0113 244 0044
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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 affairs, business and property of the Company are being managed by the joint administrators, who act as the Company's agents and without personal liability

HMC Health & Beauty Limited (In Administration)

Progress report

Period: 4 May 2016 to 3 November 2016

Important Notice

This progress report has been produced to comply with our statutory duty to report to creditors on the progress of the administration. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	HMC Health & Beauty Limited (In Administration)
"the administration"	The appointment of administrators under Schedule B1 to the Insolvency Act 1986 on 4 May 2016
"the administrators" "we" "our" and "us"	Julian Pitts of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ and Bob Maxwell of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency Rules 1986 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act), and (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Insolvency Act 1986

2. COMPANY INFORMATION

Trading name	HMC
Date of Incorporation	25 November 1999
Company registered number	03883690
Company registered office	Toronto Square, Toronto Street, Leeds, LS1 2HJ

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Date of administrators' appointment	4 May 2016
Court	High Court of Justice, Chancery Division, Leeds District Registry
Court Case Number	384 of 2016
Person making appointment	The Directors of the Company
Acts of the administrators	The administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
EC Regulation on Insolvency Proceedings	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000) applies to these proceedings which are 'main proceedings' within the meaning of Article 3 of the Regulation.

4. PROGRESS DURING THE PERIOD

Receipts and Payments

Attached at Appendix 1 is our abstract of receipts and payments for the period from 4 May 2016 to 3 November 2016.

What work has been done in the period of this report, why was that work necessary and what has been the financial benefit (if any) to creditors?

Details of the types of work that generally fall into the headings mentioned below are available on our firm's website - <http://www.begbies-traynorgroup.com/work-details>. Under the following headings we have explained the specific work that has been undertaken on this case. Not every piece of work has been described, but we have sought to give a proportionate overview which provides sufficient detail to allow creditors to understand what has been done, why it was necessary and what financial benefit (if any) the work has provided to creditors.

The costs incurred in relation to each heading are set out in the Time Costs Analysis which is attached at Appendix 2.

General case administration and planning

Throughout the Administration we are required to maintain records in order to demonstrate how the case has been administered and to document the reasons for any decisions taken. Costs undertaken during the period in this respect have fallen under the above heading in the time costs analysis.

Significant time has also been spent considering the complex issues of the Administration, specifically these issues include the sale of the business and assets, book debts and retention of title claims.

Compliance with the Insolvency Act, Rules and best practice

The Insolvency Act and Rules require that we produce interim progress reports on a 6 monthly basis to provide an update to the creditors of the progression made during the Administration.

Statutory documentation including appointment documents have been filed with the Courts and the Registrar of Companies under the Insolvency Act.

We have provided initial statutory notifications of our appointment to the creditors, shareholders and other stakeholders, and advertised our appointment in the London Gazette. We have also monitored realisations during the period to ensure that the statutory bond is sufficient to cover the value of total realisations during the administration in order to protect the interests of the Company's creditors.

The costs incurred in producing the Administrators' proposals to creditors and holding a meeting by correspondence is also reflected in time spent under this heading.

Investigations

Since being appointed as Joint Administrators, we have undertaken investigations regarding the conduct of the directors and reported to the Department for Business, Energy and Industrial Strategy. We can confirm that we have discharged our duty in this respect. Further investigations into the nature of the Company's dealings prior to our appointment is ongoing.

Realisation of assets

Sale of Business and Assets

As creditors are aware, the Joint Administrators accepted an offer of £275,000 for the business and certain assets from Prestige Personal Care Limited ("PPC") following a period of negotiation immediately after the appointment of the Joint Administrators on 4 May 2016.

To date, £175,000 has been received in respect of business intellectual property, benefit of the contacts, goodwill, stock and an element of the equipment. Of the £175,000 received, £100,000 was paid prior to our appointment, £50,000 on completion and the original agreement stipulated that the balance of funds, being £125,000, to be paid on deferred terms on or before 1 June 2016. However, due to the high initial capital outlay which was not originally envisaged, in addition to many of PPC's suppliers requested payment on a proforma basis, PPC could not make payment in line with the original agreement.

Revised deferred payments have been agreed with PPC in light of their short term difficulties. The remaining balance of £100,000 will be paid as follows:

November 2016 - £35,000
December 2016 - £35,000
January 2017 - £30,000

This sum of £100,000 will be apportioned solely to equipment. We will monitor the collection of the deferred consideration due.

Book Debts

The Company's book debt ledger was excluded from the sale to PPC and stood at £2.3m at the date of our appointment. The book debts are subject to an invoice discounting facility with Lloyds Bank Commercial Finance Limited ("Lloyds"). As at the date of the administration the book debt ledger stood at £2.3m. Given the continuity of the Company's business and PPC continuing to supply the Company's customers it was originally anticipated that the book debt ledger would be recovered in full. However, there have been a number of disputes in respect of the ledger and the latest outcome anticipates that Lloyds will now suffer a shortfall in respect of its lending and no surplus monies will be available for the Administration estate.

We have provided assistance with the book debt collections and provided Lloyds with regular updates as to the Administration.

Retention of Title

Over the course of the Administration, a large number of creditors claimed retention of title over stock owned by the Company. The Joint Administrators assessed each claim for validity in detail prior to advising each creditor of the outcome of their claim and how they should proceed with the claim. In addition, site inspections and meetings took place with creditors which were time consuming. All retention of title claims have now concluded.

License to Occupy

Under the terms of the license to occupy 10 Howlett Way entered into with PPC, rental payments received to date total £44,255. The rental payments made to the landlord total £56,291 for the period of Administration.

Other Realisations

The sum of £2,030 has been realised in respect of an insurance refund and £33 in bank interest accrued on the Administration account.

Professional Support

In order to assist with the above, we have worked closely with Eddisons Commercial Limited ("ECL"), BTG Corporate Solutions and Gateleys plc.

ECL carried out an appraisal of the Company's assets and Company's valuation, appraised finance agreements, identified potential ROT stock, attended site in preparation of interested party viewings, dealt with interested party viewings and inspections, attended meetings with the landlord of the Company's premises and negotiating heads of terms with the purchaser. To date ECL have been paid £33,500 in respect of their outstanding time costs and £1,198 in respect of their disbursements. Of these amounts, fees of £30,650 and disbursements of £1,055 relate to the period prior to our appointment.

BTG Corporate Solutions assisted with the preparation and circulation of information to potential acquirers of the Company and dealt with initial enquiries, prepared the data room in readiness for interested parties and monitored access to the data room as appropriate. Their costs for carrying out this work were fixed at £14,500 and have been discharged in full. £27 has also been paid in respect of the cost associated with hosting the data room.

Gateleys plc solicitors provided advice in relation to the sale process including specific advice in relation to employee matters, drafting of the sale agreement and obtaining draft security releases in anticipation of a sale. They also provided us with advice and preparation of the statutory documentation in relation to the proposed directors' appointment of Administrators. Their agreed fees for carrying out this work of £14,500 and disbursements of £175 have been paid in full.

Gateleys plc also incurred costs of £1,500 in respect of obtaining the deeds of release from Lloyds and The Bank of Scotland further to the sale of the business and assets, chasing the return of documentation from PPC and providing advice in respect of the deferred element of the consideration due

In addition to the above, the Company's former accountants, Michael Dack & Company, have been paid the sum of £3,000 for their assistance with the preparation of the Company's statement of affairs

Other Costs

Courts Advertising Limited have been paid £85 in relation to statutory advertising of the Joint Administrators' appointment in the London Gazette

Begbies Traynor (Central) LLP have been paid the sums of £665, £287 and £174 in relation to travel, mileage and accommodation charges respectively. These costs relate to travel to and from the Company's former trading site, primarily supervision of the retention of title site inspections

Dealing with all creditors' claims (including employees), correspondence and distributions

We have dealt with creditor queries throughout the Administration to date, dealing with correspondence and providing further information on request. Dealing with the correspondence and claims submitted is very time intensive and is necessary to keep creditors informed as matters progress, especially given the size of the Administration

Time has also been spent assisting employees who believe they have a redundancy claim against the Company. This resulted in the Joint Administrators having to liaise with the Redundancy Payments Office and their appointed solicitors regarding the possible claims

Other matters which includes meetings, tax, litigation, pensions and travel

Travel costs have been incurred when meeting with the various retention of title creditors who were required to conduct an inventory of stock which they believed they still retained title over

We have also submitted tax returns and dealt with the tax calculations and issues

5. ESTIMATED OUTCOME FOR CREDITORS

Details of the sums owed to each class of the Company's creditors were provided in our statement of proposals

On the basis of realisations to date and estimated future realisations we estimate an outcome for each class of the Company's creditors as follows

Secured creditors

The Company's book debt ledger was subject to an invoicing discounting facility with Lloyds, as previously detailed. The sum of £1.9m remains due to Lloyds. It is expected that Lloyds will suffer a shortfall based on anticipated collections of the ledger

The Company granted a debenture to The Bank of Scotland plc ("BOS") consisting of a fixed and floating charge debenture over the entire assets and undertakings of the business. The sum of £141k remains due to BOS and it is expected that BOS will suffer a shortfall against its lending

Preferential creditors

As a result of the sale of the business and assets the employees of the Company transferred to the purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006, there are no known preferential claims

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Details of how the prescribed part for unsecured creditors is calculated were provided in our statement of proposals

We have estimated, to the best of our knowledge and belief, the Company's net property, as defined in Section 176A(6) of the Act, to be £nil and the prescribed part of the Company's net property to be £nil

Unsecured creditors

Based upon realisations to date and estimated future realisations there will be insufficient funds available to enable a dividend to be paid to the unsecured creditors

Effect of administration on limitation periods under the Limitation Act 1980

As we have previously confirmed, the Limitation Act 1980 continues to apply to all debts due from the Company. Case law indicates that where a company is in administration, time does not stop running for limitation purposes pursuant to the Limitation Act 1980. If you have any concerns in relation to your claim against the Company becoming time-barred during the course of the administration, we strongly recommend that you seek independent legal advice on the options available to you to prevent this.

6. PRE-ADMINISTRATION COSTS

On 20 June 2016 the following amounts in respect of unpaid pre-administration costs were approved by the secured creditors

Description	Name of recipient	Amount £	Payments Received £	Outstanding £
Our fees in relation to the Work	Begbies Traynor	51,429 50	Nil	51,429 50
Legal Fees (appointment and sale process)	Gateley Plc	14,500 00	Nil	14,500 00
Disbursements	Gateley Plc	174 50	Nil	174 50
Agents costs and disbursements- Appraisal of valuation, site visits and as set out above	Eddisons Commercial Limited – an entity within the Begbies Traynor Group	30,650	Nil	30,650
Disbursements – travel and accommodation		1,055 00	Nil	1,055 00
Corporate Finance fees	BTG Corporate Finance – an entity within the Begbies Traynor Group	14,500 00	Nil	14,500 00
Mileage – paid at a rate of 45p per mile	Begbies Traynor	205 31	Nil	205 31
Train tickets	Begbies Traynor	117 50	Nil	117 50

Subsistence	Begbies Traynor	10 76	Nil	10 76
TOTAL PRE-ADMINISTRATION COSTS		112,642 57	Nil	112,642 57

7. REMUNERATION & DISBURSEMENTS

Our remuneration has been fixed by the secured creditors on 20 June 2016, by reference to the time properly given by us and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters as set out in the fees estimate. We are also authorised to draw disbursements for services provided by our firm and/or entities within the Begbies Traynor group, in accordance with our firm's policy, details of which accompanied the Statement of proposals for achieving the purpose of administration and which are attached at Appendix 2 of this report.

Our time costs for the period from 4 May 2016 to 3 November 2016 amount to £76,759 which represents 347 hours at an average rate of £221 per hour.

The following further information in relation to our time costs and disbursements is set out at Appendix 2:

- ☐ Time Costs Analysis for the period 4 May 2016 to 3 November 2016
- ☐ Begbies Traynor (Central) LLP's charging policy

To 3 November 2016, we have not drawn any fees on account of our remuneration.

As can be seen from the information above, our estimate has not been exceeded. We are pleased to report that we do not anticipate that it is likely to be exceeded if matters progress to conclusion as envisaged.

Disbursements

To 3 November 2016, we have incurred disbursements in the sum of £1,772.

Category 2 Disbursements

Details of the Category 2 disbursements and also disbursements that should be treated as Category 2 disbursements that have been drawn since the necessary approval was obtained in the total sum of £49,689 80 are as follows:

Other amounts paid or payable to the office holder's firm	
Type and purpose	Amount £
Mileage	491 97
TOTAL	491 97

Disbursements treated as Category 2 disbursements

Other amounts paid or payable to any party in which the office holder or his firm or any associate has an interest	
Type and purpose	Amount £
Eddisons Commercial Limited, which is a member of the Begbies Traynor group, has appraised the assets and Company's valuation, appraised finance agreements,	Fees – £33,500 00 Disbursements – 1,197 83

identified potential ROT stock, attended site in preparation of interested party viewings, dealt with interested party viewings and inspections, attending meetings with the landlord of the Company's premises and negotiating heads of terms with the purchaser	
BTG Corporate Solutions, which is a member of the Begbies Traynor group, were instructed to assist in the preparation and circulation of information to potential acquirers of the Company, deal with initial enquiries, prepare the data room in readiness for interested parties and monitor access to the data room as appropriate	£14,500 00
TOTAL	£49,197 83

A copy of 'A Creditors Guide to Administrators' Fees (E&W) 2015' which provides guidance on creditors' rights on how to approve and monitor an Administrator's remuneration and on how the remuneration is set can be obtained online at www.begbies-traynor.com/creditorsguides. Alternatively, if you require a hard copy of the Guide, please contact our office and we will arrange to send you a copy.

8. ADMINISTRATORS' EXPENSES

A statement of the expenses incurred during the period of this progress report is attached at Appendix 3.

Expenses actually incurred compared to those that were anticipated

Creditors will recall that we estimated that the expenses of the administration would total £10,149 20. That estimate has not been exceeded and we do not expect it to be exceeded if matters progress to conclusion as envisaged.

9. ASSETS THAT REMAIN TO BE REALISED AND WORK THAT REMAINS TO BE DONE

What work remains to be done, why is this necessary and what financial benefit (if any) will it provide to creditors?

General case administration and planning

Case strategy will continue to be updated dependent on further realisation of assets in order to get the best outcome for creditors.

We are also required to maintain records to demonstrate how the case was administered and to document the reasons for any decisions that materially affect the case as a result of our investigations on an ongoing basis.

Compliance with the Insolvency Act, Rules and best practice

The Insolvency Act and Rules require that we produce interim progress reports on a 6 monthly basis to provide regular updates to the creditors of the progress made during the Administration

In addition, a final progress report will have to be produced once the Administration has reached its conclusion. This will provide creditors with an overview of the Administration, including all realisations, costs and the final outcome for creditors. However, we are not anticipating this to occur within the next 6 months.

Should the Administration require to be extended beyond its statutory term of 12 months, the Administrators have a duty to seek an extension, firstly from the creditors and subsequently by order of the court, should a further extension be required.

As has been done throughout the Administration, progress reports and the other statutory documentation will be filed with the Registrar of Companies under the Insolvency Act and the statutory bond level will be monitored on a receipt by receipt basis.

Investigations

As detailed in Section 4 of this report, further investigations into the nature of the Company's dealings prior to our appointment are ongoing.

Realisation of assets

As set out above, the deferred consideration due from PPC is the only known asset left to collect. We will continue to monitor the collection of the consideration in line with the new proposals to discharge the outstanding consideration due.

The book debts are being collected by Lloyds, as detailed above. As it is likely that Lloyds will suffer a shortfall against its lending, it is unlikely a surplus will be made available for the Administration estate.

A further update of our progress in this regard will be detailed in our next report.

Dealing with all creditors' claims (including employees), correspondence and distributions

We will continue to respond to creditor calls, claims and general enquiries that may be made.

Depending on the level of realisations, we may need to agree the claims of unsecured creditors. In the case of the latter, we would also be required to make an application to Court in order to have the authority to do this. Costs of distribution of any agreed dividend would also be incurred.

Other matters which includes meetings, tax, litigation, pensions and travel

We will continue to deal with tax matters throughout the duration of the Administration.

How much will this further work cost?

Given the complexity of the case and the uncertainty around how long the Administration may last, accurately identifying the future costs is challenging. However, our best estimate at this point is that a further £24,000 of time costs will be incurred.

Expenses

Details of the expenses that we expect to incur in connection with the work that remains to be done referred to above are as set out in the estimate of anticipated expenses sent to creditors with our statement of Proposals.

on 11 May 2016 which included all of the expenses that we anticipate that we will incur throughout the administration

10. OTHER RELEVANT INFORMATION

Report on Directors conduct

As detailed in our statement of proposals, we have a duty to submit a report to the Department for Business, Energy and Industrial Strategy on the conduct of the directors. We have complied with our duties in this respect.

Investigations completed

We have undertaken an initial assessment of the manner in which the business was conducted prior to the administration of the Company and potential recoveries for the estate in this respect.

Connected party transactions

We are not aware of any connected party transactions.

Proposed exit route from Administration

Dissolution

On present information we consider that the Company will have insufficient property to enable a distribution to be made to unsecured creditors. Consequently, as soon as we are satisfied that we have fully discharged our duties as administrators and that the purpose of the administration has been fully achieved, we propose to implement the provisions of Paragraph 84 of Schedule B1 to the Act. Under these provisions, on the registration of a notice sent by us to the Registrar of Companies, our appointment as administrators ceases to have effect, and at the end of three months the Company will automatically be dissolved.

Where an administrator sends such a notice of dissolution to the Registrar of Companies, he must also file a copy of the notice with the court and send a copy to each creditor of the Company, and on application by any interested party the court may suspend or disapply the automatic dissolution of the Company.

Extending the Administration

It may transpire that it is not possible to finalise the administration as envisaged within one year of the date of our appointment. In particular, this situation will arise if we are not able to conclude the realisation of the Company's property. Yet Paragraph 76 of Schedule B1 to the Act provides that the appointment of an administrator shall cease to have effect at the end of the period of one year beginning with the date on which it takes effect. However, our term of office may be extended either by court order for a specified period or by consent of the creditors for a specified period not exceeding twelve months. It may therefore become necessary at some future time for us to seek creditor consent to extending the period of the administration for up to a further twelve months following the anniversary of our appointment in order to ensure that the objective of the administration can be fully achieved.

11. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 2.48A of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors, including that

creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the court) may request in writing that we provide further information about our remuneration or expenses (other than pre-administration costs) which have been incurred during the period of this progress report

Right to make an application to court

Pursuant to Rule 2.109 of the Rules, any secured creditor or an unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor (or any unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the court) may, within 8 weeks of receipt of this progress report, make an application to court on the grounds that the remuneration charged or the expenses incurred during the period of this progress report are excessive or, the basis fixed for our remuneration is inappropriate

12. CONCLUSION

We will report again in approximately six month's time or at the conclusion of the Administration, whichever is the sooner



J R R Pitts
Joint Administrator

Dated 15 November 2016

ACCOUNT OF RECEIPTS AND PAYMENTS

Period 4 May 2016 to 3 November 2016

S of A £		£	£
	SECURED ASSETS		
82,000 00	Goodwill	82,000 00	
1 00	Business Intellectual Property	1 00	82,001 00
	COSTS OF REALISATION		
	Administrators' pre appointment time	10,000 00	(10,000 00)
	SECURED CREDITORS		
(141,000 00)	Bank of Scotland	NIL	NIL
	HIRE PURCHASE		
1,985,869 00	Book Debts	NIL	
(1,878,542 00)	Lloyds Bank Commercial Finance Limit	NIL	NIL
	ASSET REALISATIONS		
	Leasehold Property - Rent	44,254 84	
1 00	Benefit of the Contracts	1 00	
140,000 00	Plant, Equipment and Office Furniture	40,000 00	
52 998 00	Stock	52,998 00	
NIL	Intercompany Debt	NIL	
	Insurance settlement	2,030 00	
	Bank Interest Gross	33 00	139,316 84
	COST OF REALISATIONS		
	Statement of Affairs Fee	3,000 00	
	Administrators' pre appointment time	41,429 50	
	Dataroom cost	27 44	
	Rent	56,291 25	
	Agents/Valuers Fees (1)	33,500 00	
	Agents Disbursements	1,197 83	
	Legal Fees (1)	16,880 00	
	Legal Disbursements	225 42	
	Administrators' pre appointment disburse	333 57	
	Corporate Finance - Sale of Business	14,500 00	
	Statutory Advertising	84 60	
	Mileage	286 66	
	Travel	665 23	
	Accommodation	173 67	(168,595 17)
	UNSECURED CREDITORS		
(3,240,476 49)	Trade Creditors	NIL	
(221,504 03)	HMRC	NIL	
(605,996 23)	Highland Phoenix Limited	NIL	NIL
	DISTRIBUTIONS		
(163,812 00)	Preference Shareholders	NIL	
(113,001 00)	Ordinary Shareholders	NIL	NIL
(4,103,462 75)			42,722.67

TIME COSTS AND DISBURSEMENTS

- a Begbies Traynor (Central) LLP's charging policy, and
- b Time Costs Analysis for the period from 4 May 2016 to 3 November 2016

BEGBIES TRAYNOR CHARGING POLICY

INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance¹ requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. It also applies where payments are to be made to parties other than the firm, but in relation to which the office holder, the firm or any associate has an interest. Best practice guidance² indicates that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed below.

EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

Best practice guidance classifies expenses into two broad categories.

- *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case and referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- *Category 2 disbursements (approval required)* - items of expenditure that are directly related to the case which include an element of shared or allocated cost and are based on a reasonable method of calculation, but which are not payable to an independent third party.

(A) The following items of expenditure are charged to the case (subject to approval)

- Internal meeting room usage for the purpose of statutory meetings of creditors is charged at the rate of £100 (London £150) per meeting.
- Car mileage is charged at the rate of 45 pence per mile.
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates.

¹ Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales

² Ibid 1

Expenses which should be treated as Category 2 disbursements (approval required) – in addition to the two categories referred to above, best practice guidance indicates that where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest, these should be treated as Category 2 disbursements

Services provided by other entities within the Begbies Traynor group

The following items of expenditure which relate to services provided by entities within the Begbies Traynor group, of which the office holder's firm is a member, are also to be charged to the case (subject to approval)

Instruction of Eddisons Commercial Limited to provide valuation appraisal advice in relation to the Company's plant and machinery and stock to appraise the finance agreements, identify potential retention of title stock, attending site in preparation of interested party viewings and inspections, dealing with the landlord of the Company's premises and dealing with the negotiations of the sale

Eddisons Commercial Limited's charges will be equivalent to 10% of realisations. Their charges on a time costs basis at the prevailing hourly rates for their various grades of staff which are currently as follows

Grade of staff	Charge-out rate (£ per hour)
Director	£275
Associate	£180
Surveyor	£120
Graduate	£100
Administration	£80
Porters	£35

In addition to the services detailed above, it may become necessary to instruct Eddisons Commercial Limited to provide additional services, not currently anticipated, during the course of the case. In such circumstances and to avoid the costs associated with seeking further approval, the charges for such services will be calculated on a time costs basis at the prevailing hourly rates set out above.

Instruction of Eddisons Insurance Services Limited to provide insurance broking services and specifically open cover insurance for the insurable risks relating to the case. The cost of open cover insurance will vary during the course of the case depending upon the value of the assets and liability risks. The costs of insurance cover for will be dependent upon prevailing insurance market conditions and the ongoing insurable risks on the case. Eddisons Insurance Services Limited is not paid from the assets of the estate for the services it provides. In accordance with standard insurance industry practice, Eddisons Insurance Services Limited will receive payment of commission for the services it provides directly from the open cover insurer. The commission is calculated as a percentage of the insurance premiums payable and such percentage will depend upon the class or classes of assets being insured.

- (B) The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*

- Telephone and facsimile
- Printing and photocopying
- Stationery

BEGBIES TRAYNOR CHARGE-OUT RATES

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the Leeds office as at the date of this report are as follows

Grade of staff	Charge-out rate (£ per hour) 1 May 2011 – until further notice
Partner	395
Director	345
Senior Manager	310
Manager	265
Assistant Manager	205
Senior Administrator	175
Administrator	135
Trainee Administrator	110
Support	110

Staff Grade	Consultant/PA rater	Director	Sr. Mgr	Mgr	Asst. Mgr	Sr. Admin	Admin	Jr. Admin	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	4.0			6.2						10.2	3,223.00	315.98
Case planning												
Administration				4.6		1.4	1.9	0.8	0.6	9.3	1,874.50	201.56
Total for General Case Administration and Planning	4.0			10.8		1.4	1.9	0.8	0.6	19.5	5,097.50	261.41
Compliance with the Insolvency Act, Rules and best practice	2.0			3.8			5.9			11.7	2,583.50	221.67
Appointment												
Banking and Bonding	0.2						2.5	0.1	2.2	5.0	669.50	133.90
Case Closure												0.00
Statutory reporting and statements of affairs	3.0			19.4		4.1	25.9	0.5		52.9	10,595.00	200.29
Total for Compliance with the Insolvency Act, Rules and best practice	5.2			23.2		4.1	34.3	0.6	2.2	68.6	13,853.00	199.11
Investigations	3.0			5.9						8.9	2,748.50	308.82
CCDA and Investigations												
Total for Investigations	3.0			5.9						8.9	2,748.50	308.82
Realization of assets	0.5			5.8		0.5	0.7			7.5	1,916.50	255.53
Debt collection												
Property business and asset sales	9.5			5.1		3.8				16.4	5,769.00	313.53
Retention of Title/Third party assets		0.3		32.1		5.1	68.0	0.6		128.1	21,448.50	170.09
Total for Realisation of assets	10.0	0.3		43.0		9.4	68.7	0.6		162.0	29,134.00	191.67
Trading												0.00
Trading												0.00
Total for Trading												0.00
Dealing with all creditors claims (including employees), correspondence and distributions	5.0			5.2			1.1			11.3	3,501.50	309.87
Secured												
Others	19.0			21.4		13.2	9.5	0.5		62.6	16,689.50	266.59
Creditors committee												0.00
Total for Dealing with all creditors claims (including employees), correspondence and distributions	24.0			26.6		13.2	9.6	0.5		73.9	20,190.00	272.21
Meetings												
Other				7.3			0.8			8.1	2,042.50	252.16
Tax	2.0			9.4			2.2	0.6		12.2	2,854.00	233.93
Litigation									0.4	2.4	634.00	347.50
Total for Other matters	2.0			16.7			3.0	0.6	0.4	22.7	5,730.50	252.44
Total hours by staff grade	48.2	0.3		126.2		28.1	137.5	3.1	3.2	348.6		
Total time cost by staff grade	19,039.00	103.90		33,443.00		4,917.50	18,562.50	341.00	352.00	76,758.50		
Average hourly rate £	385.00	345.00	0.00	265.00	0.00	175.00	135.00	110.00	110.00			221.48
Total fees drawn to date £										0.00		

STATEMENT OF ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance (to be discharged) £
Expenses incurred with entities not within the Begbies Traynor Group				
Legal fees	Gateley plc	16,000 00	16,000 00	0 00
Legal disbursements	Gateley plc	225 42	225 42	0 00
Legal fees	Clanon Solicitors Limited	880 00	880 00	0 00
Statutory advertising	Courts Advertising Limited	84 60	84 60	0 00
Bond	Marsh Limited	140 00	0 00	140 00
Expenses incurred with entities within the Begbies Traynor Group (<i>for further details see Begbies Traynor Charging Policy</i>)				
Agent's fees paid to Eddisons	Eddisons Commercial Limited	33,500 00	33,500 00	0 00
Agent's disbursements paid to Eddisons	Eddisons Commercial Limited	1,197 83	1,197 83	0 00
Corporate finance fees paid in relation to the sale of the business	BTG Corporate Solutions	14,500 00	14,500 00	0 00
Travel	Begbies Traynor (Central) LLP	919 00	665 23	253 77
Accommodation	Begbies Traynor (Central) LLP	173 67	173 67	0 00
Subsistence	Begbies Traynor (Central) LLP	47 82	0 00	47 82
Mileage	Begbies Traynor (Central) LLP	491 97	286 66	205 31