

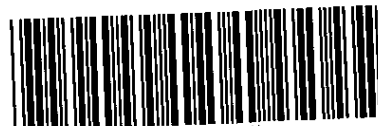
AM10

Notice of administrator's progress report



Companies House

TUESDAY



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A19

13/06/2017

#350

COMPANIES HOUSE

1 Company details

Company number 0 3 8 8 3 6 9 0

Company name in full HMC Health & Beauty Limited

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Julian

Surname Pitts

3 Administrator's address

Building name/number Fourth Floor

Street Toronto Square

Post town Toronto Street

County/Region Leeds

Postcode L S 1 2 H J

Country

4 Administrator's name ①

Full forename(s) Bob

Surname Maxwell

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number Fourth Floor

Street Toronto Square

Post town Toronto Street

County/Region Leeds

Postcode L S 1 2 H J

Country

② Other administrator
Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6 Period of progress report

From date	^d 0	^d 4	^m 1	^m 1	^y 2	^y 0	^y 1	^y 6
To date	^d 0	^d 3	^m 0	^m 5	^y 2	^y 0	^y 1	^y 7

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X

[Handwritten Signature]


X


Signature date


^d 0	^d 9	^m 0	^m 6	^y 2	^y 0	^y 1	^y 7
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AM10

Notice of administrator's progress report

 Presenter information	
You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.	
Contact name	Julian Pitts
Company name	Begbies Traynor (Central) LLP
Address	Fourth Floor
	Toronto Square
Post town	Toronto Street
County/Region	Leeds
Postcode	L S 1 2 H J
Country	
DX	
Telephone	0113 244 0044

 Checklist
We may return forms completed incorrectly or with information missing.
Please make sure you have remembered the following:
<input type="checkbox"/> The company name and number match the information held on the public Register.
<input type="checkbox"/> You have attached the required documents.
<input type="checkbox"/> You have signed the form.

 Important information
All information on this form will appear on the public record.

 Where to send
You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ. DX 33050 Cardiff.

 Further information
For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

Julian Pitts and Bob Maxwell were appointed joint administrators on 4 May 2016

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 of the joint administrators

Period: 4 November 2016 to 3 May 2017

Important Notice

This progress report has been produced by the administrators solely to comply with their 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.

Contents

- ☐ Interpretation
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- ☐ Details of appointment of administrators
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 - 2. Time costs and disbursements
 - 3. Statement of expenses

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", "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 Act

2. STATUTORY INFORMATION

Name of Company	HMC Health & Beauty Limited
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

Names of the administrators:	Julian Pitts, a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ and Bob Maxwell, a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ
Date of appointment:	4 May 2016
Court:	High Court of Justice, Chancery Division, Leeds District Registry
Court Case Number:	384 of 2016
Person(s) making appointment / application:	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.
Extensions of the administration period	There have been no previous extensions to the administration period

4. PROGRESS DURING THE PERIOD

Receipts and Payments

Attached at Appendix 1 is our abstract of receipts and payments for the period from 4 November 2016 to 3 May 2017.

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. There is an analysis for the period of the report and also an analysis of time spent on the case

since the date of our appointment. The details below relate to the work undertaken in the period of the report only. Our previous report contains details of the work undertaken since our appointment.

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 realisation of the deferred consideration and the licence fee due in accordance with the licence to occupy.

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. The previous progress report dated 15 November 2016 was prepared and sent to creditors during the period.

The statutory documentation detailed above has been filed with the Registrar of Companies under the Insolvency Act. 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 sum of £140 has been paid to Marsh Limited in respect of the statutory bond.

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.

PPC have not made payments in line with the original agreement stipulated in the sale agreement. Revised deferred payments were agreed to discharge the balance of the deferred consideration by January 2017. However, PPC have only made the first of the agreed £35,000 payments and did not adhere to the final two revised payments.

As a result of the above, we have instructed our solicitors, Gateley plc, to pursue the outstanding arrears in the sum of £65,000 from PPC.

Since our solicitors instruction, we agreed revised proposals for the outstanding consideration to be paid at £15,000 per week commencing on 17 March 2017. I can confirm that we have now received the full £65,000 plus late payment interest on the overdue sums of £2,672.

The total sum of £100,000 which been paid during the period has been allocated to plant & equipment on the attached receipts and payments account at Appendix 1.

Licence to occupy

As part of the sale of the business and certain assets to PPC, the Joint Administrators granted PPC with a licence to occupy the Company's leasehold premises for a period of six months, this should be sufficient time for a lease to be agreed between PPC and the landlord.

PPC has since expressed an interest in purchasing the freehold from the landlord, and negotiations are ongoing. The licence to occupy is currently being held over and we have been collecting the licence fee and paying the rent due under the lease to the landlord. As a result of cash flow difficulties experienced by PPC, the

majority of these payments have not been paid in accordance with the agreed dates. This has resulted in pressure being placed on us by the landlord to keep making the monthly rental payments in accordance with the terms of the lease.

Gateley plc were also instructed to pursue PPC for the licence payment arrears and these have subsequently been brought up to date. Gateley plc have been paid £2,500 for their services provided to date.

Under the terms of the license to occupy 10 Howlett Way ("the Property") entered into with PPC, rental payments received during the period covered by this report total £84,256 and the rental payments made to the landlord total £72,219.

We are now in negotiations with PPC with regard to the assignment of the lease from the Company to PPC until the property sale completes. Whilst the Company is still the leaseholder for the Property, we have instructed our agents, Eddisons Commercial Limited, to undertake monthly inspections. The sum of £130 has been paid in this respect.

Book Debts

The book debt ledger was factored by Lloyds Bank Commercial Finance Limited ("Lloyds"). As at the date of our appointment, the book debt ledger stood at £2.3m. Given the continuity of the Company's business and PPC continuing to supply a number of the Company's customers, PPC originally continued to collect the book debts on Lloyds' behalf. However, we understand that Lloyds have taken the remainder of the debtor accounts in-house for collection.

Other Realisations

The sum of £794 has been realised in respect of a sundry refund and £7 in bank interest accrued on the Administration account.

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 liaising with our appointed solicitors, Clarion Solicitors Limited ("Clarion"), in respect of an Employment Tribunal claim brought by a former non executive which the Company was party to. Clarion have been paid the sum of £1,694 for their services provided.

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

Begbies Traynor (Central) LLP have been paid the sums of £136 and £37 in relation to travel and subsistence 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 undertaken in the previous period.

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 under their security. It is anticipated that Lloyds will suffer a shortfall based on the book debt 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 £40,000 has been distributed to BOS during the period against its outstanding indebtedness of £141,000. 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 is calculated have previously been 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	51,429.50	Nil
Legal Fees (appointment and sale process)	Gateley Plc	14,500.00	14,500.00	Nil
Disbursements	Gateley Plc	174.50	174.50	Nil
Agents costs and disbursements- Appraisal of valuation, site visits and as set	Eddisons Commercial Limited – an entity within the	30,650.00	30,650.00	Nil

out above.	Begbies Traynor Group.			
Disbursements – travel and accommodation		1,055.00	1,055.00	Nil
Corporate Finance fees	BTG Corporate Finance – an entity within the Begbies Traynor Group	14,500.00	14,500.00	Nil
Mileage – paid at a rate of 45p per mile	Begbies Traynor	205.31	205.31	Nil
Train tickets	Begbies Traynor	117.50	117.50	Nil
Subsistence	Begbies Traynor	10.76	10.76	Nil
TOTAL PRE-ADMINISTRATION COSTS		112,642.57	112,642.57	Nil

7. THE ADMINISTRATORS' 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 November 2016 to 3 May 2017 amount to £22,837 which represents 101 hours at an average rate of £226 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 November 2016 to 3 May 2017
- ☐ Begbies Traynor (Central) LLP's charging policy

To 3 May 2017, we have drawn the total sum of £20,000 on account of our remuneration, against total time costs of £99,675 incurred since the date of our appointment.

In addition to the time costs information disclosed at Appendix 2 for the period of this report, a cumulative Time Costs Analysis for the period from 4 May 2016 to 3 May 2017 is also attached at Appendix 2.

As can be seen from the information above, we have exceeded the limit of our fees estimate. For the avoidance of any doubt, we have not drawn any remuneration in excess of the level approved. The reasons why the estimate has been exceeded are as follows:

- Extensive correspondence with PPC with regard to payment of the outstanding deferred consideration;
- Communication with the landlord, PPC and our solicitors in respect of the occupation of 10 Howlett Way and the late payments of the licence fee by PPC.

In light of the above, we are obliged to provide the secured creditors with details of the additional work that has been undertaken along with details of the time and cost of that additional work. As our fees will be limited by the level of realisable assets, we do not propose to seek a fee estimate increase from the secured creditors at this time.

Disbursements

To 3 May 2017, we have also drawn 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 incurred since the necessary approval was obtained 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 ass 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, 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.	Fees – £33,500.00 Disbursements – 1,197.83
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 by us during the period of this progress report is attached at Appendix 3. A cumulative statement of expenses also appears at Appendix 3 which details the expenses incurred since the date of our appointment.

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. Unfortunately, the expenses that we have incurred so far have exceeded that estimate and there will be further expenses to pay before the case concludes. The reasons why the estimate has been exceeded are as follows:

- Instruction of solicitors to pursue the arrears of the licence fee and deferred consideration; and
- Instruction of employment solicitors in respect of an Employment Tribunal claim brought by a former non executive which the Company was party to.

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.

Should the Administration require to be extended beyond the secured creditor extension of 12 months, the Administrators have a duty to seek an extension by order of the court.

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.

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 and it is therefore 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.

Time will also be spent regularly reporting to BOS and LBCF with regard to the progress of the Administration.

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 £10,000 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 revised estimate of anticipated expenses attached at Appendix 2.

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 their duties in this respect.

Investigations completed

As explained in our previous report, 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.

Extension of administration

The administration has been extended for a period of 12 months until 3 May 2018 with the consent of the secured creditors.

Proposed exit route from Administration

The proposed exit route from Administration remains in line with that detailed in our statement of proposals.

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 the administrators provide further information about their 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 by the administrators during the period of this progress report are excessive or, in relation to the basis fixed for the administrators' remuneration, 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 N R Pitts
Joint Administrator

Dated: 8 May 2017

ACCOUNT OF RECEIPTS AND PAYMENTS

Period: 4 November 2016 to 3 May 2017

Statement of Affairs		From 04/11/2016 To 03/05/2017	From 04/05/2016 To 03/05/2017
£		£	£
	SECURED ASSETS		
82,000.00	Goodwill	NIL	82,000.00
1.00	Business Intellectual Property	NIL	1.00
		<u>NIL</u>	<u>82,001.00</u>
	COSTS OF REALISATION		
	Administrators' pre appointment time	<u>NIL</u>	<u>10,000.00</u>
		NIL	(10,000.00)
	SECURED CREDITORS		
(141,000.00)	Bank of Scotland	<u>40,000.00</u>	<u>40,000.00</u>
		(40,000.00)	(40,000.00)
	HIRE PURCHASE		
1,985,869.00	Book Debts	NIL	NIL
(1,878,542.00)	Lloyds Bank Commercial Finance Limit	<u>NIL</u>	<u>NIL</u>
		NIL	NIL
	ASSET REALISATIONS		
	Leasehold Property - Rent	96,292.00	140,546.84
	Leasehold Property - Insurance	6,241.01	6,241.01
1.00	Benefit of the Contracts	NIL	1.00
140,000.00	Plant, Equipment and Office Furniture	100,000.00	140,000.00
52,998.00	Stock	NIL	52,998.00
NIL	Intercompany Debt	NIL	NIL
	Insurance settlement	NIL	2,030.00
	Sundry Refund	794.40	794.40
	Bank Interest Gross	25.29	58.29
	Late Payment Interest	<u>2,671.90</u>	<u>2,671.90</u>
		206,024.60	345,341.44
	COST OF REALISATIONS		
	Other	37.06	37.06
	Specific Bond	140.00	140.00
	Statement of Affairs Fee	NIL	3,000.00
	Administrators' Fees	20,000.00	20,000.00
	Administrators' pre appointment time	NIL	41,429.50
	Dataroom cost	NIL	27.44
	Rent	84,255.50	140,546.75
	Agents/Valuers Fees	NIL	33,500.00
	Agents Disbursements	NIL	1,197.83
	Legal Fees	4,658.50	21,538.50
	Legal Disbursements	NIL	225.42
	Property Insurance	6,241.01	6,241.01
	Administrators' pre appointment disbursements	NIL	333.57
	Corporate Finance - Sale of Business	NIL	14,500.00
	Statutory Advertising	NIL	84.60
	Mileage	NIL	286.66
	Travel	136.30	801.53
	Accommodation	NIL	173.67
	Bank Charges	NIL	NIL
	Property Inspections	<u>165.00</u>	<u>165.00</u>
		(115,633.37)	(284,228.54)

	UNSECURED CREDITORS		
(3,240,476.49)	Trade Creditors	NIL	NIL
(221,504.03)	HMRC	NIL	NIL
(605,996.23)	Highland Phoenix Limited	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	DISTRIBUTIONS		
(163,812.00)	Preference Shareholders	NIL	NIL
(113,001.00)	Ordinary Shareholders	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
<u>(4,103,462.75)</u>		<u>50,391.23</u>	<u>93,113.90</u>

TIME COSTS AND DISBURSEMENTS

- a. Begbies Traynor (Central) LLP's charging policy;
- b. Time Costs Analysis for the period from 4 November 2016 to 3 May 2017;
- c. Cumulative Time Costs Analysis for the period from 4 May 2016 to 3 May 2017; and
- d. Estimated increase to our expenses.

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	Consolidated Period	Date to	Start Date	Month	Actual Month	Sec Adj Month	Adj Adj	Int Adj Adj	Cost Unit	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning		4.0								4.0	1,580.00	395.00
Administration				2.9				1.9	0.7	9.8	1,807.00	184.39
Total for General Case Administration and Planning:	4.0			2.9				1.9	0.7	13.8	3,387.00	243.43
Compliance with the Insolvency Act, Rules and best practice												0.00
Appointment												
Banking and Bonding	0.3							4.6	5.4	10.7	1,377.50	128.74
Case Closure												0.00
Statutory reporting and statement of affairs	2.0			2.5				6.6		23.7	4,383.50	184.96
Total for Compliance with the Insolvency Act, Rules and best practice:	2.3			2.5				7.0	5.4	34.4	5,761.00	167.47
CDDA and Investigations												0.00
Total for Investigations:												0.00
Realisation of assets												0.00
Debt collection												0.00
Property, business and asset sales	9.0			0.7						27.3	6,820.50	249.84
Retention of Third/Party assets												0.00
Total for Realisation of assets:	9.0			0.7						27.3	6,820.50	249.84
Trading												0.00
Total for Trading:												0.00
Dealing with all creditors claims (including employees), correspondence and distributions												0.00
Secured	2.0									4.8	1,280.00	266.67
Others	6.0			6.9				0.3		18.5	5,159.00	278.86
Creditors committee												0.00
Total for Dealing with all creditors claims (including employees), correspondence and distributions:	8.0			6.9				0.3		23.3	6,439.00	276.35
Other matters which includes meetings, last litigation, pensions and travel												0.00
Meetings												0.00
Other										2.0	350.00	175.00
Tax				0.3						0.3	79.50	265.00
Litigation												0.00
Total for Other matters:				0.3						2.3	429.50	186.74
Total hours by staff grade:	23.3			13.3				9.2	6.1	101.1		
Total time cost by staff grade:	9,203.50			3,524.50				1,012.00	671.00		22,837.00	
Average hourly rate £:	395.00	0.00	0.00	265.00	0.00			110.00	110.00			223.89
Total fees drawn to date £:											20,000.00	

Staff Grade	Consultant/Partner	Director	Senior Manager	Manager	Assistant Manager	Senior Advisor	Advisor	Junior Advisor	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	Case planning	8.0								14.2	4,803.00	338.24
	Administration					5.7	1.9	2.7	1.3	19.1	3,681.50	192.75
	Total for General Case Administration and Planning:	8.0				5.7	1.9	2.7	1.3	33.3	8,484.50	254.79
Compliance with the Insolvency Act, Rules and best practice	Appointment	2.0					5.9			11.7	2,593.50	221.67
	Banking and Bonding	0.7					7.1	0.5	7.6	15.9	2,126.00	133.71
	Case Closure											0.00
Investigations	Statutory reporting and statement of affairs	5.0				16.7	25.9	7.1		78.6	14,576.50	195.54
	Total for Compliance with the Insolvency Act, Rules and best practice:	7.7				16.7	38.9	7.6	7.6	104.2	19,998.00	189.04
	CDDA and Investigations	3.0								9.9	2,748.50	308.82
Realisation of assets	Total for Investigations:	3.0								9.9	2,748.50	308.82
	Debt collection	0.5				0.5	0.7			7.5	1,916.50	255.53
	Property, business and asset sales	18.5				21.4				45.7	12,565.50	275.48
Trading	Retention of Title/Third party assets		0.3			5.1	88.0	0.6		126.1	21,448.50	170.09
	Total for Realisation of assets:	19.0	0.3			27.0	88.7	0.6		179.3	35,954.50	200.53
	Trading											0.00
Dealing with all creditors claims (including employees), correspondence and distributions	Total for Trading:											0.00
	Secured	7.0				2.8	1.1			16.1	4,781.50	296.99
	Others	25.0				18.5	8.5	0.8		81.1	21,947.50	269.39
Other matters which includes meetings, tax, litigation, pensions and travel	Creditors committee											0.00
	Total for Dealing with all creditors claims (including employees), correspondence and distributions:	32.0				21.3	9.6	0.8		97.2	26,729.00	273.98
	Meetings						0.8			8.1	2,042.50	252.16
	Other					2.0	2.2	0.6		14.2	3,204.00	225.63
	Tax	2.0							0.4	2.7	913.50	338.33
	Litigation											0.00
	Total for Other matters:	2.0				2.8	3.0	0.8	0.4	28.0	6,160.00	248.40
	Total hours by staff grade:	71.7	0.3			72.7	142.1	12.3	9.3	447.9		
	Total time cost by staff grade:	26,321.50	103.50			12,772.50	19,103.50	1,353.00	1,023.00		99,674.50	
	Average hourly rate £:	395.00	345.00	0.00		175.00	135.00	110.00	110.00			222.54
	Total fees drawn to date £:										20,000.00	

THE ADMINISTRATORS' ESTIMATE OF THE EXPENSES THAT THEY WILL INCUR

	Type of expense	Description	Estimate £
1.	Accountant's fees	Assistance with statement of affairs and corporation tax work.	4,000
2.	Advertisements	Of appointment, meetings, dividends etc.	169
3.	Bond	An Insolvency Practitioner is required to have a bond in place to protect the estate from misappropriation of funds	140
4.	Legal fees and disbursements	The fees of any solicitors and/or barristers instructed to assist the Insolvency Practitioner and their anticipated disbursements	10,000
5.	Property Inspections	The costs of inspecting the leasehold property at 10 Howlett Way	250
6.	Bank charges	An Insolvency Practitioner is required to operate a separate bank account in relation to the insolvent entity's estate	100
7.	Travel	Travel to and from the Company's leasehold premises	400

For the avoidance of any doubt, the above estimate relates to the period of administration only, it does not relate to any expenses that will or may be incurred in any insolvency procedure following the administration.

APPENDIX 3

STATEMENT OF 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	5,100.00	2,500.00	2,600.00
Legal fees	Clarion Solicitors Limited	3,038.50	2,574.00	464.50
Expenses incurred with entities within the Begbies Traynor Group				
Property Inspections	RemoteZone	165.00	130.00	35.00

CUMULATIVE STATEMENT OF EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £
Agent's fees	Eddisons Commercial Limited	33,500.00
Agent's disbursements	Eddisons Commercial Limited	1,197.83
Corporate finance	BTG Corporate Solutions	14,500.00
Legal fees	Gateley plc	21,100.00
Legal disbursements	Gateley plc	225.42
Legal fees	Clarion Solicitors Limited	3,038.50
Statutory advertising	Courts Advertising Limited	84.60
Bond	Marsh Limited	140.00
Property inspections	RemoteZone	165.00
Travel	Begbies Traynor (Central) LLP	919.00
Accommodation	Begbies Traynor (Central) LLP	173.67
Subsistence	Begbies Traynor (Central) LLP	47.82
Mileage	Begbies Traynor (Central) LLP	491.97