

The Insolvency Act 1986

Administrator's progress report

2.24B

Name of Company MERCHANT HOUSE FINANCIAL SERVICES LIMITED	Company number 04491709
In the High Court of Justice, London (full name of court)	Court case number 1729 of 2013

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

I/We (a) A D Cadwallader & M C Healy of Leonard Curtis, One Great Cumberland Place,
Marble Arch, London W1H 7LW

administrator(s) of the above company attach a progress report for the period

from

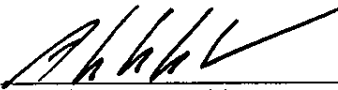
to

(b) Insert dates

(b) 21 March 2013

(b) 20 September 2013

Signed


Joint / Administrator(s)

Dated

14 October 2013

Contact Details.

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

Leonard Curtis	
One Great Cumberland Place, Marble Arch, London W1H 7LW	
Ref UC/30	Tel 020 7535 7000
DX Number	DX Exchange

If 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



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**MERCHANT HOUSE FINANCIAL SERVICES LIMITED
(IN ADMINISTRATION)**

Registered Number: 04491709

**Joint Administrators' First Progress Report
for the period from 21 March 2013 to 20 September 2013**

14 October 2013

Leonard Curtis
One Great Cumberland Place, Marble Arch,
London W1H 7LW
Tel 020 7535 7000 Fax 020 7723 6059
solutions@leonardcurtis.co.uk
Ref L/30/UC/SMER06/1010

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TO: ALL CREDITORS AND THE REGISTRAR OF COMPANIES

1 STATUTORY INFORMATION

- 1.1 I was appointed Joint Administrator of Merchant House Financial Services Limited ("MHFS" or "the Company") together with A J Duncan and M C Healy on 21 March 2013. Both Mr Duncan and I are licensed in the UK by the Institute of Chartered Accountants in England and Wales. Mr Healy is licensed in the UK by the Insolvency Practitioners Association. The appointment of the Joint Administrators ("the Joint Administrators") was made by Mr Nigel Love, of The Comms Centre, Darnell Way, Northampton NN3 6RW, a director of the Company.
- 1.2 The Administration proceedings are under the jurisdiction of the High Court of Justice under Court reference number 1729 of 2013.
- 1.3 In accordance with paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 ("the Act"), the function of the Joint Administrators may be exercised by any or all, acting jointly or alone. There have been no changes in office-holders and the initial period of the Joint Administrators' appointment has not been extended.
- 1.4 The Company's main area of activity was that of Independent Financial Advisers ("IFA") and it was an Appointed Representative ("AR") of TenetConnect Limited ("Tenet"), one of the largest IFA service providers in the UK, which is authorised and regulated by the Financial Services Authority ("FSA").
- 1.5 The Company's registered office was changed from The Comms Centre, Darnell Way, Northampton NN3 6RW to One Great Cumberland Place, Marble Arch, London W1H 7LW following our appointment. The registered number is 04491709.
- 1.6 On 10 April 2013 the Joint Administrators sent a statement of proposals to all creditors of the Company. A meeting of creditors was held on 30 April 2013 at which these proposals were approved. There have been no major amendments to, or deviations from, those proposals.
- 1.7 The Company's main centre of operations is based in the UK. The EC Regulation on Insolvency Proceedings applies and the proceedings are main proceedings under the Regulation.

2 STEPS TAKEN DURING THE ADMINISTRATION AND PROGRESS TO DATE

- 2.1 This report should be read in conjunction with the Joint Administrators' previous report dated 10 April 2013.
- 2.2 Sale of Business**
- 2.2.1 The business and assets of the Company were sold to Aspire Financial Management Limited ("Aspire") for £100,000 plus deferred consideration, comprising 33% of the trail commission.
- 2.2.2 We received the initial £100,000 sale consideration in full on 21 March 2013, the date of completion.
- 2.2.3 Aspire will also make a contribution towards the costs of the Administration and subsequent Liquidation of £100,000, payable in two equal instalments of £50,000 each on the first and second anniversary of the completion date.
- 2.2.4 The trail commission was agreed to be paid over seven years commencing from the date of completion and the trail payment dates fall on 25 December, 25 March, 24 June and 29 September. The first trail payment date will only be activated after the allowed deductions, the Joint Administrators' costs, the

secured liabilities, the AR Debt (but not the AR Damages) and an amount equivalent to the value of the prescribed part, have been paid

- 2.2.5 To date these liabilities have not been settled. We are receiving regular reports to enable us to monitor the position and will update creditors in our next report

2.3 Furniture and Equipment

Of the initial consideration received, £7,992 was apportioned to the furniture and equipment in the five leasehold premises

2.4 Balance at Bank

We previously reported a small balance of £389 held in the Company's bank account at Lloyds TSB Bank plc. However, direct debits were paid from the Company's account prior to our appointment. There will be no balance available for the Company.

2.5 Leasehold Premises

The Company held four leases which were transferred to the purchaser under licence. The purchaser has vacated these premises. The leases will be disclaimed when the Company is in Liquidation, unless the landlords agree surrenders of these units.

2.6 Secured Creditors

- 2.6.1 As previously reported, the Company had three secured creditors, Allied Dunbar Assurance plc, The Clarkson Hill Group and Tenet.

- 2.6.2 As at the date of appointment, Aspire assumed liability for the outstanding amounts due to the secured creditors.

2.7 Preferential Claims

- 2.7.1 The only claims which are preferential are those of employees in respect of unpaid wages and accrued holiday pay.

- 2.7.2 All employees were transferred to the purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 following the sale of the business and assets. Therefore, we do not expect there to be any preferential claims.

2.8 Prescribed Part

- 2.8.1 The Act provides that, where a company has created a floating charge after 15 September 2003, we must make a prescribed part of the company's net property available to the unsecured creditors.

- 2.8.2 We previously reported the Company's net property, before costs, would be £1,273,559 with an estimated prescribed part of assets of £257,712 available for the satisfaction of unsecured debts. The final quantum of the prescribed part will however depend on the value of the real income, the level of costs and preferential claims, if any. However, if the Company's net property is less than the prescribed minimum, currently £10,000, and we think that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits, the provision will not apply. The Act further provides that, notwithstanding that the Company's net property is more than the prescribed minimum, we may also apply for an order that this provision shall not apply, again on the ground that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. In this case we do not propose to make such an application.

2.9 Unsecured Claims

All unsecured non-preferential claims will be subject to agreement by a subsequently appointed Liquidator, should liquidation be the appropriate exit route from Administration. Based on current information, it is anticipated that a dividend will be paid to unsecured creditors. The timing and quantum of any distribution is currently unknown.

2.10 Investigations

2.10.1 We have complied with our statutory obligations under the Company Directors Disqualification Act 1986 and a report has been submitted to the appropriate authority.

2.10.2 We have carried out enquiries that we considered to be proportionate to the circumstances of the case. After completing these we were of the opinion that there were no matters that might lead to recoveries for the estate and that no further investigation was appropriate.

2.11 Attached as Appendix A is a summary of our receipts and payments account for the period from 21 March 2013 to 20 September 2013. This shows what assets of the Company have been realised and for what value and what payments have been made to creditors or others.

2.12 It also shows details of expenses incurred and paid during the period of this report. No expenses have been incurred but not paid.

3 ACHIEVING THE PURPOSE OF ADMINISTRATION

3.1 As advised in our previous report dated 10 April 2013, the Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:

(a) rescuing the Company as a going concern, or (if this cannot be achieved)

(b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration), or (if (a) and (b) cannot be achieved)

(c) realising property in order to make a distribution to one or more secured or preferential creditors

3.2 We are obliged to perform our functions in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, we have a duty not to unnecessarily harm the interests of the creditors as a whole.

3.3 The first objective was not achieved as there were insufficient funds and assets to enable the Company to be rescued as a going concern.

3.4 The second objective, namely achieving a better result for creditors as a whole than would be likely if the Company were wound up, has been achieved. If the Company had been placed into liquidation as opposed to Administration, the business would have ceased to trade resulting in no value for goodwill and crystallising employee claims. Additionally the sale included the novation of Tenet's appointed representative agreement which has reduced unsecured claims as there will be no damages claims for breach of contract.

3.5 As objective b) is likely to be achieved, it is not necessary to consider the third option.

- 3 6 The Administration has been, and will continue to be, financed by monies received from asset realisations

4 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 4 1 In accordance with the resolution passed at the meeting of creditors held on 30 April 2013, the Joint Administrators' remuneration is fixed and payable by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration

- 4 2 As advised in our previous report dated 10 April 2013, the Joint Administrators' time costs at 29 March 2013 were £9,692 50. Since that time further costs of £60,004 50 have been incurred. These total costs are summarised at Appendix B and comprise 212 6 hours at an average rate of £329 10 per hour. In accordance with the approval given, £24,000 has been paid on account of these costs to date. Costs have been incurred in the following main areas of activity:

- **Statutory and Review**

This includes time spent dealing with all statutory matters. Considerable time was spent preparing the directors' conduct report.

- **Assets**

Time has been spent in dealing with the sale of the business to Aspire. It also includes time spent corresponding with the purchaser regarding updates to monitor the position of the trail payments.

- **Liabilities**

Considerable time has been spent in dealing with creditors' correspondence. We have spent time in dealing with written and telephone enquiries. Time was also incurred in corresponding with the employees and HM Revenue & Customs.

- **General Administration**

This includes time dealing with director and general correspondence.

- **Post Appointment Creditor Reporting**

Time has been spent in the compilation of reports to creditors and preparing supporting documentation.

- **Investigations**

This includes investigatory work required in order to prepare the directors' conduct report.

- 4 3 Creditors also approved the basis upon which the Joint Administrators recharge internal disbursements that include an element of allocated costs. These are known as Category 2 costs and the basis of their recharge is also attached at Appendix C. Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as "category 1 disbursement". Category 1 disbursements will generally comprise items such as identifiable telephone calls, postage, advertising, invoiced travel and properly reimbursed expenses incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and storage.

Merchant House Financial Services Limited – In Administration

- 4.4 In this case the following Category 2 costs have been incurred during the period of this report and, where shown, reimbursed to our company

Type	Incurred £	Paid £	Unpaid £
Internal photocopying @ 10p per copy	70.80	70.80	-
General stationery, postage, telephone etc @ £100 per 100 creditors/ members or part thereof	-	-	-
Room hire @£100 per meeting	-	-	-
Storage of office files (6 years) £88.75 per box	-	-	-
Business mileage @ 45p per mile	-	-	-
Other	-	-	-
Total	70.80	70.80	-

- 4.5 Details of our company's charge out rates and policy regarding recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix C. Further information may be found in "Guide to Administrators' Fees". This is available from our office free of charge or may be downloaded from www.leonardcurtis.co.uk/resources/creditorsguides

- 4.6 We have used the following professional advisors, including subcontractors

Name of Professional Advisor	Service Provided	Basis of Fees
Charles Russell LLP	Legal Advice	Time Cost
AgentCite Limited	Valuation Services	Time Cost
Gill Sainsbury PR	PR Services	Time Cost

- 4.7 Details of our company's policy regarding the choice of advisors and the basis for their fees are also attached at Appendix C

5 PRE-ADMINISTRATION COSTS

On 30 April 2013 the following amounts in respect of pre-administration costs were approved

Charged by	Services provided	Total approved £	Amount paid £	Amount unpaid £
Leonard Curtis	Meetings and correspondence with Company and directors, assessing that Administration was the appropriate route, instructing agents and solicitors regarding the sale of the business, dealing with interested parties, offer negotiations, concluding sale	40,396	40,396	-
AgentCite Limited	Valuation of chattel assets	1,000	1,000	-
Charles Russell LLP	Dealing with sale contract and appointment documentation	15,760	15,760	-

6 CREDITORS' RIGHTS

- 6.1 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) may request in writing that the Joint Administrators provide further information about their remuneration or expenses (other than pre-administration costs) which have been itemised in this progress report

6 2 Within 14 days of receipt of the request, we must provide all of the information asked for, except so far as we consider that -

- i) the time or cost of preparation of the information would be excessive, or
- ii) disclosure of the information would be prejudicial to the conduct of the Administration or might reasonably be expected to lead to violence against any person, or
- iii) we are subject to an obligation of confidentiality in respect of the information

We must also give reasons for not providing all of the information

6 3 Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of receipt of this progress report make an application to Court on the grounds that the basis fixed for the Joint Administrators' remuneration, the remuneration charged or the expenses incurred by the Joint Administrators as set out in this progress report are excessive

7 EXTENSION OF ADMINISTRATION

7 1 The appointment of the Joint Administrators ceases to have effect at the end of the period of one year beginning with the date on which it takes effect

7 2 It may be desirable to extend the Administration for a specified period not exceeding six months. If this is appropriate we will require the consent of the creditors

7 3 In this case we have not yet sought an extension

8 FURTHER ASSETS TO BE REALISED

We are awaiting receipt of the trail payments, as detailed in paragraph 2 2 above

9 OTHER RELEVANT INFORMATION

9 1 The automatic deadline for the Administration to end is 20 March 2014

9 2 As mentioned in paragraph 2 6, at the date of appointment, Aspire assumed liability for the outstanding amounts due to the secured creditors

9 3 Based on present information, we anticipate there will be funds available to pay a distribution to unsecured creditors, although this will depend on the quantum of the trail payments received

9 4 The sale contract provides that we give the purchaser 28 days notice of our intention to put the Company into Liquidation

9 5 When we consider it appropriate, we will give notice to the Registrar of Companies to move the Company from Administration into CVL. Following registration of this notice, the appointment of the Joint Administrators will cease to have effect and the appointment of a Liquidator will be effective. In accordance with the Joint Administrators' proposals approved by creditors, A J Duncan and I will become Joint Liquidators

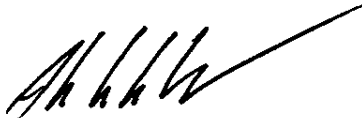
Merchant House Financial Services Limited – In Administration

- 9.6 In the event that there are insufficient monies available to declare a dividend to ordinary unsecured creditors of the Company, we will give notice to Registrar of Companies to move the Company directly from Administration to dissolution

Creditors requiring further information should contact our office, in writing. Electronic communications should also contain a full postal address.

for and on behalf of

MERCHANT HOUSE FINANCIAL SERVICES LIMITED



A D CADWALLADER

Joint Administrator

Licensed in the UK by the Institute of Chartered Accountants in England and Wales

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability.

APPENDIX A

**Summary of Joint Administrators' Receipts and Payments
from 21 March 2013 to 20 September 2013**

	Statement of Affairs	Fixed	Floating	Total
	£	£	£	£
RECEIPTS				
Goodwill	1	1 00	-	1 00
Intellectual Property	1	1 00	-	1 00
Furniture and Equipment	7,992	-	7,992 00	7,992 00
Book Debts	1	-	1 00	1 00
Intangible Assets	92,000	-	92,000 00	92,000 00
Adviser Contracts	1	-	1 00	1 00
Benefit (subject to burden) of employee claims	1	-	1 00	1 00
Trail Income	1	-	1 00	1 00
Other Income	1	-	1 00	1 00
Database	1	-	1 00	1 00
Consideration re Trail income	1,173,172	-	-	-
Balance at Bank	389	-	-	-
	<u>1,273,561</u>	<u>2 00</u>	<u>99,998 00</u>	<u>100,000 00</u>
Rates Refunds		-	710 16	710 16
Licence Fee		-	1,721 12	1,721 12
Sundry Receipts		-	27 90	27 90
Deposit interest Gross		-	27 48	27 48
		<u>2 00</u>	<u>102,486 66</u>	<u>102,486 66</u>
PAYMENTS				
Bordereau Fee		-	549 99	549 99
Rent		-	1,721 12	1,721 12
Sundry Expenses and Disbursements		-	184 46	184 46
Other Professional Fees		-	1,227 54	1,227 54
Postage and Photocopying		-	128 82	128 82
Storage Charges		-	357 75	357 75
Solicitors' Fees and Expenses		-	10,828 70	10,828 70
IT Licence Fee		-	75 00	75 00
Statutory Advertising		-	169 20	169 20
Pre-Appointment Costs		-	57,156 00	57,156 00
Joint Administrators' Remuneration - on account		-	24,000 00	24,000 00
		<u>-</u>	<u>96,398 58</u>	<u>96,398 58</u>
Balances in Hand		<u>2 00</u>	<u>6,086 08</u>	<u>6,086 08</u>

Merchant House Financial Services Limited
(In Administration)

Summary of Joint Administrators' Time Costs from 21 March 2013 to 20 September 2013

	Director		Senior Manager		Manager 2		Administrator 1		Administrator 2		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	142	6,035 00	9	346 50	101	2,878 50	4	92 00	49	1,029 00	305	10,381 00	340 36
Receipts & Payments	-	-	-	-	22	627 00	-	-	21	441 00	43	1,068 00	248 37
Insurance	-	-	-	-	2	57 00	-	-	-	-	2	57 00	285 00
Assets	144	6,120 00	-	-	59	1,681 50	-	-	18	378 00	221	8,179 50	370 11
Liabilities	256	10,880 00	-	-	187	5,329 50	-	-	73	1,533 00	516	17,742 50	343 85
Landlords	74	3,145 00	-	-	70	1,995 00	-	-	10	210 00	154	5,350 00	347 40
Debenture Holder	55	2,337 50	-	-	10	285 00	-	-	-	-	65	2,622 50	403 46
General Administration	12	510 00	-	-	72	2,052 00	-	-	91	1,911 00	175	4,473 00	255 60
Appointment	15	637 50	-	-	32	912 00	-	-	-	-	47	1,549 50	329 68
Post Appointment Creditor Reporting	59	2,507 50	23	885 50	248	7,068 00	19	437 00	63	1,323 00	412	12,221 00	296 63
Investigations	73	3,102 50	-	-	113	3,220 50	-	-	-	-	186	6,323 00	339 95

Total	830	35,275 00	32	1,232 00	916	26,106 00	23	529 00	325	6,825 00	2,126	69,967 00	
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Average Hourly Rate (£)

	425 00	385 00	285 00	230 00	210 00	329 10
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All Units are 6 minutes

APPENDIX B

APPENDIX C

ADDITIONAL INFORMATION IN RELATION TO THE POLICY OF LEONARD CURTIS REGARDING FEES AND DISBURSEMENTS

The following information relating to the policy of Leonard Curtis is considered to be relevant to creditors

Staff Allocation and Support Staff

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case.

Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by resolution of the secured and/or preferential creditors, a creditors' committee or creditors generally, that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters arising in the appointment, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below. In cases of exceptional complexity or risk, the office holders reserve the right to obtain authority from the appropriate body of creditors that their remuneration on such time shall be charged at the higher complex rate given below.

With effect from 7 May 2012 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis

	Previous Rates			New Rates	
	Standard	Complex		Standard	Complex
	£	£		£	£
Director	450	563	Director	425	531
Associate Director	350	438	Senior Manager	385	481
Senior Manager	325	406	Manager 1	330	413
Manager 1	250	313	Manager 2	285	356
Manager 2	200	250	Administrator 1	230	287
Manager 3	175	219	Administrator 2	210	262
Senior Administrator	150	188	Administrator 3	190	237
Administrator	100	125	Administrator 4	135	168
Support	0	0			

Subcontractors

Details and the cost of any work which has been or is intended to be sub-contracted out that could otherwise be carried out by the office holders or their staff will be provided in any report which incorporates a request for approval of the basis upon which remuneration may be charged.

Professional Advisors

Details of any professional advisor(s) used will be given in reports to creditors. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements. The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

Disbursements

- Category 1 disbursements. These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the office holder or his or her staff.
- Category 2 disbursements. These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage. In the event of charging for category 2 disbursements the following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Storage of office files (6 years)	£88.75 per box
Room hire	£100
Business mileage	45p per mile

Please ask for
Our ref
Your ref

Urooj Choudhry
L/30/UC/SMER06/1100
04491709



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

14 October 2013

Registrar of Companies
Companies House
Crown Way
Mandy
Cardiff CF14 3UZ

Dear Sir

MERCHANT HOUSE FINANCIAL SERVICES LIMITED (IN ADMINISTRATION)

Please find enclosed Form 2 24B and the Joint Administrators' Progress Report, for filing

Kindly acknowledge receipt using the pre-paid envelope provided

Yours faithfully
for and on behalf of
MERCHANT HOUSE FINANCIAL SERVICES LIMITED

A D CADWALLADER
Joint Administrator

Licensed in the UK by the Institute of Chartered Accountants in England and Wales

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability

One Great Cumberland Place
London W1H 7LW

Tel 020 7535 7000
Fax 020 7723 6059

Leonard Curtis Limited
Company Number 5639292 (England) Reg Office Hollins Mount Hollins Lane Bury Lancs BL9 8DG

www.leonardcurtis.co.uk