

The Insolvency Act 1986

Administrator's progress report

Name of Company

Jemma Kidd Make-Up Limited

Company number

05340072

In the
High Court of Justice

(full name of court)

Court case number
7399 of 2012(a) Insert full
name(s) and
address(es) of
administrator(s)

I/We (a)
Timothy John Edward Dolder
RSM Tenon Restructuring
Cedar House
Breckland
Linford Wood
Milton Keynes
MK14 6EX

Trevor John Binyon
RSM Tenon Restructuring
11th Floor
66 Chiltern Street
London
W1U 4JT

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

From

To

(b) Insert date

(b) 21 September 2012

(b) 20 March 2013

Signed

Joint / Administrator(s)

Dated

2/4/13

THURSDAY



A40

A25LST2B
04/04/2013
COMPANIES HOUSE

#117

Private and Confidential

To All Known Creditors

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Our Ref
TJED/TJB/PW/LCG/DJP/5525283/ADM0602e/
Your Ref
2 April 2013

When telephoning or emailing please contact Lorraine Gray on 020 7535 1400 or lorraine.gray@rsmtenon.com

Dear Sirs

Jemma Kidd Make-Up Limited ("the Company") - In Administration

I enclose a copy of my first progress report in relation to the above Administration

Should you require any further information relating to this report, please do not hesitate to contact this office on the number above

Yours faithfully
For and on behalf of
Jemma Kidd Make-Up Limited – In Administration



Tim Dolder

Joint Administrator

*Licensed in the United Kingdom to act as an insolvency practitioner by the Insolvency Practitioners Association
The affairs, business and property of the Company are being managed by the Administrators*

Enclosures

- > Joint Administrators' Report
- > Appendix I Statutory Information
- > Appendix II Receipts & Payments account
- > Appendix III Information relating to Administrators' Fees and Expenses
- > Form 2 24B - Administrators' Progress Report

**Jemma Kidd Make-Up Limited (“the Company”)
In Administration**

**Joint Administrators’ First Progress Report
for the period from 21 September 2012 to 20 March 2013**

Issued on: 2 April 2013

Timothy John Edward Dolder and Trevor John Binyon of RSM Tenon Restructuring are the Joint Administrators of the Company and this is their report on the progress of the administration of the Company for the period from 21 September 2012 to 20 March 2013

1. Statutory Information

Statutory information relating to the Company is attached at **Appendix I**

2. Joint Administrators' receipts and payment account

A summary of the Joint Administrators' receipts and payments account relating to the Company for the relevant period from 21 September 2012 to 20 March 2013 is attached at **Appendix II**

3. Action taken by the Joint Administrators since appointment

As no meeting was requisitioned, I can confirm that the secured creditor deemed to approve the Administrators' proposals previously circulated on 15 November 2012

Intellectual Property Rights ("IPR")

As previously reported, Farrer & Co reviewed the ownership of the IPR, and confirmed the Company owned the IPR to the Brands

Following an extensive period of marketing by our instructed agents, Hilco Appraisal Europe, ("Hilco"), two offers were received for the Brands, and for the Brands and stock combined. The best offer was accepted from Jemma Mornington for the IPR solely. The total sum of £55,000 was received in this respect. As Jemma Mornington was a Director of the Company, We are obliged to disclose the details of the transaction below -

Date of Transaction	27 November 2012
Assets Description	Intellectual Property Rights (the Brands)
Consideration / When Paid	£55,000 (VAT is not payable) / 27 November 2012
Name of Counterparty	Jemma Mornington
Relationship of Counterparty to Vendor	Director of Jemma Kidd make-up Limited
Was the Vendor Independently Advised	The Joint Liquidators were advised by Hilco

Leasehold Premises

The Company utilised three sites for its operations

1. Warehouse at: Frys Cross Farm, Dunsfold

The rent was paid up to date, and the property was surrendered by us on 30 November 2012. The landlords company hold a charge over the Company in respect of a rent deposit in the sum of £9,500. However, as this charge ranks behind the Bank borrowing, there will be no recovery for this chargeholder, as a shortfall is envisaged for the Bank.

2. Smithbrook Kilns, Cranleigh, Surrey

This was the main base for the Company. The rent was paid up to date, and the property was surrendered by us on 30 November 2012. The landlord has challenged the surrender. Our Solicitors are dealing with this matter.

3. Suffolk House, George Street, Croydon

This was used as a make-up school. The property was surrendered on 30 November 2012.

Stock

Scholls US Warehouse (Target Stock)

We were in extensive correspondence and negotiations with Target Inc ("Target"), due to the significant levels of stock held by them at the third party warehouse site in the USA. Following appointment, we established that the stock had never been reconciled by the Company since the contract with Target commenced in 2009. This made the reconciliation and ultimate recovery protracted until both parties fully understood the position.

A wind down agreement has been successfully negotiated between us and Target, with the final settlement figure agreed at \$564,000 (equivalent to £325,000). An additional \$74,000 (equivalent to £46,000) of sales had been achieved between the date of our appointment and the completion of this wind-down agreement.

I can confirm that the total payment of £397,626 has been received in full from Target.

UK Stock Realisations

We recognised that improved values could be achieved if two former employees, referred to as "the Freelance Agents", were engaged by us in order to assist with sales to remainder the stock.

As a result of this action, anticipated stock realisations increased significantly. The total sum of £151,767 has been realised. Initial indications of value were c£70,000, which can be seen above has been significantly exceeded.

US Stock Realisations (Capacity Stock)

As previously advised, realisations from stock held by Capacity, a warehousing operation were uncertain. Hilco Appraisal in the USA ("HilcoUS") were engaged to attend, review and value stock held in the warehouse. We now know Capacity had a valid lien over all the stock pre our appointment and as they were owed \$84,000, there will be no recovery from this source.

QVC US Stock

There was approximately \$107,000 of consignment stock at QVC, and we engaged HilcoUS to review the inventory and provide recommendations of its value. Hilco reviewed the stockholding and marketed the residual stock. Unfortunately, there were limited lines of stock at QVC US, and due to the significant (upto 90%) discounting of the Company's stock in the US, the best offer received was \$5,000. Hilco are currently awaiting collection of these funds.

Other Overseas Stock

Substantial time has been spent on identifying paid stock at various overseas suppliers. We have now established that there is stock that has been fully paid for at cost of circa \$60,000 overseas. Much of the stock was destined for Target, but they had terminated the contract with the Company prior to our appointment and no longer required shipments. We have asked HilcoUS to validate the level of stock held overseas, and recommend its disposal route and value.

Offers to date have been very low due to its mix, partial completion and age. We therefore do not expect a material recovery from this stock.

Book Debts

As previously reported, a specialist debt collection agent, A A S Ltd ("AAS"), was engaged in order to facilitate the recovery and reconciliation of the Company's existing book debt ledger. Again, this required extensive work by us, our agents and some former employees. The total book debt ledger as at the date of appointment on 21 September 2012, was stated by the Company at £263,000.

AAS have since established that the correctly invoiced book debt ledger stood at £137,000, together with a further £165,000 of pre-appointment book debts that the Company had not invoiced prior to our appointment. To date, the sum of £167,349 has been realised, with a further £95,651 anticipated to be collectable in the Administration.

Please note that the Company book debt ledger figure includes the disputed debt of £47,000 owed by a joint venture operation, Jemma Kidd & Conviviality Limited ("JKCL") (Please refer below for further detail).

Related Parties

Jemma Kidd & Conviviality ("JKCL")

JKCL was a Joint Venture ("the JV") between the Company and Conviviality Limited, which provided makeup lessons at home. The business purchased stock from the Company for use on the mobile makeup sessions and for customers to purchase. Each party was entitled to a 50% share of the profit under the terms of the JV agreement.

There are substantial disputes between the involved parties about the cash balance, and the debt owed by JKCL to JKMU.

Negotiations are on-going with the JV company and we will provide an update in our next report. At this time we can only estimate the recovery situation as uncertain.

Jemma Kidd Limited ("JKL")

As detailed in our previous report, JKL was a connected company where Jemma Mornington was also a Director. JKL entered into Creditors' Voluntary Liquidation on 27 November 2012. Tim Dolder and Trevor Binyon of RSM Tenon were appointed Joint Liquidators. There is a substantial inter-company debt owed by JKL to the Company. However, we have established there is no dividend expected to be received from the liquidation of JKL.

Cash at Bank

US Bank Account

The total amount of £143,415 was recovered from the US Bank account. Olswang LLP were paid £7,580 from the cash at bank balance in respect of legal fees incurred in relation to the Administration appointment.

US Bank RBS Citizens ("UBRC")

\$37,000 was transferred to the Administration from the UBRC. These funds converted to £23,000. It has now been established that the balance was made up of pre-appointment debtor payments, and has been allocated accordingly.

Investigations

Administrators have a duty to submit confidential report or return to the government's Disqualification Unit on the conduct of those persons who acted as directors of the Company in the three year period before the Administration and our obligations in this respect have been completed. I am unable to disclose any further information, as these reports are confidential.

4. Future Actions of the Joint Administrators

The Joint Administrators will continue to realise the assets remaining detailed in Section 3 of this report. The Joint Administrators will arrange for the funds to be distributed accordingly, once claims have been fully agreed.

It is anticipated that the Administration will probably need to be extended beyond the current duration of 12 months to finalise matters. We will seek the appropriate sanctions in due course.

5. Liabilities and dividends

Secured Creditors

Coutts & Co ("Coutts")

Coutts hold a fixed and floating charge which has been confirmed by our Solicitors as valid, over the Company, being a debenture created on 21 April 2006. It is anticipated that Coutts will suffer a shortfall of over £1m. A fixed charge distribution of £41,000 was sent to Coutts on 22 January 2013. It is estimated that a further £568,000 will be distributed to the secured chargeholder in respect of their floating charge, if all assets are realised as expected and the Prescribed Part accounted for.

with reference to time properly spent in dealing with matters in the Administration and that disbursements would be drawn in accordance with the tariff outlined in **Appendix III**. However, we have agreed with the Bank to limit our fees to £50,000 plus VAT and disbursements with Coutts and will seek sanction for such fees in due course. We reserve the right to seek authority for additional fees should the case become unduly protracted due to matters outside our control.

Time costs incurred and drawn in the period

The Joint Administrators' time costs Incurred (exc VAT) as follows

I would stress that the figure stated below relates to time costs and is **NOT** fees drawn

	Incurred	Paid
For this period from appointment (21 September 2012 to 20 March 2013)	£200,997	Nil

Based on the fee structure above, the balance of time costs will be written off

In accordance with Statement of Insolvency Practice 9 attached at **Appendix III** is a breakdown of these time costs

Disbursements incurred and drawn

The Joint Administrators' disbursements incurred during the period of this report and those reimbursed in the period are summarised below. Details are in the attached **Appendix III**

	Incurred	Paid
Category 1 disbursements for this period from appointment (21 September 2012 to 20 March 2013)	£649 63	Nil
Category 2 disbursements for this period from appointment (21 September 2012 to 20 March 2013)	£208 95	Nil
Total	£858.58	Nil

The following professional advisors have been instructed in this matter

Professional Advisor	Nature of Work	Fee Arrangement
Farrer & Co LLP ("Farrer")	Solicitors legal advice on validity of Charge and Appointment, and dealing with Sale Agreements	Time costs £15,000 (+VAT)
Hilco Appraisal Europe ("Hilco")	Valuation Agents valuations and sale regarding stock	Fixed Fee £20,000 (+VAT)
Hilco Appraisal USA	Valuation Agents valuations and sale regarding stock in the USA	Fixed Fee £6,000 (+VAT)
A A S Ltd ("AAS")	Book Debt Agents Reconciliation and collection of Debtor Ledger	Fixed Fee £8,000 (+VAT) and Commission of 10% on debtor realisations
AAS	Further instruction in regard to the stock reconciliation issue	Fixed Fee £5,000 (+VAT) and Commission of 7.5% of realisations

The choice of professionals and the Administrators' fee arrangement with them was based on perception of their

experience and ability to perform this type of work, the complexity and nature of the assignment

Details of the costs incurred and paid by the Administrators in relation to administration expenses for the period are also attached at **Appendix III**.

Pre-administration costs

As detailed in the proposals report, we will not be seeking approval of our pre appointment costs and the sums incurred have been written off

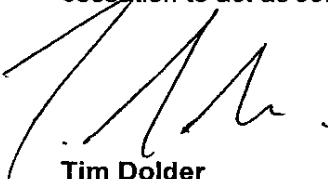
Creditors' Guide to Fees and statement of creditors' rights

Creditors have a right to request further information from the Administrators and additionally have a right to challenge the Administrators' remuneration and expenses. Please note, time limits apply. Details can be found in the document 'Remuneration Guidelines Administration (post 6 April 2010)' which you can access and download at <http://www.rsmtenon.com/creditorguides>. Alternatively, a copy is available free of charge, upon request, from the address above.

7. End of Administration

As outlined in the initial report to creditors, it is the Joint Administrators intention to exit the Administration by Creditors Voluntary Liquidation. Due to current legislation, Administrators are not empowered to distribute a dividend to unsecured creditors and thus, unsecured dividends can only be paid by way of a liquidation procedure.

As the unsecured creditors will receive a dividend only from the Prescribed Part, we will, in accordance with legislation, be seeking a resolution only from the secured and preferential creditors, as appropriate, for discharge from liability in respect of any action of ours as Joint Administrators, to take effect immediately following our cessation to act as Joint Administrators.



Tim Dolder

Joint Administrator

*Licensed in the United Kingdom to act as an insolvency practitioner by the Insolvency Practitioners Association
The affairs, business and property of the Company are being managed by the Administrators*

Statutory Information

Appendix I

Company Information

Company Name	Jemma Kidd Make-Up Limited
Trading Name	Jemma Kidd Make-Up Limited
Previous Name	N/A
Company Number	05340072
Date of Incorporation	24 January 2005
Trading Address	65-68 Smithfield Kilns, Cranleigh, Guildford,, Surrey, GU6 8JJ
Current Registered Office	11 th Floor, 66 Chiltern Street, London, W1U 4JT (Changed for the purpose of the insolvency)
Former Registered Office	The Old Farm House, Stovolds Hill, Cranleigh, GU6 8LE
Principal Trading Activity	Manufacture and Sale of Make-Up

Appointment details

Joint Administrators' name and address	Timothy John Edward Dolder and Trevor John Binyon of RSM Tenon Restructuring, 11th Floor, 66 Chiltern Street, London, W1U 4JT
Date of appointment	21 September 2012
Court Name and Reference	High Court of Justice 7399 / 2012
Appointment made by	Directors
Actions of Joint Administrators	Any act required or authorised under any enactment to be done by an Administrator may be done by either or both of the Administrators acting jointly or alone

Jemma Kidd Make-Up Limited
(In Administration)

JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

	Statement of affairs £	From 21/09/2012 To 20/03/2013 £	From 21/09/2012 To 20/03/2013 £
RECEIPTS			
Intellectual Property	55,000 00	55,000 00	55,000 00
Chattel Assets	2,300 00	0 00	0 00
Stock (US\$ Sales)	485,000 00	397,626 47	397,626 47
Stock Sales/Remainder (Kim & Jess)		151,766 62	151,766 62
Book Debts	117,000 00	167,349 40	167,349 40
Cash at Bank	163,000 00	143,414 91	143,414 91
Bank Interest Gross		151 86	151 86
Insurance Refund		3 70	3 70
		<u>915,312 96</u>	<u>915,312 96</u>
PAYMENTS			
Legal Fees		3,000 00	3,000 00
Agents/Valuers Fees		5,000 00	5,000 00
IT Consultant Fee		499 00	499 00
Coutts & Co		41,000 00	41,000 00
Debtor Agents' Fees		35,837 74	35,837 74
Debtor Agents' Disbursements		1,026 40	1,026 40
Agents' Fees (Stock)		28,721 75	28,721 75
Agents' Disbursements (Stock)		6,176 15	6,176 15
Legal Disbursements		1,365 00	1,365 00
Legal Fees		39,199 85	39,199 85
Electricity Costs		86 79	86 79
Security Costs		163 97	163 97
Waste Management Fee		177 64	177 64
IT Costs		727 20	727 20
Stock transport charge		137 48	137 48
Storage Costs		670 10	670 10
Re-Direction of Mail		60 00	60 00
Statutory Advertising		76 50	76 50
Rents Payable (Office)		3,513 88	3,513 88
Rents Payable (Warehouse)		2,600 00	2,600 00
Freelance Fees		33,909 57	33,909 57
Freelance Expenses		160 25	160 25
Wages & Salaries		347 91	347 91
Bank Charges		59 35	59 35
US Payroll costs		3,452 38	3,452 38
Warehouse clearance costs		300 00	300 00
		<u>208,268 91</u>	<u>208,268 91</u>
Net Receipts/(Payments)		<u>707,044 05</u>	<u>707,044 05</u>

MADE UP AS FOLLOWS

Jemma Kidd Make-Up Limited
(In Administration)

JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

	Statement of affairs £	From 21/09/2012 To 20/03/2013 £	From 21/09/2012 To 20/03/2013 £
Vat Receivable		6,189 60	6,189 60
Interest Bearing Account - FL		697,687 52	697,687 52
Interest Bearing Account - FX		4,334 75	4,334 75
Vat Payable		(1,167 82)	(1,167 82)
		<u>707,044 05</u>	<u>707,044 05</u>

Appendix III

Information relating to the Joint Administrators' Fees and Expenses

Jemma Kidd Make-Up Limited

Information relating to the Joint Administrators' Fees and Expenses

1. Explanation of Administrators' charging and disbursement recovery policies

1.1. Time recording

Work undertaken on cases is recorded in 6 minute units in an electronic time recording system. Time properly incurred on cases is charged at the hourly rate of the grade of staff undertaking the work that applies at the time the work is done. The current hourly charge-out rates are

	Rate since Sep 2012 to Mar 2013 £
Partner and Director	380 to 495
Senior Manager, Manager & Senior Manager	240 to 350
Other Senior Staff	120 to 240
Assistants & Support Staff	100 to 240

1.2. Disbursement recovery

Disbursements are categorised as either Category 1 or Category 2

Category 1 disbursements

External supplies of incidental services specifically identifiable to the case. Where these have initially been paid by RSM Tenon Restructuring and then recharged to the estate, approval from creditors is not required.

Examples of category 1 disbursements include postage, case advertising, specific bond insurance, company search fees, external room hire, storage, case management software system, invoiced travel and properly reimbursed expenses incurred by personnel in connection with the case (including business mileage up to HMRC approved rate for cases commenced before 1 November 2011).

Category 2 disbursements

These include elements of shared or allocated costs incurred by RSM Tenon Restructuring and recharged to the estate, they are not attributed to the estate by a third party invoice and/or they may include a profit element. These disbursements are recoverable in full, subject to the basis of the disbursement charge being approved by creditors in advance.

Category 2 disbursements charged by RSM Tenon Restructuring are as follows

Disbursement charge	Rate
Company searches (RSM Tenon Tracker)	£10 per case
File set up	£7 per file
Photocopying, scanning and faxes	10p per side of paper
Mileage	45p per mile
Room hire (internal) - London	£150 per hour
Room hire (internal) - outside London	£100 per hour
Reports to creditors and members - posted	50p per report
Reports to creditors and members - published on line	25p per report

2. Description of work carried out

Section 3 of this appendix outlines the time costs to date in relation to activities undertaken during this period. These can be summarised as follows:

2.1. Administration and planning

This includes the following activities which have been undertaken:

- > Statutory duties associated with the appointment including the filing of relevant notices,
- > Notification of the appointment to creditors, members, employees and other interested parties,
- > Setting up case files,
- > Reviewing available information to determine appropriate strategy,
- > Setting up and maintaining bank accounts,
- > 6 monthly progress review of the case

Staff of different levels were involved in the above activities depending upon the experience required.

2.2. Investigations

The time spent includes:

- > Corresponding with the former directors and management,
- > Review of questionnaires and comments provided by interested parties,
- > Review of company documentation,
- > Completion of statutory returns to the Insolvency Service, and
- > Correspondence with Solicitors in regard to security and charge validity

Due to the complex nature and importance of the investigations, the staff utilised to conduct such work involved experienced members of staff.

2.3. Realisation of assets

Please refer to the main body of the report but in summary the time spent includes:

- > Liaising with agents and solicitors,

- > Correspondence and meetings with interested parties,
- > Monitoring and chasing of deposits,
- > Agreement of contracts

Staff were chosen depending upon the appropriate level of experience required for the activity they were required to undertake. The sale of the business was particularly complex and required extensive involvement of the Administrators and senior staff.

2.4. Creditors

The time spent includes the following matters

- > Recording and maintaining the list of creditors,
- > Dealing with employee related matters,
- > Recording creditor claims
- > Reporting to creditors,
- > Meetings of creditors,
- > Dealing with creditor queries,
- > Reviewing and evaluating creditor claims,

Staff of different levels were involved in the above activities depending upon the experience required.

3. Time costs incurred and charge-out summary

For the period of this report from appointment on 21 September 2012 to 20 March 2013, a total of 734.90 hours have been spent at an average charge out rate of £273.50 bringing the total cost to £200,997.

The table below shows details of the time costs incurred (exc VAT) in the current period

Classification of work function	Insolvency Practitioner/ Partner/ Director	Manager	Hours Other senior professionals	Assistants and support staff	Total	Time cost £	Average Hourly rate £
Administration and Planning	9.70	9.80	138.10	13.58	171.18	40,229.08	235.01
Investigations	0.00	0.75	26.80	0.00	27.55	5,627.25	204.26
Realisation of assets	55.00	130.00	98.90	0.00	283.90	83,807.50	204.26
Creditors	27.30	44.45	177.60	2.92	252.27	64,425.17	255.38
Total hours	92.00	185.00	441.40	16.50	734.90		
Total fees incurred £	45,510.00	54,597.50	98,315.00	2,574.50		200,997.00	

No sums have been received in to the Administration in respect of time costs and a fixed fee of £50,000 is to be sought by consent from the secured chargeholder.

4. Disbursements

Disbursements incurred during the period of this report and those reimbursed in the period are detailed below

Disbursements	Incurred £	This period	Paid £
<i>Category 1</i>			
Postage	149 12		Nil
Bond premium	160 00		Nil
Companies House	1 00		Nil
Travel / Subsistence	321 51		Nil
Storage	18 00		Nil
Total	649.63		Nil
<i>Category 2</i>			
Copying	61 80		Nil
Mileage	147 15		Nil
Total	208 95		Nil

The above costs exclude VAT

5. Professional advisors and expenses

The Joint Administrators have incurred administration expenses in connection with the instruction of the following parties,

Name & Activity	Incurred £	This period	Paid £
Farrer & Co	c39,000		34,640 00
Hilco Appraisal Europe / USA	c38,000		5,000
A A S Limited	c44,000		36,864 00
Total	121,000		76,504

The above amounts are estimates for the reporting period and subject to approval before payment is made

The above costs exclude VAT