

AM03

Notice of administrator's proposals



Companies House

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25/03/2020

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COMPANIES HOUSE

1	Company details	
Company number	0 6 5 8 7 7 4 3	→ Filling in this form Please complete in typescript or in bold black capitals.
Company name in full	EDWARDS DESIGNER MENSWEAR LIMITED	
2	Administrator's name	
Full forename(s)	DARYL	
Surname	WARWICK	
3	Administrator's address	
Building name/number	FAIRVIEW HOUSE	
Street	VICTORIA PLACE	
Post town	CARLISLE	
County/Region		
Postcode	C A 1 1 H P	
Country		
4	Administrator's name ①	
Full forename(s)	MIKE	① Other administrator Use this section to tell us about another administrator.
Surname	KIENLEN	
5	Administrator's address ②	
Building name/number	THIRD FLOOR	② Other administrator Use this section to tell us about another administrator.
Street	10 SOUTH PARADE	
Post town	LEEDS	
County/Region		
Postcode	L S 1 5 Q S	
Country		

AM03

Notice of Administrator's Proposals

6 Statement of proposals



I attach a copy of the statement of proposals

7 Sign and date

Administrator's
Signature

Signature

×

Daryl L. Brown

×

Signature date

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AM03 Notice of Administrator's Proposals



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 **WHITNEY WHITFIELD**

Company name **ARMSTRONG WATSON LLP**

Address **FAIRVIEW HOUSE**

VICTORIA PLACE

Post town **CARLISLE**

County/Region

Postcode

C	A	1		1	H	P
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Country

DX

Telephone



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



Important information

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Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



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**Joint Administrators' Report and
Statement of Proposals Pursuant to
Paragraph 49 of Schedule B1**

**Edwards Designer Menswear Limited -
In Administration**

20 March 2020

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

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EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

1 Introduction and Background

- 1.1 Edwards Designer Menswear Limited ("the Company") was incorporated in May 2008 and its principle activity is that of the retail of clothing, primarily via the Amazon platform.
- 1.2 Included within the Statutory Information at Appendix A is a summary of the Company's statutory financial and management accounts. The statutory accounts for the year ended 31 January 2018 were approved by the directors on 31 October 2018. No further accounts had been prepared by the Company until after it was placed into Administration, since which the Company's accountants have assisted the directors in the preparation of management accounts for the year ended 31 January 2019 and the period ended 8 January 2020 in order to enable the directors to fulfil their statutory obligations of preparing a Statement of the Company's affairs.
- 1.3 As can be seen from the 31 January 2018 statutory accounts the Company traded satisfactorily up to and including this year end. Turnover during this year amounted to £2.45million, a profit after tax of £264,000 was achieved and shareholder funds amounted to £288,000.
- 1.4 The Company's headline turnover held up during the following year to 31 January 2019 at £2.62million. However, other income reduced by £158,000 (rental income and an insurance claim in the previous year) and overheads increased by £448,000 (including directors remuneration increasing by £250,000, other payroll costs by £90,000 and advertising by £108,000). This resulted in a loss before taxation of £234k and a reduction in shareholder funds to £24,000.
- 1.5 Following the 31 January 2019 year end the Company's trade deteriorate significantly. The two factors which in the directors' opinion led to this were the effects of Brexit and a change in stance of their suppliers who no longer wished for their brands to be sold by an independent retailer on the Amazon platform. A number of suppliers also drastically cut the credit limits being offered to the Company which hindered its ability to trade.
- 1.6 This resulted in a significant drop in turnover to £1.60million in the period to January 2020. The Company also appears to have traded at a gross loss during this period which with no corresponding reduction in overheads resulted in a net loss before taxation of £877,000 and a negative balance sheet in the sum of £853,000.
- 1.7 The decline in trading results and the losses incurred led to the Company falling significantly in arrears with both its trade creditors and HM Revenue & Customs.
- 1.8 On 31 December 2019 Companies House issued a notice of intended strike off against the Company due to the year ended 31 January 2019 financial statements not being filed. On 6 January 2020 the Company's largest creditor issued a statutory demand in the sum of £326,000. Following which on 13 January 2020 the directors took the decision to close the Company's shop and made the majority of its employees redundant.
- 1.9 The directors were subsequently introduced to Armstrong Watson LLP by their accountants, Compton House Services Ltd, and initially discussions and meetings took place on 16 January 2020. A formal engagement letter was issued on 17 January 2020 and a Notice of Intention to Appoint Administrators was signed on 20 January 2020 and filed in court the following day.
- 1.10 The Qualifying Floating Chargeholder has not engaged with us following our solicitor serving the Notice of Intention to Appoint Administrators and we were therefore required to wait for the 5 business days notice to expire before we could progress with the Administration appointment.
- 1.11 As a result, Daryl Warwick and Mike Kienlen of Armstrong Watson LLP, Fairview House, Victoria Place, Carlisle, Cumbria, CA1 1HP were appointed Joint Administrators of the Company by the directors on 31 January 2020.

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- 1.12 Daryl Warwick is licensed to act as an insolvency practitioner in the UK by the ICAEW. Mike Kienlen is licensed to act as an insolvency practitioner in the UK by the IPA.
- 1.13 This firm's Privacy Notice about the way that we will use, and store personal data can be found at www.armstrongwatson.co.uk/privacy-policy. If you are unable to download this, please contact us and a hard copy will be provided to you.
- 1.14 The Joint Administrators are authorised to act jointly and severally in the Administration.
- 1.15 The EU Regulation on Insolvency Proceedings 2000 applies to the Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.
- 1.16 This report incorporates the Administrator's statement of proposals made under paragraph 49 of Schedule B1, which will be treated as delivered to creditors on 25 March 2020.

2 Administration Strategy and Objective

- 2.1 The Administrators must perform their functions with the purpose of achieving one of the following objectives:
- Rescuing the Company as a going concern; or
 - 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
 - Realising property in order to make a distribution to one or more secured or preferential creditors.
- 2.2 The Administrators do not consider that it has been possible to achieve the first objective of administration of rescuing the Company as a going concern. As noted above the Company was subject to an outstanding Statutory Demand which it was unable to deal with and the majority of its employees were made redundant on 13 January 2020, prior to the administration appointment taking place.
- 2.3 Due to the Company having effectively ceased to trade prior to administration, the redundancy of its employees, the significantly negative balance sheet and the absence of cash, the Company was not in a position to continue any meaningful trade and therefore our proposed course of action is unlikely to result in the rescue of the Company as a going concern.
- 2.4 We are therefore performing our functions with the purpose of achieving the second objective of *administration of 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.*
- 2.5 We consider that this objective will be achieved as the administration moratorium has protected the Company from the trade creditor issuing a winding-up petition and also the Company's contractual rights and entitlements, including those relating to the recovery of realisable value from the trading stock and that as a result we will achieve a better outcome for creditors.

Consideration of Proposals by Creditors

- 2.6 Under Para 52(1) of Schedule B1 to the Insolvency Act 1986, where an Administrator thinks that:
- (a) The Company has sufficient property to enable each creditor of the Company to be paid in full;

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- (b) The Company has insufficient property to enable a distribution to be made to the unsecured creditors other than from the Prescribed Part; or
- (c) The Company cannot be rescued as a going concern, or a better result as a whole than would be likely if the Company were wound up (without first being in Administration) cannot be achieved.

Then the Administrator is not required to seek a decision from the Company's creditors as to whether they approve these Proposals.

- 2.7 In this case, I do not think any of the above provisions apply and I am therefore required to seek approval from creditors to my Proposals.

Progress since Appointment

- 2.8 The following sections provide a narrative statement explaining the work undertaken in the period since the Administration Order including information on the manner in which the affairs and business of the Company have, since the date of the Administrator's appointment, been managed and financed.

Administration (including statutory compliance and reporting)

- 2.9 Following my appointment, the strategy for the Administration was carefully assessed to ensure that a coherent planned process for the case could be achieved. This work will, where appropriate, have included liaison with solicitors to deal with any legal considerations surrounding the Company's insolvency (such as assessing the validity of any third party security in relation to the assets) and liaising with valuation agents about the most appropriate means of realising the value in the Company's business and assets.
- 2.10 I have also dealt with a number of statutory formalities which are required of me under related legislation. Typically, this includes issuing and filing all appointment notices with creditors and the Registrar of Companies and also advertising my appointment in the London Gazette.
- 2.11 Other statutory duties performed are outlined in further detail in the fees information which can be found at Appendix D. Please note that much of this work will have been performed to comply with statutory requirements and as such may not necessarily add any value to the insolvent estate.

Trading

- 2.12 The Company effectively ceased any meaningful trade on 13 January 2020 when the majority of its employees were made redundant.

Realisation of assets

- 2.13 Freehold Property – the Company owns a 2,095 square foot warehouse to the rear of 17/18 King Street, Penrith. I have instructed Walton Goodland to assist with the realisation of this property and it is currently on the open market for sale. My agent is of the opinion that the current market value of this freehold property is likely to be in the region of £65,000 to £75,000. To date there has been little interest shown in the property and due to current global events this may well remain the case. I will update creditors further with regard to the sale of this property in my next report.
- 2.14 Stock – the trading stock of the Company on cessation had a book value of £177,000 and was included in the directors' estimated Statement of Affairs with a realisable value of £35,000 based on 20% of cost. However the majority of this stock, some £129,000 at cost is subject to retention of title. In addition the majority of this stock, some £143,000 at cost, was held at Amazon fulfilment centres around Europe.

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- 2.15 Our review and adjudication of the retention of title claims remains on-going, however, the return of stock has been hampered due to it being located throughout Europe. The directors of the Company are assisting the retention of title creditors with the recall of this stock via the Amazon platform.
- 2.16 The unencumbered stock had a book value of £48,000, however, in excess of 95% of this stock was held at the Amazon fulfilment centres. We were advised that the recall of this stock would take up to 3 months and that it would be returned via multiple daily deliveries over this period. Taking this into account, and considering the likely sales value versus the likely holding and sale costs it was not commercially viable for us to deal with the recall of this stock and its subsequent sale. We received an offer of £6,904 plus vat from the director which was accepted under the recommendation of our agent.
- 2.17 Fixtures & fittings – these assets had a book value of £4,000 and the cost of uplift and subsequent sale would have been cost prohibitive. An offer for the shop fixtures in the sum of £144 plus vat was received from the director and accepted on the advice of our agents.
- 2.18 Directors' Loan Account – The directors' estimate Statement of Affairs discloses overdrawn directors' loan accounts in the sum of £20,000. As this document was only provided on 18 March 2020 our enquiries into the balance have not yet commenced. These enquiries will also review and consider the substantial increases in the directors' remuneration in the last 24 months. Once our investigations have been completed we will seek the directors' proposals for the repayment of their overdrawn loan account balances.
- 2.19 The work undertaken by the Administrator and his staff to date in realising the Company's assets has been necessary in order to maximise the likelihood of a return to creditors being made. Where assets remain to be realised, these will be dealt with as the Administration progresses and further updates will be provided to creditors in my progress reports.
- 2.20 Further information on the estimated outcome of the Administration can be found in section 9 below.

Creditors

- 2.21 The Administrators are not only required to deal with correspondence and claims from unsecured creditors (which may include retention of title claims), but also those of any secured and preferential creditors of the Company. This may involve separate reporting to any secured creditor and dealing with distributions from asset realisations caught under their security, most typically a debenture.
- 2.22 There were a significant number of Retention of Title creditors and claims against stock which the Administrators have been required to review and adjudicate upon.
- 2.23 Claims from preferential creditors typically involve employee claims and payments made on behalf of the Company by the Redundancy Payments Service following dismissal. In this case we have encountered issues with obtaining the Company's payroll records which led to a delay in submitting the necessary forms to the Redundancy Payments Service. These submissions have now been made.
- 2.24 The above work will not necessarily bring any financial benefit to creditors generally, however the Administrators are required by statute to undertake this work. Similarly, if a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Administrators in dealing with those claims.

Investigations

- 2.25 Some of the work the Administrators are required to undertake is to comply with legislation such as the *Company Directors' Disqualification Act 1986 (CDDA 1986)* and *Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent*

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Liquidations and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Administrators can pursue for the benefit of creditors.

- 2.26 If you are aware of any matters in connection with the directors' conduct, or have any concerns regarding the way in which the Company's business has been conducted or potential recoveries for the estate, which you think may be relevant to my investigations, please notify my office in writing. This request forms part of the Administrator's usual investigation procedures and does not imply any criticism of the directors.
- 2.27 My report on the conduct of the Directors of the Company to the Department for Business, Energy & Industrial Strategy under the CDDA 1986 will then be submitted in due course, the content of which will however remain confidential.

Case Specific Matters

- 2.28 As noted above the Company was significantly in arrears in the preparation of its statutory financial statements. The Company did not use any accounting software and does not appear to have maintained a nominal ledger. Its accounting records therefore do not appear to have been adequate or fit for purpose and this has inevitably led to a delay in the production of the directors Estimated Statement of Affairs which wasn't received until 18 March 2020.
- 2.29 As this information has only just been received my enquiries into the Company's affairs and the directors conduct are therefore still at a relatively early stage. I will update creditors in this regard in my next report.

Sale of Assets to Connected Parties

- 2.30 In accordance with Statement of Insolvency Practice 13, I would confirm that the shop fixtures were sold for £144 plus vat and the unencumbered stock was sold for £6,904 plus vat to Mr A Robson, a director, on 11 February 2020. Consideration for the sales was received on 13 February 2020.
- 2.31 The above sale proceeds were equivalent to 20% of cost of the assets and the sale was undertaken following the advice of our agent Sanderson Weatherall. Our agents recommendations took into account the costs of uplift and sale of these assets and also the holding cost of the Company's rented property while a realisation was carried out. There were no other viable alternatives other than the sale of these assets to the director.

3 Joint Administrators' Receipts and Payments

- 3.1 A summary of receipts and payments for the Administration period from the date of my appointment to 20 March 2020 is attached at Appendix B.

4 Financial Position

- 4.1 Attached at Appendix C is a summary of the Director's Estimated Statement of Affairs of the Company as at the date of the appointment of the Administrators. This was verified by a statement of truth of the directors; by Mr P Mitchell on 17 March 2020 and by Mr A Robson on 18 March 2020 and is stated before the costs of the Administration procedure are considered.

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4.2 I have the following observations to make in relation to the directors' Estimated Statement of Affairs:

- My property agent is of the opinion that the current market value of the freehold property is likely to be in the region of £65,000 to £75,000, however, for the purpose of marketing they recommended seeking offers in the region of £84,500 in order to test the market and assess the level of demand. It is for this reason that the freehold property is shown in the directors' Estimated Statement of Affairs at £85,000 and the Estimated Outcome Statement at £75,000;
- Clothing stock with a cost of £177,286 has been included at a 20% estimated to realise value of £35,457 in the directors' Estimated Statement of Affairs. The majority of this stock is however subject to retention of title and therefore stock is included in the Estimated Outcome Statement at £7,000; and
- The directors' Estimated Statement of Affairs was only received two days ago and therefore the directors loan accounts balance of £19,993 is still subject to review.

5 Proposals

- 5.1 It is proposed that the Administrators will continue to manage the affairs of the Company in order to achieve the objective of the Administration. In the circumstances it is proposed that:
- 5.2 If having realised the assets of the Company, the Administrators think that a distribution will be made to the unsecured creditors from the fund created out of the Company's net floating charge property (known as the **Prescribed Part**) by virtue of section 176A(2)(a), this will be distributed by the Administrators in the Administration and the Company will thereafter proceed to dissolution.
- 5.3 If, however, having realised the assets of the Company the Administrators think that a distribution will be made to the unsecured creditors other than by virtue of section 176A(2)(a) as noted above, they propose filing a notice with the Registrar of Companies which will have the effect of bringing the appointment of the Administrators to an end and will move the Company automatically into Creditors' Voluntary Liquidation (**CVL**) in order that the distribution can be made. In these circumstances, it is proposed that the Administrators in office at the date of conversion to CVL will become the Joint Liquidators in the CVL and the acts of the Joint Liquidators may be undertaken by either or both of them.
- 5.4 Court approval is not required to enable the Administrators to make a distribution to the unsecured creditors of the Prescribed Part. If however, a distribution to unsecured creditors not limited to the Prescribed Part is anticipated, the Administrators may consider making an application to Court to seek permission to distribute this in the Administration. If permission is granted, the Company will exit into dissolution once the distribution has been made and the Administration is concluded.
- 5.5 If the Administrators think that the Company has no property which might permit a distribution to its creditors, they will file a notice with the Court and the Registrar of Companies for the dissolution of the Company.
- 5.6 See Section 6 below on **Exit Routes** for further information on the exit routes available from Administration.
- 5.7 The Administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986, as he considers desirable or expedient to achieve the statutory purpose of the Administration.
- 5.8 If the Administrators consider it necessary to extend the period of the Administration, they will seek the consent of creditors or the approval of the Court to the extension. Creditors may

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consent to an extension for a period of up to one year and the Court can order that the Administrators' term of office be extended for a specified period determined by it.

- 5.9 The creditors consider establishing a Creditors' Committee and that if any such Committee is formed they be authorised to sanction the basis of the Administrators' remuneration and disbursements and any proposed act on the part of the Administrators without the need to report back to creditors generally, to include any decision regarding the most appropriate exit route from the Administration.
- 5.10 The basis of the Administrators' remuneration may be fixed as one or more of the following bases and different bases may be fixed in respect of different things done by them:
- As a percentage of the value of the assets they have to deal with, or
 - By reference to time properly spent by the Administrators and their staff managing the Administration, or
 - As a set amount
- 5.11 Where no Creditors' Committee is appointed the remuneration and disbursements of the Administrators shall be fixed by a decision of creditors or where the Administrators think that the Company has insufficient property to enable a distribution to be made to the unsecured creditors (other than via the Prescribed Part), approval will be sought from the secured and (if necessary) the preferential creditors in accordance with insolvency legislation. The Administrators will also seek approval for any unpaid pre-administration costs detailed in this report and their discharge from liability in the same manner.
- 5.12 In this case, the Administrators are seeking to approve the basis of their remuneration as follows:
- On a mixed fee basis as a set amount plus as a percentage of the value of the assets with which the Administrators have to deal with
- Further details about the proposed fee basis can be found in Section 8 below and Appendix D.
- 5.13 The Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Administrators ceasing to have effect.

6 Exit Routes

- 6.1 All Administrations automatically come to an end after the period of one year, unless the Company's creditors agree to extend this period, or the Court orders the Administrator's term of office be extended for a specified period of time.
- 6.2 At the time of drafting these Proposals I do not believe that an extension to the period of Administration will be necessary, however will confirm the position to creditors in a subsequent progress report in due course.
- 6.3 Based on information currently available, the information on the exit routes we believe may be appropriate in this Administration are set out below.

Creditors Voluntary Liquidation

- 6.4 Based on present information, the Administrators think a dividend will be paid to the unsecured creditors other than by virtue of the Prescribed Part. As a result, the Administrators will either make an application to Court to enable them to make a distribution

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to unsecured creditors in the Administration or they will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation (CVL) to facilitate this distribution. It is proposed that the Administrators in office at the date of conversion to CVL will become the Joint Liquidators of the CVL.

- 6.5 It is proposed that the Joint Liquidators will be authorised to act jointly and severally in the subsequent liquidation.
- 6.6 Creditors have the right to nominate an alternative liquidator of their choice. To do this, creditors must make their nomination in writing to the Administrators prior to these proposals being approved. Where this occurs, the Administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the Administrators will automatically become the Joint Liquidators of the subsequent CVL.

Dissolution of the Company

- 6.7 Based on present information, the Administrator thinks that the Company may have insufficient property to permit a distribution to the unsecured creditors and that there may only be a distribution available to the secured and/or preferential creditors of the Company. As a result, once these distributions have been made, a notice will be filed at Court and with the Registrar of Companies with the Administrator's final report, for the dissolution of the Company.
- 6.8 The Administrators' appointment will end following the registration of the notice by the Registrar of Companies.

Compulsory Liquidation

- 6.9 If a move to Creditors' Voluntary Liquidation is not possible because a dividend to the unsecured creditors (other than by virtue of the Prescribed Part) is not anticipated, but the Administrators conclude that an exit into liquidation is appropriate so that further investigations into the Company's affairs may be carried out for example, an application to Court may be made to exit into Compulsory Liquidation instead. If this exit route is appropriate, at this stage it is anticipated (but is not mandatory) that the Administrators will become the Joint Liquidators in the subsequent liquidation.

7 Pre-administration Costs

- 7.1 Pre-administration costs are defined as:

- (i) Fees charged, and
- (ii) Expenses incurred

by the Administrators, or another person qualified to act as an insolvency practitioner before the company entered Administration (but with a view to its doing so), and "unpaid pre-administration costs" are pre-administration costs which had not been paid when the company entered Administration.

- 7.2 Below is information on the pre-administration costs incurred in this case, together with details of any amounts which remain unpaid, where applicable.
- 7.3 Armstrong Watson LLP was formally engaged by the directors of the Company on 17 January 2020. We were engaged on a time cost basis and estimated that our fees associated with assessing that Administration is the appropriate insolvency procedure, assisting the directors in placing the Company into Administration and seeking the appointment of Administrators would be in the region of £3,000 to £5,000 plus vat. As the Administration appointment proceeded quicker than anticipated our time costs only amounted to £1,662 plus vat.

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- 7.4 Pre-appointment fees charged and expenses incurred by the Administrators are as follows:

Armstrong Watson LLP	Advice to directors and dealing with appointment formalities	£1,662	Nil	n/a	£1,662
Sanderson Weatherall	Advice and desktop valuation of trading stock	£500	Nil	n/a	£500
Schofield Sweeney LLP	Dealing with appointment formalities	£660	Nil	n/a	£660
	Court issue fee	£50	Nil	n/a	£50

- 7.5 The payment of the unpaid pre-administration costs set out above as an expense of the Administration is subject to the approval of creditors, separately to the approval of the Administrators' proposals. This approval will be the responsibility of the Creditors' Committee if one is appointed or alternatively by a decision of the creditors where there is no Committee.

8 Joint Administrators' Remuneration

- 8.1 As Joint Administrators, we are required to provide creditors with details of the work we propose to undertake in the Administration and the expenses we consider will be, or is likely to be, incurred in dealing with the Company's affairs, prior to determining the basis upon which my remuneration will be fixed.
- 8.2 In addition to this, where Administrators seek agreement to the basis of their remuneration by reference to time properly spent by them and their staff in attending to matters arising in the Administration, a fees estimate outlining the time and estimated cost of the work to be done must also be provided.
- 8.3 In this case, we are not seeking to determine the basis of our remuneration as time properly spent by us and our staff in dealing with the affairs of the Company and we are therefore not required to provide a fees estimate to creditors. Details of the basis or bases we are proposing, together with information about the work we consider will be necessary in this case and the expenses we consider will, or are likely to be, incurred on this case can be found at Appendix D. Further information on the work done since our appointment to the date of this report, can be found in section 2. Appropriate approval to the basis of our remuneration will be sought as outlined in section 5 of this report.
- 8.4 In circumstances where my initial investigations reveal matters for further detailed investigation or previously unknown assets to be realised, we reserve the right to refer back to creditors to establish how we are to be remunerated for such additional work, which may be proposed on a time cost basis. If such work proves necessary, we will revert to creditors with our fees estimate for approval.
- 8.5 We will provide updates on the expenses we consider will be, or are likely to be, incurred during this case with our progress reports in due course.
- 8.6 Administrators may include details of the remuneration they anticipate will be charged and the expenses they anticipate will be incurred if they become the Joint Liquidators in the subsequent CVL. This can be done when seeking approval to the basis of their remuneration as Administrators, or alternatively their fees estimate for the CVL can be provided once the Company has moved into CVL. Please refer to Appendix D to this report for further information.
- 8.7 A copy of "A Creditors' Guide to Administrators' Fees" is available on request or can be downloaded from www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/. If you would prefer this to be sent to you in hard copy please contact Whitney Whitfield of this office on 01228 690200.

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9 Estimated Outcome

- 9.1 An estimate of the outcome of the Administration as at 20 March 2020 is attached as Appendix E.
- 9.2 This Company granted a fixed charge over freehold property to The Royal Bank of Scotland Plc on 10 March 2016. Based on the directors' Estimated Statement of Affairs attached to this report the amount owed to this secured creditor is £45,500. It is anticipated that the secured creditor will be paid in full from the sale of the freehold property.
- 9.3 The majority of the Company's stock is subject to retention of title and it is therefore not anticipated that there will be any further significant realisations in this regard. The Company's day to day banking was with HSBC Bank Plc who has confirmed that the current account is less than £1,000 in credit. The directors' loan account balances are still subject to investigation as the directors' Estimated Statement of Affairs was only received two days ago.
- 9.4 Based on the directors' Estimated Statement of Affairs the preferential creditors are £880. It is anticipated that the preferential creditors will be paid in full.
- 9.5 The Company granted a floating charge to The Royal Bank of Scotland Plc on 13 February 2015. As noted above however it is anticipated that this charge holder will be paid in full under their fixed charge. Accordingly, the Company has no net floating charge property from which the Administrators can create a fund out of for the benefit of unsecured creditors, known as the Prescribed Part.
- 9.6 Based on the directors' Estimated Statement of Affairs the unsecured creditors are £1,083,878. It is anticipated that the unsecured creditors will receive a dividend, but that this is likely to be less than 1p in the £ on their claims.

10 Proposals approval and next report

- 10.1 I am seeking a decision by correspondence of creditors on the approval of my proposals. The letter issued to creditors with this report (or the link to this report) contains further information about this decision process.
- 10.2 The Administrators are required to provide a progress report within one month of the end of the first six months of the Administration and we will report to you again at this time.

For and on behalf of
Edwards Designer Menswear Limited – In Administration



Daryl Warwick
Joint Administrator

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

Appendix A

Statutory Information

Company information

Company name	Edwards Designer Menswear Limited
Trading names	None
Registered number	06587743
Registered office address	Fairview House Victoria Place Carlisle Cumbria CA1 1HP
Former registered office and trading address	35 King Street Penrith Cumbria CA11 7AY
Court details	High Court Of Justice, Business and Property Courts in Leeds, Insolvency and Companies List
Court reference number	73 of 2020

Details of the Company's Directors, Secretary and Shareholdings

Peter Nicholas Mitchell	29 April 2015		4,015
Danielle Mary Murray	1 February 2019	20 January 2020	
Jamie O'Brien	28 April 2016		707
Adrian Joseph Robson	8 May 2008		5,378
None			

Joint Administrators' Details

Name of Administrators	Daryl Warwick	Mike Kienlen
Address	Fairview House Victoria Place Carlisle Cumbria CA1 1HP	Third Floor 10 South Parade Leeds LS1 5QS
Telephone Number	01228 690200	01228 690200
Fax Number	01228 690201	01228 690201
Administrator's IP Number	9500	9367
Authorising Body	ICAEW	IPA
Date of Appointment	31 January 2020	31 January 2020

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

Summary of Financial Information

Sales	1,602	2,620	2,452
Cost of sales	(1,866)	(2,190)	(2,065)
Gross (loss)/profit	(264)	430	387
Rental income	Nil	Nil	108
Insurance claim	Nil	Nil	50
Profit on sale of assets	55	Nil	Nil
Directors remuneration	(234)	(275)	(25)
Other payroll costs	(192)	(150)	(60)
Advertising	(147)	(159)	(51)
Other overheads	(91)	(76)	(66)
Bank charges and interest	(4)	(4)	(14)
Net (loss)/profit before tax	(877)	(234)	329
Corporation tax	Nil	Nil	(65)
Dividends	Nil	(30)	(81)
Retained (loss)/profit	(877)	(264)	183

Freehold property	110	174	170
Plant and machinery	4	3	12
Stocks	177	840	631
Directors current accounts	20	150	123
Cash at bank	3	98	161
Total assets	314	1,265	1,097
Bank loans and overdrafts	(237)	(250)	(151)
Other loans	(24)	(82)	Nil
Trade creditors	(593)	(660)	(576)
HM Revenue & Customs	(292)	(228)	(69)
Other creditors	(19)	(19)	(10)
Deferred tax provision	(2)	(2)	(3)
Shareholder funds	(853)	24	288

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

Appendix B

Receipts and Payments Account for the Period from 31 January 2020 to 20 March 2020

S of A £		£	£
85,000 00	SECURED ASSETS Freehold Land & Property	NIL	NIL
	COSTS OF REALISATION Agents/Valuers Fees	750 00	(750 00)
(45,500 00)	SECURED CREDITORS Royal Bank of Scotland	NIL	NIL
200 00	ASSET REALISATIONS Furniture & Equipment	144 20	
35,457 00	Stock	6,904 10	
3,268 00	Cash at Bank	NIL	
19,993 00	Directors' Loan Accounts	NIL	7,048 30
(880 30)	PREFERENTIAL CREDITORS Employees Holiday Pay	NIL	NIL
(567,663.68)	UNSECURED CREDITORS Trade & Expense Creditors	NIL	
(8,467.52)	Employees (8)	NIL	
(3,082.08)	Consumer Creditors (44)	NIL	
(188,695.00)	Banks/Funders	NIL	
(251,695.00)	H M Revenue & Customs - PAYE	NIL	
(8,169.00)	H M Revenue & Customs - Tax	NIL	
(31,988.00)	H M Revenue & Customs - VAT	NIL	
(24,118.00)	Other Loans	NIL	NIL
(10,100 00)	DISTRIBUTIONS Ordinary Shareholders	NIL	NIL
(996,440.58)			6,298.30
	REPRESENTED BY		
	VAT Receivable		150 00
	Bank Account (Non Interest Bearing)		7,557 96
	VAT Payable		(1,409 66)
			6,298.30

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

Appendix C

Summary of the Directors' Statement of Affairs of the Company

Edwards Designer Menswear Limited
Statement Of Affairs as at 31 January 2020

A - Summary of Assets

Assets	Book Value £	Estimated to Realise £
Assets subject to fixed charge:		
Freehold Land & Property	109,831.00	85,000.00
Royal Bank of Scotland		(45,500.00)
Surplus c/d		<u>39,500.00</u>
Assets subject to floating charge:		
Uncharged assets:		
Furniture & Equipment	4,234.00	200.00
Stock	177,286.00	35,457.00
Cash at Bank	3,268.00	3,268.00
Directors' Loan Accounts	19,993.00	19,993.00
Estimated total assets available for preferential creditors		<u>58,918.00</u>

Signature



Date

18-03-2020

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

Edwards Designer Menswear Limited
Statement Of Affairs as at 31 January 2020

A1 - Summary of Liabilities

	Estimated to Realise £
Estimated total assets available for preferential creditors (Carried from Page A)	58,918.00
Liabilities	
Preferential Creditors:-	
Employees Holiday Pay	880.30
Estimated deficiency/surplus as regards preferential creditors	58,037.70
Debts secured by floating charges pre 15 September 2003	
Other Pre 15 September 2003 Floating Charge Creditors	NIL
	58,037.70
Estimated prescribed part of net property where applicable (to carry forward)	NIL
Estimated total assets available for floating charge holders	58,037.70
Debts secured by floating charges post 14 September 2003	
Estimated deficiency/surplus of assets after floating charges	58,037.70
Estimated prescribed part of net property where applicable (brought down)	NIL
Total assets available to unsecured creditors	58,037.70
SURPLUS B/D	39,500.00
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	
Trade & Expense Creditors	567,663.68
Employees (8)	8,467.52
Consumer Creditors (44)	3,082.08
Banks/Funders	188,695.00
H M Revenue & Customs - PAYE	251,695.00
H M Revenue & Customs - Tax	8,169.00
H M Revenue & Customs - VAT	31,988.00
Other Loans	24,118.00
	1,083,878.28
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F.C's post 14 September 2003)	(986,340.58)
Estimated deficiency/surplus as regards creditors	(986,340.58)
Issued and called up capital	
Ordinary Shareholders	10,100.00
Estimated total deficiency/surplus as regards members	(996,440.58)

Signature



Date 18-03-2020

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

Edwards Designer Menswear Limited B - Company Creditors

Key	Name	Address	£
CA00	Adidas	Pepper Road, Hazel Grove, Stockport, Cheshire, SK7 5SA	3,294.00
CB00	BOSS	39 Plender Street, London, NW1 0DT	11,290.18
CC00	CK	Danzigerkade 165, 1013 AP, Amsterdam, The Netherlands	25,274.16
CC01	Carhartt	Michel Ueberschlag, Heggenheimer Str. 16, DE - 79576 Weil am Rhein, Germany	15,207.64
CC02	Cloud Commerce	Telephone House, Fenton Street, Lancaster, LA1 1AB	1,667.22
CD00	DPD	15th Floor, Castlemead, Lower Castle Street, Bristol, BS1 3AG	3,380.32
CF00	Fred Perry	37 Mount Pleasant, Clerkenwell, London WC1X 0AA	12,018.20
CF03	Funding Circle	71 Queen Victoria Street, London, EC4V 4AY	188,695.00
CG00	GANT	Floor 2, Hulborn Gate, 26 Southampton Buildings, London WC2A 1AN	12,615.17
CG01	Galvin Green	Sandvagen 7, Se-352 45, Vaxjo, Sweden, Monstreg Nr 556174-5521	342.00
CG03	Graham Dent & Co	Corption House, 104 Scotland Road, Penrith, CA11 7NR	19,984.00
CH00	H by Hudson	20 Horton Square, London, N1 6NT	5,727.53
CH01	H M Revenue & Customs - CT	Corporator Tax Operations, Corporation Tax Services, BX9 1AX	251,695.00
CH02	H M Revenue & Customs - VAT	The National Insolvency Unit, 5th Floor, Regian House, Liverpool, L75 1AD	31,988.00
CH03	H M Revenue & Customs - PAYE	EIS Worthing, Durrington Bridge House, Barrington Road, Worthing, BN12 4SE	8,169.00
CL00	Lacoste	4th Floor, Holborn Gate, 326-330 High Holborn, WC1V 7PP	42,929.50
CL02	Lyle & Scott	Liddesdale Road, Hawick, TD9 0ER	11,268.27
CM00	MASTRUM	Unit 9 Hemmells Park, Laindon, Essex, SS15 6GF	11,031.59
CP00	PG2019 Limited Tias Pretty Green	25-31 London Street, Reading, RG1 4PS	12,984.80
CR00	Fashion Box UK Limited	C/O Alradius Collections, 3 Harbour Drive, Cardiff Bay, CF10 4WZ	43,187.44
CR03	Mr Adrian Robson	Blossom Barn, Newton Reigny, Penrith, Cumbria, CA11 0AP	8,039.33
CR04	Royal Bank Of Scotland	Drummond House, 1 Redheughs Avenue, Edinburgh, EH12 9JN	45,500.00
CS00	Superdry	Security Given: Fixed Charge: Data Given: 10/03/2016, Amount: 0	298,554.30
CS02	Saucony	Unit 60 The Runnings, Cheltenham, GL51 9NW	13,874.19
CS06	Mr Tom Sarjeant	Kings Place, 90 York Way, London, N1 9AG	8,039.33
CS07	Mr Donald Studhole		8,039.33
CT00	Tommy Hilfiger	Danzigerkade 165, 1013 AP, Amsterdam, The Netherlands	23,025.18
27 Entries Totalling			1,117,828.68

Signature



Edwards Designer Menswear Limited
C - Shareholders

Key	Name	Address	Type	Nominal Value	No. Of Shares	Called Up per share	Total Amt. Called Up
HB00	Mr Jamie O'Brien		Ordinary	1.00	707	1.00	707.00
HM00	Mr Peter Mitchell		Ordinary	1.00	4,015	1.00	4,015.00
HR00	Mr Adrian Robson		Ordinary	1.00	5,378	1.00	5,378.00
3 Ordinary Entries Totalling					10,100		


Signature

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

Appendix D

Additional Information in Relation to Joint Administrators' Fees

Fees Overview

The Administrators are seeking to agree the basis of their remuneration in this case on a combination of bases; as a set amount, plus as a percentage of the value of property which he has to deal with. Attached within this appendix are details of the work the Administrator proposes to undertake and the expenses the Administrators consider will be, or are likely to be, incurred. Information about the work done to date can be found in the body of the Administrators Report and Statement of Proposals at Section 2.

The fees estimate is based on information about the Company's affairs available to the Administrators at the present time. Should any matters arise which impact on this estimate, such as additional investigatory matters or potential realisable assets, further time or cost will be incurred and it may be necessary to revise the Administrators' estimate of fees.

In this case, we do not anticipate that it will be necessary to seek further approval to increase the level of the fees estimate if the time incurred is in excess of the fees estimate enclosed with this report.

Work Anticipated

Further details of the work to be done by the Administrator is set out in the sections below.

Some of the work undertaken by an insolvency practitioner is required by statute and may not necessarily provide a financial benefit to creditors. Examples of this work include investigations required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 or dealing with the claims of former employees via the National Insurance Fund.

Where the work to be done is anticipated to produce a financial benefit to creditors, this will be stated and it may be necessary for the Administrator to instruct third parties to assist in this process because of a particular expertise that the third party may bring such as valuation, tax or legal advice.

Where it is practical to do so, an Administrator will provide an indication of the likely return to creditors when seeking approval for the basis of his remuneration. Again due to the complex nature of the work undertaken by insolvency practitioners and the uncertainties that may exist in relation to the realisation of a company's assets at the outset of a case, this may not be possible. An Administrator is however, required by statute to provide periodic reports to creditors on the progress of a case which will include an update as to the likely return creditors may expect

Proposed Fee Bases

In this case, I am proposing the following basis or bases for my remuneration as Administrator (and as Liquidator should I become the Joint Liquidator in a subsequent CVL):

- As a set amount of £20,000 plus vat for the statutory compliance and reporting work, including the duty to investigate and report on the affairs of the Company and its directors under the Company Directors Disqualification Act and for dealing with on-going correspondence and claims of employees, trade and consumer creditor claims; plus

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

- As a percentage of 10% plus vat of gross realisations relating to the freehold property work; plus
- As a percentage of 20% plus vat of gross realisations for all other asset realisation work.

Based on previous cases and time spent to date, I anticipate that my equivalent time costs for dealing with the statutory compliance and reporting duties will be in the region of £20,000; this is due the significant number of consumer creditors queries and correspondence I have had to deal with and the trade creditors of the Company, the majority of which have claimed retention of title, whose claims and paperwork I have also had to deal with. However, a fixed fee gives certainty of costs for creditors.

In respect of the asset realisation work a percentage of realisation basis shares the risk and reward between the Administrator and creditors of carrying out speculative and fully contingent asset realisation work. A significant number of retention of title claims have come to light, which were required to be adjudicated upon prior to realisation and therefore 20% in respect of all assets other than the freehold property is considered to be fair and reasonable.

Based on my previous experience of similar assignments I consider that this mixed fee basis will produce a fair and reasonable outcome for creditors.

Please note however, that in circumstances where my initial investigations reveal matters for further detailed investigation or previously unknown assets to be realised, I reserve the right to refer back to creditors to establish how I am to be remunerated for such additional work, which may be proposed on a time cost basis. If such work proves necessary, I will revert to creditors with my fees estimate for approval.

Outline of work to be done by the Administrator

Below are details of the work I propose undertaking in support of the above fee proposal for the Administration:

Administration (including statutory compliance & reporting)

Administrators are required to carry out certain tasks in nearly every insolvency assignment, namely administrative duties and dealing with the Company's creditors. Whilst these tasks are required by statute or regulatory guidance, or are necessary for the orderly conduct of the proceedings, they do not necessarily produce any direct financial benefit for creditors, but nonetheless still have to be carried out.

This work includes:

- Notifying creditors of the Administrator's appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House
- Preparing and issuing the Administrator's statement of proposals for achieving the purpose of the Administration and thereafter providing periodic progress reports to members and creditors (typically every 6 months)
- Lodging periodic returns with the Registrar of Companies for the Administration
- Complying with statutory duties in respect of the Administrator's specific penalty bond
- Creation and update of case files on the firm's insolvency software
- Establishing and holding periodic meetings of the creditors' committee and associated filing formalities (if a committee is appointed)
- Securing the Company's books and records
- Pension regulatory reporting and auto-enrolment cancellation
- Completion and filing of the notice of the Company's insolvency to HMRC
- Initial assessment required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 (CDDA) including the review of the Company's books and records and the identification of potential further asset realisations which may be pursued in the Administration

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

- Submitting a statutory report to the Insolvency Service under the CDDA
- Periodic case progression reviews (typically at the end of Month 1 and every 6 months thereafter)
- Opening, maintaining and managing the Administration estate cashbook and bank account
- Dealing with all post-appointment VAT and corporation tax compliance
- Liaison with secured creditors, obtaining charge documents and validating the security
- Dealing with employees to provide support and assistance in lodging any claims they may be entitled to make for unpaid wages, holiday pay and other statutory entitlements from the National Insurance Fund and the Company

Realisation of assets

As outlined in the Administrator's proposals, since appointment the Administrator and his staff have pursued the realisation of the Company's assets via a piecemeal sale of the assets of the Company which remains ongoing.

The main assets of the Company are its freehold property (which is currently on the open market with Walton Goodland), its stock (in respect of which we are still dealing with creditors retention of title claims, following which any remaining unencumbered stock will be realised with the assistance of Sanderson Weatherall) and the overdrawn directors loan account (in respect of which our enquires have not yet commenced as the directors signed statement of affairs was only received two days ago).

It is currently anticipated that these realisations will be carried out in the next six months. The anticipated third party costs and expenses for dealing with these assets are shown in the Expenses section below.

Work done by the Administrator, his staff and any third parties engaged to assist the Administrator in realising the Company's assets will, it is anticipated, provide a financial benefit to creditors. This may involve realising assets to facilitate a distribution to secured creditors of the Company only (from which a Prescribed Part fund may be derived for the benefit of unsecured creditors) or may, depending on realisations and the extent of any third party security, result in a distribution to the preferential and unsecured creditors of the Company. Further information on the likely outcome of the Administration process will be provided in the Administrator's subsequent progress reports

Creditors (claims and distributions)

As Administrator, I will deal with all secured, preferential and unsecured (including consumer) creditor correspondence and claims as received, including any claims of creditors under retention of title. Based on the directors' estimated statement of affairs, I currently think that after taking into consideration the costs of realising the assets and dealing with the statutory formalities of the Administration process and the related costs and expenses, a distribution may be available to the secured, preferential and unsecured creditors. I will either deal with the review and adjudication of creditors' claims in the Administration or if appointed liquidator, in the subsequent liquidation, if and when it is determined that a dividend is to be declared to creditors.

It should be noted that the above is based on the directors estimated statement of affairs and the projected realisable value of the Company's assets which at this stage is unconfirmed, together with the anticipated costs of the Administration. I will confirm the likely return to creditors in my future progress reports.

Investigations

As Administrator, I am required to conduct investigations into the conduct of the directors of the Company and transactions entered into prior to the Company's insolvency, as required by the Company Directors Disqualification Act 1986 and Statement of Insolvency Practice 2 (Investigations by Office Holders in Administrations and Insolvent Liquidations).

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

This work may not necessarily lead to any financial benefit to creditors yet is work I am required to undertake by statute. My initial investigations may reveal that further recoveries could be available for the insolvent estate and if this proves to be the case and I consider that further work will be required to pursue these assets, I will refer back to creditors about the likely costs involved in pursuing such recoveries.

Expenses

Below is a table which outlines the expenses that we consider at this stage will be, or are likely to be, incurred in dealing with the Company's affairs. We will provide an update to creditors in my future progress reports.

Agent's costs in dealing with freehold property sale	Walton Goodland Ltd	Fixed fee plus disbursements	£3,000
Agent's costs in dealing with chattel asset sales	Sanderson Weatherall	Realisations based	£1,000
Solicitor's costs in dealing with sale of property and general legal advice	Schofield Sweeney LLP	Time costs	£4,000
Freehold property holding costs	Axa Property Insurance, Eden District Council, Utility Companies	Cost = £	£5,000
Statutory advertising	The Stationery Office Limited	Cost = £	£200
Administrator's bond	Aon UK Ltd	Cost = £	£150
Asset insurance	Aon UK Ltd	Cost = £	£500
Accountancy costs for assisting the directors with the preparation of their Statement of Affairs	Compton House Services Ltd	Time costs	£2,000

Staff Allocation and the Use of Sub-Contractors

The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The constitution of the case team will usually consist of a Partner, a Manager, and an Administrator or Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. Where the basis of the Administrators' remuneration is being proposed on a time cost basis, details of our current charge-out rates can be found below.

We are not proposing to utilise the services of any sub-contractors in this case.

Joint Administrators' Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case. Any Category 1 disbursements we anticipate being incurred in this case are included in the table of expenses above.

Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage. We would confirm we are not seeking to charge any Category 2 disbursements on this assignment.

EDWARDS DESIGNER MENSWEAR LIMITED - IN ADMINISTRATION

Appendix E

Estimated Outcome Statement as at 20 March 2020

Assets subject to fixed charge:	
Freehold property	75
Less:	
Agents fees and disbursements	(3)
Solicitors conveyance costs	(2)
Property holding costs	(5)
Available to secured charge holder	65
Amount due to secured charge holder	(46)
Surplus to secured charge holder	19
Uncharged assets:	
Stock	7
Cash at bank	1
Directors loan accounts	20
Freehold property surplus brought down	19
	47
Less:	
Pre administration costs	(3)
Administrators remuneration	(33)
Legal fees	(2)
Agents fees	(1)
Accountancy fees	(2)
Disbursements	(1)
	5
Preferential creditors	(1)
Surplus available for unsecured creditors	4