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1 Company details

Company number 0 6 9 3 7 9 6 3

Company name in full Duet Capital (Holdings) Limited

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Colin

Surname Hardman

3 Administrator's address

Building name/number 25

Street Moorgate

Post town London

County/Region

Postcode E C 2 R 6 A Y

Country

4 Administrator's name ①

Full forename(s) Henry Anthony

Surname Shinnars

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number 25

Street Moorgate

Post town London

County/Region

Postcode E C 2 R 6 A Y

Country

② Other administrator

Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6 Period of progress report

From date	^d 2	^d 3	^m 0	^m 9	^y 2	^y 0	^y 2	^y 1
To date	^d 2	^d 2	^m 0	^m 3	^y 2	^y 0	^y 2	^y 2

7 Progress report

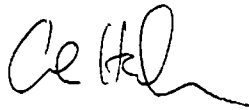
☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X



X

Signature date

^d 2	^d 2	^m 0	^m 4	^y 2	^y 0	^y 2	^y 2
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Contact name Rachael Sherwood

Company name Smith & Williamson LLP

Address 25 Moorgate

Post town London

County/Region

Postcode EC2R 6AY

Country

DX

Telephone

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Attach this to the relevant form.
Use extra copies to tell us of additional insolvency practitioners.

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1 Appointment type

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- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

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- REC1, REC2, REC3
- LIQ2, LIQ3, LIQ05, LIQ13, LIQ14, WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s)

Nicholas

Surname

Myers

3 Insolvency practitioner's address

Building name/number 25 Moorgate

Street

Post town

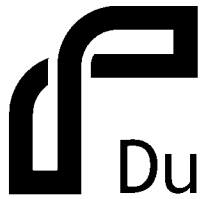
London

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Country



Duet Capital (Holdings) Limited (in administration)

Joint administrators' progress report for the period
23 September 2021 to 22 March 2022

22 April 2022



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1. Glossary

Abbreviation	Description
the Company / DCHL	Duet Capital (Holdings) Limited
the administrators / joint administrators	Colin Hardman, Henry Anthony Shinnars and Nicholas Myers
S&W	Smith & Williamson UK LLP
Reporting period	23 September 2021 to 22 March 2022
SIP	Statement of Insolvency Practice (England & Wales)
IA86	Insolvency Act 1986 If preceded by S this denotes a section number
Sch B1	Schedule B1 to the Insolvency Act 1986 If preceded by P this denotes a paragraph number
IR16	Insolvency (England and Wales) Rules 2016 If preceded by R this denotes a rule number
Prescribed Part	Pursuant to S176A IA86, part of the proceeds arising from floating charge realisations must be set aside and made available to satisfy unsecured debts
TUPE	Transfer of Undertakings (Protection of Employment) Regulations
SOA	Statement of Affairs
ETR	Estimated to Realise
HMRC	Her Majesty's Revenue and Customs
RPS	Redundancy Payments Service
FCA	Financial Conduct Authority
CVA	Company Voluntary Arrangement
CVL	Creditors' Voluntary Liquidation
QFCH	Qualifying Floating Charge Holder - a secured creditor who has the power to appoint an administrator
OSB	OneSavings Bank Plc
Close	Close Brother Limited t/a Close Brothers Business Finance
NatWest	National Westminster Bank Plc
SPB	Squire Patton Boggs (UK) LLP
Counsel	Matthew Weaver QC of Radcliffe Chambers
Hilco	Hilco Appraisal Limited t/a Hilco Valuation Services
Piano Auctions	Piano Auctions Limited - a specialist piano valuer and auctioneer

Abbreviation	Description
Institution Leasing	Primary business line of DCHL which involved leasing premium musical instruments to educational institutions and conservatoires across the UK
Consumer Hire	FCA-regulated instrument hire business which leased lower value instruments to consumers for terms of between 1 and 5 years
Musiq Group	Musiq Group Limited, the purchaser of the Company's business and assets
TSA	Transitional Services Agreement between DCHL and Musiq Group
SPA	Sale Purchase Agreement for the purchase of DCHL's business and assets
Bank House	Freehold property owned by DCHL
MW Holdings	MW Holdings (SE) Limited, the purchaser of Bank House
Adriatic	Duet Adriatic Limited - a wholly owned UK subsidiary of DCHL
Pike Restructuring	Pike Restructuring Limited - a UK-based business advisory firm whose Director, Nick Pike, was appointed as the sole director of Adriatic on 26 March 2021
Chimera	Superyacht owned by Duet Adriatic, purchased with DCHL funds
Sky Taste	Sky Taste d.o.o - a wholly owned subsidiary of DCHL registered in Croatia
Antares	Antares Revizija d.o.o. - a Croatian accountancy & business advisory firm whose employee, Maja Bicanic, was appointed as the sole director of Sky Taste on 19 August 2021
Selina, Bacine & Punta Dramca	3 Croatian plots of land owned by Sky Taste at the date of administration
GGP	Gajski, Grlic, Prka & Partners LLC
Sotheby's	Croatia Sotheby's International Realty - Croatian branch of a luxury real estate agency
DPL	Duet Piano Leasing Inc - a wholly owned subsidiary of DCHL registered in Delaware, USA
The Operating Subsidiaries	Adriatic, Sky Taste and DPL

2. Introduction & Summary

This report provides an update on the progress in the administration of the Company for the six-month period ended 22 March 2022. It should be read in conjunction with any previous reports. By way of reminder, we, Colin Hardman, Henry Anthony Shinnars and Nicholas Myers of Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY, were appointed joint administrators of the Company on 23 March 2021.

The following key events took place during the reporting period:

- The administrators continued to trade the Company's musical instrument leasing business until a sale of the business and certain assets to Musiq Group was achieved on 20 October 2021. The total consideration received in respect of the sale was £2.8m. Details of the sale and the transitional arrangements in the period which followed are contained in section 3.2.
- The Company's freehold property, Bank House, was sold on 14 February 2022 to an unconnected party for £425k (plus VAT). Further information regarding the property sale is set out in section 3.3.
- A sale of Chimera, the superyacht held by Duet Adriatic, completed on 15 February 2022 for consideration of £1.2m. Details of the sale and marketing undertaken in respect of this asset are contained in section 3.4.1.
- The administrators instructed Sky Taste's director, Maja Bićanić of Antares, to market the 3 properties held by Sky Taste. An offer of EUR€360k was accepted for the property known as Bacine, and the sale completed shortly after the end of the reporting period on 29 March 2022. Offers have also been received for Sky Taste's other 2 properties. The administrators are considering whether these offers should be accepted. See section 3.4.2 for further information.
- Summary Judgment and an interim payment order in the amount of £11.3m were obtained against one of the Company's directors, Mr Jonathan Thorne, in a High Court hearing on 24 February 2022. Section 3.5 provides an overview of the legal proceedings and details of the judgment and proposed next steps.
- The purpose of the administration as set out in paragraph 3(1)(b) of Schedule B1 of IA86, namely achieving a better result for the creditors than would have been the case had the Company been wound up, has been achieved, as realisations from the business sale to Musiq Group represent a materially better result for creditors than if the Company had been wound up.
- Objective 3(1)(c) has also been achieved, as a secured creditor distribution has been made to NatWest. We anticipate that one or more further secured creditor distributions will be made to OSB in due course.
- NatWest was repaid in full under its fixed charge following the sale of Bank House and all security held by NatWest over the Company's assets has now been released.
- No distributions have been made to the Company's other chargeholders, or to the preferential or unsecured creditors during the reporting period.
- Based on current information, the administrators do not anticipate that there will be sufficient funds available in the estate to enable a distribution to the unsecured creditors other than possibly by way of the Prescribed Part. As noted in our previous progress report, the application of the Prescribed Part in this case is subject to the outcome of an application to the Court for Direction. See section 8.1.1 below for further details.
- The administration has been extended with secured creditor consent for a period of one year until 23.59pm on 22 March 2023.
- It is anticipated that once the joint administrators have filed their notice of ceasing to act with the Registrar of Companies, steps will be taken to dissolve the Company.

3. Progress of the administration

Attached at Appendix I is our receipts and payments account for the period from 23 September 2021 to 22 March 2022. This account includes cumulative figures for the period from 23 March 2021 to 22 March 2022.

The receipts and payments account also includes a comparison with the directors' SOA values.

3.1 Trading (DCHL)

3.1.1 Trading in administration (23 September to 20 October 2021)

As previously reported, the administrators continued to trade the Company's musical instrument leasing and media business lines throughout the previous reporting period with the objective of preserving the value of the underlying assets whilst seeking to achieve a going concern sale.

The administrators continued to trade all of the above noted business lines during the current reporting period from 23 September 2021 until 20 October 2021, at which point ownership of the institution musical instrument hire and media business lines and certain assets relating to them was transferred on the sale of the business to Musiq Group (see section 3.2).

The Receipts & Payments account at Appendix I reflects an overall trading loss of £14,218, however it should be noted that the administrators have not yet taken any remuneration in respect of trading costs (see sections 6 & 8).

Trading Income

In order to provide customers with a sense of continuity and to minimise non-payment of consumer hire rental payments, the arrangement set out in our previous progress report whereby customer receipts continued to be paid into the Company's pre-administration NatWest bank accounts remained in place throughout this reporting period. These monies were transferred periodically into the administration bank accounts starting on 12 October 2021.

Total trading income for the period from 23 September 2021 to 20 October 2021 was £81,517, bringing the total administration trading receipts to £419,651. A breakdown by business line is provided in the table below:

Trading receipts	Gross £	Net £	VAT £
Total trading income previously reported	405,761	338,134	67,627
<u>Administrators' trading income for the period 23/09 - 20/10</u>			
Institution Leasing	55,121	45,934	9,187
Consumer Hire	42,700	35,583	7,117
Period total	97,821	81,517	16,304
Total trading income	503,582	419,651	83,931
<u>Comprising</u>			
Institution Leasing	266,626	222,188	44,438
Consumer Hire	187,108	155,923	31,185
Media	49,848	41,540	8,308

It should be noted that as a result of the banking arrangements set out above and the repayment structure agreed with NatWest following the sale of Bank House (see section 3.3), Consumer Hire trading income of £79,487 (plus VAT) was held in SPB's client account rather than the administration floating charge bank account at the end of the reporting period. A further £254 of Consumer Hire trading income remained in the Company's pre-appointment NatWest bank account at the end of the reporting period and consequently does not appear on the R&P in Appendix I. We anticipate that these monies will be paid over to the administrators' bank account shortly after this report is issued.

Trading Expenditure

The trading account as per the administrators' receipts & payments account (Appendix I) provides further information regarding the trading costs paid during the reporting period, however the main categories of cost can be summarised as follows:

- **Payroll costs - £25,501** (wages, staff expenses, PAYE/NIC, pensions & employee health insurance)
As reported previously, 5 of the Company's 6 employees were retained upon appointment, 2 of whom were subsequently made redundant on 28 May 2021. The remaining 3 employees continued to work for the Company in administration during the reporting period on 23 September 2021 until they were transferred to Musiq Group under TUPE on 20 October 2021.
- **Piano technicians - £29,620** (piano technicians & subcontractor hotel & travel costs)
In order to maintain the Company's premium musical instruments and comply with the terms of the Institution Leasing contracts, it was necessary for regular tuning and instrument repairs to be carried out by highly skilled technicians. The administrators continued to use the services of the technicians who previously carried out these services for the Company from 23 March 2021 until the business sale was finalised on 20 October 2021.
- **Consultants - £9,492**
As previously reported, upon appointment the administrators engaged Karl Stevenson, the Company's former Chief Operating Officer, under a consultancy arrangement. This arrangement continued throughout this reporting period. Prior to the business sale Mr Stevenson's role included acting as the first point of contact for customers and piano technicians. Following the business sale to Musiq Group on 20 October 2021, Mr Stevenson continued to assist the administrators with ad hoc matters such as the preparation of FCA returns for the administration trading period.
- **Consumer Book - Musiq Group - £47,143**
As set out in section 3.2 below, in order to operate the Consumer Hire business line in a cost-effective manner during the transitional period following the business sale on 20 October 2021, the administrators engaged Musiq Group to oversee the day to day running of this business line under a consultancy arrangement (the 'Reverse TSA'). Musiq Group charged a fortnightly fee of £6,000 (plus VAT) for this service, which was paid out of the Consumer Hire income generated during the transitional period. These monies subsequently became property of Musiq Group when FCA approval was granted on 24 January 2022, and as such the net impact on the administration estate was £nil.
- **IT & Telecoms - £8,930**
Costs incurred relate to key software packages used by the Company prior to the administration, which were retained during the administration trading period and the transitional period following the sale to Musiq Group. Under the terms of the TSA, all costs relating to the transitional period (20 October 2021 onwards) are to be covered by Musiq Group.
- **Storage - £8,649**
Storage costs incurred and paid during the reporting period relate to storage of musical instruments at specialist storage facilities.
- **Customer Refunds - £1,839**
Customer refunds relate to reimbursement of monies paid into the Company's pre-appointment NatWest bank account in error by consumers whose hire agreements had finished.

The administrators are working with Musiq Group and the Company's utility suppliers to finalise the allocation of trading costs between the administration and Musiq Group under the terms agreed in the TSA. We expect to conclude this exercise shortly and final trading figures will be confirmed in our next progress report.

Trading Funding

As reported previously, trading funding in the amount of £329,057 was provided by OSB during the previous reporting period in order to enable the administrators to pay essential trading costs. This funding was repaid in full during September 2021.

3.1.2 Transitional arrangements (21 October 2021 to 24 January 2022)

Consumer Hire Business Line

During negotiations with Musiq Group, the administrators were made aware that the nature of the Company's Consumer Hire activities meant that any purchaser of this business line would be required to hold FCA authorisation. Obtaining such authorisation typically takes several months, and as a newly established entity, Musiq Group was not able to do so prior to purchasing the Company's business and assets on 20 October 2021.

It was consequently agreed under the terms of the business sale agreement that the Company would retain ownership of the Consumer Hire business line for a transitional period of 3 months (extendable by up to 6 months) commencing on 20 October 2021 while Musiq Group sought FCA authorisation. The initial term of 3 months was extended by mutual agreement and FCA authorisation was received by Musiq Group on 24 January 2022, at which point ownership of the Consumer Hire business line transferred to Musiq Group.

The terms of the transitional arrangement were set out in a Transitional Services Agreement (TSA) entered into by the Company, the administrators and Musiq Group on 20 October 2021. The key terms of the TSA were as follows:

- Musiq Group would be entitled to occupy Bank House under a licence agreement for a period of up to 6 months from 20 October 2021 (see below).
- The administrators would continue to trade the Consumer Hire business line on behalf of the Company for a transitional period between 20 October 2021 and the date on which Musiq Group received FCA authorisation, subject to a longstop date of 19 January 2022 (extendable by up to another 6 months with the parties' consent).
- In order to manage the costs of continuing to trade the Consumer Hire business line beyond 20 October 2021, the administrators engaged Musiq Group under a Reverse Transitional Services Agreement ('Reverse TSA') to oversee its day-to-day activities. It was agreed that Musiq Group would charge a fortnightly administration fee of £6,000 + VAT to perform this role.
- The administrators agreed to meet the costs of certain key suppliers during the transitional period on the condition that these costs would ultimately be reimbursed by Musiq Group. These costs included IT services, telecoms, security systems and certain utility costs. A deposit of £22,721, calculated based on the estimated costs of providing these services, was paid to the administrators by Musiq Group on 20 October 2021.
- It was agreed that, once Musiq obtained FCA authorisation to run the Consumer Hire business line, all trading income generated by the Consumer Hire business line on or after 20 October 2021 would become property of Musiq Group, subject to the following deductions:
 - All administration fees charged by Musiq Group under the Reverse TSA; and
 - Any costs incurred under the terms of the TSA (see below) which exceeded the 'Estimated Service Costs' deposit.

A reconciliation exercise is in progress to finalise the deductions to be made from the post-sale Consumer Hire income before remitting the balance to Musiq Group. We are awaiting final bills from several utility suppliers, however we anticipate that a payment of circa £15,000 will be made to Musiq Group shortly in respect of net Consumer Hire income generated on or after 20 October 2021.

Institution Leasing Business Line

The Company's Institution Leasing business line was not subject to FCA regulation and, as such, ownership of this business line transferred to Musiq Group on 20 October 2021. It was initially agreed customers would continue to pay rental monies into the Company's pre-administration NatWest bank account while Musiq Group arranged a bulk transfer of direct debits to its own bank account, however it subsequently transpired that a bulk transfer would not be possible.

As such, Musiq Group commenced contacting all institution customers individually to arrange for their direct debits to be updated manually. This was a time-consuming exercise and during the reporting period Institution Leasing income of £72,083 belonging to Musiq Group was received into the Company's pre-administration NatWest bank account. Of this, £71,780 was transferred into separate 'Customer Advances' bank account in the name of the administrators, and £71,416 was then paid to Musiq Group. A small balance of £360 remained in the administration bank account at the end of the reporting period. It is anticipated that a quantity of Musiq Group's Institution Leasing income will continue to be received into the Company's pre-appointment NatWest bank account until the TSA longstop date of 19 April 2022, at which point a final transfer will be made to Musiq Group.

via the administrators' Customer Advances bank account, and both remaining NatWest bank accounts will be closed. Musiq Group are compensating the administrators for their involvement in making these transfers.

Bank House

In addition to the transitional arrangements outlined above, the administrators granted Musiq Group a licence to occupy Bank House for a period of up to 6 months whilst Musiq Group sought new premises.

Musiq Group occupied Bank House for a total of 2 months from 20 October to 20 December 2021.

Shortly after the end of the reporting period, the administrators commenced a reconciliation exercise to finalise all sums due for payment and/or reimbursement under the TSA. This exercise is due to conclude shortly, and it is anticipated that due to Musiq Group's shorter than anticipated occupation of Bank House, a refund will be due to Musiq Group in respect of licence and utility costs, which will be confirmed in our next progress report.

3.2 Business & assets sale

3.2.1 Overview of the marketing process

As previously reported, shortly after their appointment the administrators obtained independent valuations of the Company's business and assets from Hilco and Piano Auctions Limited and concluded that a going concern sale of the business and associated assets was the most appropriate strategy to maximise realisations in the administration.

Full details of the marketing process were provided in our first progress report, however a summary is set out below for ease of reference:

- The marketing process for the Company's business and assets commenced on 17 May 2021.
- The opportunity was advertised on IP-Bid.com (a specialist online marketplace for insolvent businesses), Hilco circulated additional advertisements to its professional network, and a high level 'teaser' document was circulated to 83 targeted parties, including DCHL's competitors, suppliers, businesses operating in a similar sector to DCHL and a range of distressed investors. This resulted in expressions of interest from 21 parties.
- 20 interested parties returned a signed non-disclosure agreement and were granted access to an online data room containing further information about the Company's business and assets.
- The deadline for best and final offers was 31 July 2021. Offers were received from 3 parties and were not directly comparable, as each offer included different assets, conditions and funding arrangements.
- The administrators carried out a detailed review of each offer which involved detailed discussions and negotiations with those parties. After taking into account the professional advice of our valuation agents and the views of the Company's chargeholders, we concluded that an offer of £2.8m received from Musiq Group represented the best return to creditors.
- Musiq Group is a company incorporated in June 2021 and controlled by Mark Clarke and Karl Stevenson of the Company's former management team (see section 3.2.3).
- The administrators accepted Musiq Group's offer on 2 August and, following a protracted period of negotiations, the business and asset sale completed on 20 October 2021.

3.2.2 Sale to Musiq Group

After accepting Musiq Group's offer of £2.8m on 2 August, the administrators engaged in extensive discussions with Musiq Group to finalise the terms of the sale, particularly in respect of transitional arrangements and the Company's Consumer Hire business line.

Assets included in the sale

The following assets were included in the sale to Musiq Group:

Asset	Consideration (£)	Comments
Institution leasing & media business	2,465,045	Includes all contracts, musical instruments (not subject to a hire purchase arrangement with Close) & media equipment.
Consumer hire business	64,950	Includes all consumer contracts and musical instruments. Note: this business line was subject to a transitional arrangement - see section 3.1.2.
Duet Piano Leasing Inc	245,000	By way of a share sale.
Motor vehicles	20,000	2 vehicles: a Jaguar XJ and a Ford Transit van.
All office and IT equipment	5,000	Comprising computer equipment, desks and chairs.
Miscellaneous incidental assets	5	Includes intellectual property in the form of internet domain names and company records required for ongoing trading.
Total consideration	2,800,000	

The consideration was paid in full to SPB on completion by the purchasers' solicitors and was subsequently remitted to the administrators' bank account on 26 October 2021.

The nature of the Company's Consumer Hire business line and Musiq Group's preference to continue operating from Bank House whilst alternative premises were sought meant that transitional arrangements were required in the period following the sale. An overview of these arrangements is provided in section 3.1.2 above.

3.2.3 Sale to connected parties

In accordance with SIP 13, the administrators wish to advise creditors that as part of the business & asset sale, the following assets were sold to parties connected with the Company:

Date of transaction	Asset involved and nature of transaction	Consideration paid and date	Sold to	Relationship
20 October 2021	Purchase of business and assets (see table in section 3.2.2 for a list of assets included in the sale)	£2,800,000 paid on 20 October 2022	Musiq Group Limited (Directors: Mark Clarke & Karl Stevenson)	Mark Clarke: Former director & shareholder of DCHL Karl Stevenson: Former operations manager of DCHL

The administrators compared the offer received from Musiq Group against the others offers received and, taking into account the nature of the relationship noted above, concluded that it represented the best value to creditors. Factors which led to this conclusion include the following:

- The commitment of Mr Clarke and Mr Stevenson to the business and their ability to provide evidence that Close had agreed to provide funding for the transaction gave the administrators a high degree of confidence in Musiq Group's ability to successfully complete the sale.
- Although Mark Clarke and Karl Stevenson were involved with DCHL at a senior level during a time when fraudulent activity has been confirmed to have taken place, the administrators' investigations have not revealed any information to indicate that either Mr Clarke or Mr Stevenson were aware of this at the time. It should also be noted that Mr Stevenson was the party who first raised concerns about DCHL's financial affairs in early 2021, and that he resigned from his role with the company shortly after doing so.

- The offer from Musiq Group encompassed the widest range of assets, thereby avoiding potentially costly storage fees and further marketing costs which would be incurred in the event that the assets excluded from other offers were sold separately.

3.3 Bank House

Occupation by Musiq Group

As detailed in section 3.1.2, Musiq Group occupied Bank House under a licence agreement for a transitional period of two months following the business sale on 20 October 2021. Under the terms of the licence and TSA, the administrators facilitated the continued operation of certain utilities and security systems at Bank House based on the terms of the TSA stating that Musiq Group would bear the associated costs.

Musiq Group acquired alternative trading premises and vacated Bank House on 20 December 2021 after giving notice of termination in line with the terms of the licence agreement. Bank House was therefore vacant from 20 December 2021 until its subsequent sale on 14 February 2022.

Property Sale

As previously reported, the administrators instructed Hilco to value Bank House shortly after their appointment on 23 March 2021. Hilco valued the property at £475k on a vacant possession basis and recommended a private treaty sale seeking offers in the region of £500k.

The administrators required ongoing use of Bank House during the administration trading period, which prevented the property from being marketed until the sale of business reached the final stages of negotiation. As such, Hilco were instructed to commence marketing Bank House on 5 October 2021.

The marketing material issued by Hilco invited offers in the region of £500k, a figure consistent with the initial property valuation. In total, 12 parties expressed an interest in the property with 8 subsequent viewings. In order to maintain competitive tension, a deadline of 14 December 2021 was set for best and final offers.

The administrators received 2 verbal offers of £350k and 2 written offers of £400k by the deadline of 14 December 2021. Whilst they evaluated these offers, a further offer was received from MW Holdings on 5 January 2022. The offer from MW Holdings was a cash offer of £410k, and following a brief period of negotiation was increased to £425k with an agreement to waive survey requirements. The administrators sought advice from Hilco and concluded that this offer was likely to progress to completion and that it represented the best return to creditors as it was the highest offer received. SPB were instructed to draft contracts and the property sale completed on 14 February.

Bank House was subject to a first-ranking fixed charge in favour of NatWest. The administrators engaged with NatWest and it was agreed that NatWest would release their security over the property in exchange for a repayment totalling £166,897. The repayment took place on 14 February and was structured as follows:

- NatWest took the £20,929 cash at bank balance at 23 March 2021 from the Company's secondary pre-appointment NatWest bank account;
- NatWest treated the overdraft of £90,385 on the Company's main pre-appointment NatWest bank account at 23 March 2021 as repaid; and
- A balancing payment of £55,283 to NatWest from the Bank House proceeds held in SPB's client account.

The balance of the Bank House sale proceeds, totalling £454,717 (£510,000 less £55,283) remained in SPB's client account at the end of the reporting period and as such are reflected separately on the R&P at Appendix I.

3.4 Subsidiaries

As previously reported, the Company had three trading subsidiaries (the "Operating Subsidiaries"). Updates regarding the realisation of these entities' assets are set out below.

3.4.1 Duet Adriatic

The principal asset of Adriatic was a superyacht known as 'Chimera', which at the date of our appointment over DCHL was moored in Florida. The administrators have continued to work closely with Nick Pike of Pike

Restructuring, the independent director appointed to Adriatic in March 2021, resulting in a sale of Chimera in February 2022.

It should also be noted that the assets of Adriatic are subject to the legal proceedings discussed in section 3.5 of this report. The Summary Judgment granted on 24 February 2022 ruled that any assets purchased using monies misappropriated from DCHL and any proceeds resulting from the sale of such assets are held on trust by Adriatic for the benefit of DCHL.

Chimera - Yacht sale

The administrators made the decision to retain the services of Denison Yachting, a specialist U.S. yacht broker and agent based on Florida, to continue the marketing process they commenced on behalf of Adriatic in mid-2020.

Prior to DCHL entering administration the Company requested that Chimera be marketed at a price of USD€5.5m. Shortly after Mr Pike's appointment as a director of Adriatic and upon the recommendation of Denison Yachting, the asking price was reduced to USD\$3.9m, however this failed to attract any offers and Nick Pike subsequently received information from Wrightson Marine, the maintenance agent for Chimera, that the standard of equipment used to refurbish the yacht during the period of Adriatic's ownership may have deterred potential purchasers.

In light of the very limited interest generated by the marketing campaign, Denison recommended that Chimera be displayed for sale at the Fort Lauderdale International Boat Show in late October 2021. This strategy was followed, however it did not generate any serious interest from prospective purchasers.

Overall, despite extensive marketing efforts only 4 offers were received for Chimera during 2021, all of which were significantly lower than the indicative value recommended by Denison. This discrepancy has been explained by Denison as being the result of a combination of factors:

- The yacht was built in 1986 and as such is old but not considered a 'classic' model. As such, prospective buyers were likely to take the view that they could obtain more for their money with a newer yacht.
- A significant amount of refurbishment work had been carried out on the yacht, some of which had been completed to a poor standard and did not extend to electrical repairs.
- An ongoing refit of the yacht was put on hold as a result of the Covid-19 pandemic, meaning that any purchaser would be required to carry out major remedial works at a potentially high cost.
- Denison acknowledged that they had overestimated the value of Chimera in light of the current market and the reasons listed above.

On 16 January 2022, an offer for USD\$1.95m (subject to survey) was received, which was accepted by Adriatic. The reasoning for accepting this offer was that the yacht had been on the market for a total of 18 months at progressively lower prices but had not generated any offers in the region of the lowest asking price. In addition, the monthly cost of maintaining the yacht was in the region of USD\$20k and the administrators considered that the costs which would be incurred during a prolonged period of marketing were likely to exceed the benefit of any higher offers received.

Other Assets

During the reporting period the administrators were made aware the Adriatic owns a Rigid Inflatable Boat ('RIB'), which was purchased in 2018, prior to the administrators' appointment over DCHL, for c.USD\$36k with the intention of carrying Chimera's passengers to shore when the yacht is unable to dock. The RIB was incorrectly measured and is therefore unfit for purpose. It remains wrapped in its original packaging and is currently being stored in a bonded warehouse in Montenegro. The administrators and Nick Pike are considering the options available to sell the RIB, which may involve transporting it to a more accessible location for marketing provided it is not cost-prohibitive to do so.

3.4.2 Sky Taste

As previously reported, Sky Taste is a wholly owned subsidiary of DCHL which is registered in Croatia. Following their appointment, the joint administrators appointed Maja Bićanić of Antares, a Croatian firm of accountants and business advisors, to act as the sole director of Sky Taste in order to protect and realise its assets, which comprised:

- A small credit balance held in Sky Taste's Croatian bank account; and
- Three plots of land in Trogir, Croatia, at varying stages of development.

The assets of Sky Taste are included within the scope of the legal proceedings discussed in section 3.5 of this report. The Summary Judgment granted on 24 February 2022 ruled that any assets purchased using monies misappropriated from DCHL and any proceeds resulting from the sale of such assets are held on trust by Sky Taste for the benefit of DCHL. In this case, assets covered by the Judgment include the 3 plots.

The paragraphs below provide an overview of the progress made in respect of realising these assets during the reporting period.

‘Selina’ - Selina 21, Vinišće, 21222, Split-Dalmatia County, Croatia

Selina is the largest of the three plots owned by Sky Taste. Substantial work was carried out at this prior to the administrators’ appointment over DCHL, however the building works had been put on hold by March 2021.

Building contractor dispute & pledges over Sky Taste plots

During the reporting period a dispute arose between Sky Taste and the building contractor used to carry out the building work on Selina. The contractor claimed that they were owed c.€215k, however Sky Taste disputed the balance owed due to the contractor’s failure to provide evidence of costs incurred in respect of the work undertaken. In addition, following a site visit further concerns were raised by Sky Taste regarding the quality of materials used for the build, which appeared to be noticeably inferior to those that the contractor claimed to have used.

Antares arranged for an independent surveyor to review the building and fitout work undertaken on Tom and to provide an estimate of the costs to complete the property. The surveyor advised that the estimated costs to complete the build were €85k - €150k, however this advice was heavily caveated as the surveyor was unable to review key documentation relating to the build.

The dispute ran for several months and culminated in the contractor obtaining pledges (a form of legal charge) over all 3 plots in December 2021. The impact of this was to restrict Sky Taste from selling the plots free from encumbrances. Antares obtained legal advice from GGP, who recommended that Sky Taste make a partial payment of €85k (£64k) to the contractor in order to get the pledges removed. The administrators are considering their options as regards the actions of the architects and will update creditors in our next progress report.

By this time, all funds in the Sky Taste Croatian bank account had been exhausted paying professional fees. As such, the administrators advanced £64k to Sky Taste on 4 March 2022 to enable it to make the payment to the contractor. The payment was made by Sky Taste and the pledges were subsequently removed from all 3 properties.

Marketing of Selina

Shortly after Antares took over the Sky Taste directorship, they arranged for Sotheby’s in Croatia to value Selina based on a sale in its current unfinished condition, and also based on a sale taking place after all building work was completed. Sotheby’s advised that the value (gross of VAT) of Selina was c.€1.2m if sold without any further work being carried out, or c.€1.7m if the buildout was finished.

Following the valuation advice and with the administrators’ support, Antares instructed Sotheby’s to market Selina for sale in its current condition. Marketing commenced in November 2021 and an initial offer of €1.125m (€920k plus VAT) was received shortly before the end of the reporting period. Discussions with this potential buyer are ongoing and it is anticipated that a formal offer will be received and accepted shortly after this report is issued.

‘Bacine’ - Bačine, Vinišće, 21222, Split-Dalmatia County, Croatia

Bacine is a plot on which there is a small villa, which Mr Thorne intended to demolish and subsequently build a new property on the site. No demolition or building work has been carried out, either before or since the administrators’ appointment over DCHL.

Marketing and sale of Bacine

Antares instructed Sotheby’s to value Bacine and were advised that the site was worth approximately €350k (including VAT). Antares subsequently engaged Sotheby’s to market Bacine for sale in November 2021 and a number of viewings took place in the months that followed.

An offer of €360k was received on 2 December 2021 from a local property developer. Given that the offer exceeded the valuation figure provided by Sotheby’s, the administrators and Antares agreed that it should be accepted. Contracts in respect of the sale were exchanged in December 2021, however completion was delayed due to the pledge registered against the property by the former building contractors for Selina (see above). The

pledge was removed in March 2022 and the sale completed shortly after the end of the reporting period on 29 March 2022.

‘Punta Dramca’ - Punta Dramča 2, Vinišće, 21222 Split-Dalmatia County, Croatia

Punta Dramca is a larger undeveloped plot on which Mr Thorne intended to build 2 villas, however no development work had been undertaken.

Antares instructed Sotheby’s to value the plot and market it for sale. Sotheby’s advised that the plot was worth approximately €400k in its current state, but that this may increase to €600k if Sky Taste were to obtain building permits for the site.

The administrators and Antares considered the practicalities and likely impact of obtaining the building permits, and it was agreed that doing so was unlikely to result in any material increase in realisations for the plot, because:

- The cost of obtaining permits was confirmed to be c.€70k; and
- The plot is currently classified as agricultural land and as such in its current state would be subject to real estate transfer tax (payable by the purchaser), whereas if permits were obtained the plot would be reclassified as construction land and be subject to VAT (resulting in additional administrative and professional costs).

As such, Antares (with the support of the administrators) instructed Sotheby’s to market the property without building permits.

An offer of €370k was received on 15 March. The administrators asked Antares to carry out an analysis of the offer in order to consider it further and determine whether it should be accepted. A further updated will be provided in the administrators’ next progress report.

3.4.3 Duet Piano Leasing Inc.

As noted in section 3.2 above, DCHL’s 100% shareholding in Duet Piano Leasing Inc, a US-registered company, was included as part of the business & asset sale to Musiq Group on 20 October 2021. Consideration of £245k was paid for the shares.

3.5 Legal Proceedings

As reported previously, immediately upon their appointment over DCHL the administrators instructed SPB to provide advice and issue legal proceedings (the “Proceedings”) in order to pursue monies owed in respect of the outstanding director’s loan account owed to DCHL by Jonathan Thorne and establish proprietary claims over the assets of DCHL’s Operating Subsidiaries, as DCHL’s records confirmed that these assets were purchased using funds diverted from DCHL.

A High Court hearing took place on 24 February 2022, at which Summary Judgment was obtained against Mr Thorne along with an interim payment order requiring him to pay the sum of £11,331,221 to DCHL. The key elements of the ruling are as follows:

- Mr Thorne was found to have acted in breach of his fiduciary duties by causing DCHL to draw down on a facility agreement with OSB against counterfeit leases, and using the monies to benefit himself, his dependents, Adriatic and Sky Taste.
- Mr Thorne must indemnify OSB for all losses arising as a result of breaching his fiduciary duty.
- It was held that Adriatic and Sky Taste knowingly received funds resulting from Mr Thorne’s misconduct and must repay any monies fraudulently drawn down pursuant to the facility agreement with OSB.
- Further, the judgment ruled that the following assets of Adriatic and Sky Taste are held on constructive trust for DCHL:
 - Adriatic - the proceeds from the sale of Chimera; and
 - Sky Taste - the properties known as Selina, Bacine & Punta Dramca.

Based on the administrators’ understanding of Mr Thorne’s assets, we consider it unlikely that Mr Thorne has sufficient means to meet the interim payment order. We also understand that a bankruptcy petition has been filed against Mr Thorne by OSB, with a bankruptcy hearing due to take place in May 2022.

Given that a bankruptcy petition is already in progress, we propose waiting for the outcome of the bankruptcy hearing in May 2022 and submitting a claim in the amount of £11,331,221 in the resulting bankruptcy.

3.6 Debtors

Private debtor - £10k

As previously reported, the administrators are aware of £10k owed to the Company by a private individual. We have made several attempts to contact the debtor with a view to settle the outstanding balance and have not received a response to date. The administrators will continue their efforts to collect this debt insofar as it is cost-effective to do so.

Terminal Studios - debt purchase proposal

During the reporting period the administrators received a debt purchase proposal from Terminal Studios, one of the Company's Institution Leasing customers. Terminal Studios owes a historical debt of £46k to DCHL and entered a CVA in December 2020 under which the proposed return to creditors was 21 pence in the £. The new debt proposal comprises an up-front repayment of £6k followed by a further £6k at the end of the 5-year term of the CVA if the CVA is successful. The administrators have confirmed their acceptance of the proposed offer and are awaiting paperwork from Terminal Studios to formalise the arrangement.

3.7 Administration strategy

As previously reported, the administrators must perform their functions with the objective of:

- 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 ordinary preferential creditors and, if applicable, secondary preferential creditors.

The administrators have achieved the second objective on the basis that the consideration received from the business sale has achieved a greater return for creditors than would have been achieved from a liquidation process.

The third objective has also been achieved by way of the distribution to made NatWest during the reporting period following the sale of Bank House. The administrators also anticipate that one or more distributions will be made to OSB in due course.

4. Investigations

Under the Company Directors Disqualification Act 1986 we have a duty to make a submission to the Secretary of State for Business, Energy & Industrial Strategy on the conduct of all those persons who were directors at the date the Company entered administration or who held office at any time during the three years immediately preceding the administration.

As previously reported, we have complied with our duty in this regard. As all submissions are strictly confidential, we are unable to disclose their content, however we wish to inform creditors that we are continuing to assist the Insolvency Service with their ongoing enquiries relating to the alleged misconduct of one of the Company's officers.

Following our initial assessment of the Company's bank statements and records, we identified a number of issues relating to the misappropriation of Company funds. A detailed analysis was carried out based on the Company's records, which was included as part of the Court bundle for the High Court Hearing on 24 February 2022. Information regarding the outcome of the hearing is provided in section 3.5.

5. Pre-administration costs

The pre-administration costs set out in the table below were previously reported in the administrators' Proposals and our previous progress report.

Approval to pay these costs has not yet been sought due to the outstanding query regarding the security position (see section 8.1.1). Once the position has been clarified by the Court, the administrators will seek approval from the appropriate parties to discharge the outstanding pre-administration costs. We anticipate that approval will be sought within the next six-month reporting period.

Charged by / services provided	Total incurred £	Paid during the period £	Outstanding at 22 March 2022 £
S&W - Pre-appointment time costs	49,522	Nil	49,522
SPB - Pre-appointment costs relating to the worldwide freezing order and administration appointment *	80,273	Nil	80,273
Total	129,795	Nil	129,795

* The pre-appointment costs of SPB include Counsel's fees of £7.5k & disbursements of £936.

6. Administrators' remuneration

Approval for the basis of the joint administrators' remuneration has not yet been obtained and is not being sought at this time due to the outstanding query regarding the security position (see section 8.1.1). Once the position has been clarified by the Court, approval will be sought from the appropriate parties in due course.

Irrespective of whether or not a total assignment exists in favour of OSB, the administrators do not anticipate that fee approval will be sought from the general body of creditors as, based on information currently available, it is not anticipated that realisations will be sufficient to enable any distribution to be made to the Company's unsecured creditors (other than by way of the Prescribed Part in the event that no total assignment exists). Instead, approval is likely to be sought from OSB as the Assignee if the Court confirms that a valid total assignment exists, or the secured and preferential creditors if not.

The administrators' time costs are:

Period	Total hours hrs	Total costs £	Average hourly rate £/hr	Fees drawn £
23 March 2021 to 22 September 2021	2,196	695,323	317	Nil
23 September 2021 to 22 March 2022	772	236,899	307	Nil
Total	2,968	932,222	314	Nil

Attached, as Appendix II, is a time analysis which provides details of the activity costs incurred by staff grade during the period of this report, in respect of the costs fixed by reference to time properly spent by the administrators and their staff in attending to matters arising in the administration. Details of work carried out in the period are also included in the body of this report.

Also attached, as Appendix III, is a cumulative time analysis for the period from 23 March 2021 to 22 March 2022, which provides details of the administrators' time costs since appointment. No fees have been drawn by the administrators on account of these costs as fee approval has not yet been sought due to the outstanding query regarding the security position.

The joint administrators previously estimated future costs in the region of £175k, bringing total estimated post-appointment time costs to complete the administration to £870k. This estimate has been exceeded during the reporting period as a result of additional time spent in dealing with the following matters:

- Sale of business & additional trading period
 - Contract negotiations in respect of the business sale to Musiq Group were protracted and additional time costs were incurred to finalise the terms of the sale.
 - The negotiation period was therefore longer than originally anticipated and required the administrators to continue trading DCHL in administration until the sale could be finalised.
 - The terms of the business sale included a number of transitional arrangements, which required ongoing work throughout the current reporting period. These costs are recorded under Business Sale and also Case Administration in the SIP9 report included at Appendix II.
- Adriatic
 - The marketing period for Chimera was significantly longer than the administrators previously estimated based on the advice of Denison Yachting.
 - Time costs have also been incurred in respect of the RIB, which the administrators were not aware of during the previous reporting period.
- Sky Taste
 - Unforeseen time costs were incurred in resolving the issue whereby the former building contractor for Selina registered pledges against the 3 Sky Taste Properties. This matter came to light in late December 2021 and was resolved in March 2022.

An explanation of these matters can be found in section 3 above.

Based on information currently available, the joint administrators anticipate future costs to be in the region of £125k. The work required to bring the administration to completion is set out in section 9.

Please note that this estimate is based on present information and may change due to unforeseen circumstances arising. In the event that the fees estimate is likely to be exceeded, the joint administrators will need to provide an update and seek approval from the appropriate creditors before drawing any additional sums. Fee estimates may be given up to a certain event/stage or for a designated period if it is not possible to provide an accurate estimate at any given point.

Creditors should be aware that some of the work is required by statute and may not necessarily provide any financial benefit to creditors. Examples would include dealing with former employees' claims through the Redundancy Payments Service and providing information relating to the Company and its former officers as required by the Company Directors' Disqualification Act 1986.

A copy of "A Creditor's Guide to Administrator's Fees", as produced by R3, is available free on request or can be downloaded from their website as follows:

<https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/more/29113/page1/administration-a-guide-for-creditors-on-insolvency-practitioner-fees/>

Details of Smith & Williamson LLP's charge out rates along with the policies in relation to the use of staff are provided at Appendix IV.

We have no business or personal relationships with the parties who approve our fees.

We have no business or personal relationships with SPB who provide legal services to the administration where the relationship could give rise to a conflict of interest.

7. Administration expenses

The tables in Appendices V to VIII provide details of our expenses paid and incurred during the reporting period.

Expenses are amounts properly payable by us as administrators from the Company's estate. The tables exclude distributions to creditors, the only one of which made during the period was to NatWest under its fixed charge following the sale of Bank House. The tables also exclude any potential tax liabilities that we may need to pay

as an administration expense because the amounts due will depend on the position at the end of the tax accounting period.

The tables should be read in conjunction with the receipts and payments account at Appendix I which shows expenses actually paid during the period and the total paid to date.

7.1 Policies regarding use of third parties and expense recovery

Appendix IV provides details of Smith & Williamson LLP's policies in relation to the use of subcontractors and professional advisers, and the recovery of expenses.

7.2 Subcontractors

The table at Appendix V provides details of costs incurred during the reporting period in respect of subcontractors. Full details of the subcontractors engaged on this assignment are contained in our previous progress report.

7.3 Professional advisers

The table at Appendix VI discloses the costs incurred and paid in relation to professional advisers, along with their estimated future costs.

The table also indicates the basis of our fee arrangement with each advisor, which is subject to review on a regular basis. Please note that the total costs outstanding may include costs incurred in prior periods, but not yet paid.

The solicitors and valuation agents detailed in Appendix VI were instructed to advise the administrators based on their specific expertise and experience in insolvency or asset-specific matters. We consider that they provide the best value and service to creditors. All UK-based solicitors are regulated by the Solicitors Regulation Authority (SRA).

Further information on the professional advisers engaged and the scope of work undertaken is contained in our previous progress report.

7.4 Administrators' expenses

A table setting out details of the joint administrators' expenses incurred during the reporting period is included at Appendix VII.

7.5 Other expenses

Other expenses (i.e., those not detailed in Appendices V, VI or VII) paid during the period covered by this report are shown in the receipts and payments summary at Appendix I.

Appendix VIII reflects those other expenses incurred and/or paid which we consider to be significant in the context of this case.

8. Estimated outcome for creditors

The estimated outcome for each class of creditors is set out below.

Please note that where creditors have submitted claims in foreign currency they have been converted to £Sterling. If any creditor considers the rate to be unreasonable, they may apply to court for determination.

8.1 Secured creditors

8.1.1 Security review

As previously reported, due to the complexity of the security documents relating to charges granted by the Company, the administrators have sought specialist advice regarding the security position of OSB and Close.

Matthew Weaver of Radcliffe Chambers provided a security review which identified a potential total assignment in favour of OSB of all current and future sums due to the Company. If such an assignment is valid, any sums which fall due to the Company would be automatically assigned to OSB. As such, any realisations which would ordinarily be captured by OSB's floating charge would instead be due to OSB under the assignment and, consequently, the Prescribed Part (see Section 8.2) would not apply to those proceeds.

The administrators will be seeking Court Direction to confirm whether such a total assignment exists. We anticipate that the position will be clarified during the next reporting period. For the time being we have structured our R&P in Appendix I and the remainder of this section on the basis that an assignment does not exist and OSB's security takes the usual form of fixed and floating charges. However, this is subject to change and an update will be provided in our next report to creditors.

8.1.2 Secured creditors

Notwithstanding the potential total assignment in favour of OSB noted above, there are 3 creditors which hold charges over the Company's assets. At the date of the administration the indebtedness was estimated at £30.8m, to which interest will be added.

NatWest was repaid in full during the reporting period following the sale of Bank House and its fixed charge has now been released.

No payments have been made to OSB or Close during the administration to date, and it should be noted that Close terminated all of its hire purchase agreements with the Company in respect of musical instruments on 20 October 2021. As such, we do not anticipate that any payments will be made to Close.

Charge holder	Type of charge	Date(s)	Amount due £	Total paid at period end £
NatWest	Debenture containing fixed and floating charges Legal mortgage in respect of Bank House	15/10/2013 & 31/10/2014	171k	171,292
OSB	Debenture containing fixed & floating charges <i>* Potential total equitable assignment - see Section 8.1.1</i>	03/03/2015	27.4m	Nil
Close	Debenture containing fixed and floating charges, and 12 HP agreements in respect of specific musical instruments <i>* All HP agreements have been terminated and the assets taken back by Close</i>	Various between 11/10/2016 and 29/05/2019	3.2m	Nil
Total				171,292

8.2 Prescribed Part

As previously reported, the Company granted floating charges to NatWest, OSB and Close, as set out in the table in section 8.1.2 above. Accordingly, in the event that there is not a total assignment in favour of OSB, we will be required to create a Prescribed Part fund out of the Company's net floating charge property for unsecured creditors.

As a result of the ongoing security query concerning the potential total assignment in favour of OSB, we are not currently able to estimate the value of the Company's net floating charge property. As such, we are also unable to calculate the value of the unsecured creditors' Prescribed Part fund.

8.3 Ordinary preferential creditors

The administrators have submitted claims to the RPS for amounts owed to employees in respect of outstanding holiday pay and pension contributions at the date of administration. Below is a summary of the amounts owed in respect of ordinary preferential claims:

Ordinary preferential creditor	SOA claims £	Claims received £
Employee claims - 2	Uncertain	Nil
Redundancy Payments Service	Uncertain	1,101
Total	Uncertain	1,101

8.4 Secondary preferential creditors

Secondary preferential creditors rank below the ordinary preferential creditors and mainly relate to HMRC's claim for outstanding taxes 'paid' by employees and customers of that business. These include Value Added Tax (VAT), Pay As You Earn (PAYE), employee National Insurance Contributions, student loan deductions and Construction Industry Scheme deductions. It is important to note that there is no cap or time limit on what HMRC can recover in respect of the above.

The secondary preferential creditors will only be entitled to receive a dividend after all the ordinary preferential creditors have received 100p in the pound (£).

HMRC will continue to be an unsecured creditor for corporation tax and any other taxes owed directly by a company/business (for example employer National Insurance Contributions).

No secondary preferential claims have been received by HMRC and in any case we do not anticipate that realisations will be sufficient to make a secondary preferential creditor distribution should a claim be received.

8.5 Unsecured creditors

We have received claims totalling £64,611 from 5 creditors. Total claims as per the directors' SOA were £85,928.

Based on information currently available, we do not anticipate that realisations will be sufficient to make a distribution to the unsecured creditors other than possibly by way of the Prescribed Part. As noted above in section 8.1.1, the Prescribed Part will not apply in the event that a total assignment exists in favour of OSB in respect of the Company's assets, as in this case any distribution to OSB would be made to it as an assignee rather than a floating charge holder.

9. Outstanding matters

The remaining actions to be concluded in the administration are as follows:

- Completing the reconciliation exercise in respect of the Musiq Group TSA costs following the transitional arrangements coming to an end on 19 April 2022.
- Finalising all outstanding VAT and tax matters arising in the administration, including those relating to the trading period.
- Working alongside Pike Restructuring to market the RIB held by Adriatic and taking steps to liquidate Adriatic once this asset has been realised.
- Working with Antares to realise the remaining Sky Taste properties (Selina & Punta Dramca) in Croatia.
- Enforcing the Summary Judgment and interim payment order against Jonathan Thorne, most likely via a bankruptcy for which OSB has filed a petition.
- Obtaining Court Direction to confirm whether OSB holds a valid total assignment over the DCHL's assets and thereby clarify the security position.
- Upon receiving Court Direction, obtaining approval for the administrators' pre- and post-administration remuneration and pre-appointment expenses from the appropriate parties.
- Distributing the net proceeds of realisations to the secured and ordinary preferential creditors and, in the event that the Court does not consider there to be a total assignment in favour of OSB, making a distribution to the unsecured creditors by way of the Prescribed Part if realisations are sufficient to do so.
- Obtaining approval for the administrators' discharge from liability and taking steps to dissolve the Company.

10. Privacy and data protection

As part of our role as joint administrators, I would advise you that we may need to access and use data relating to individuals. In doing so, we must abide by data protection requirements. Information about the way that we will use and store personal data in relation to insolvency appointments can be found at <https://smithandwilliamson.com/rsgdpr>.

If you are unable to download this, please contact my office and a hard copy will be provided free of charge.

To the extent that you hold any personal data of the Company's data subjects provided to you by the Company or obtained otherwise, you must process such data in accordance with data protection legislation. Please contact us if you believe this applies.

11. Ending the administration

In accordance with the provisions of IA86, administrations automatically come to an end after one year unless an extension is granted by the court or with the agreement of the creditors. In this case the administration has been extended with secured creditor consent for a period of up to one year until 23.59pm on 22 March 2023.

Exit route from administration

As detailed in the Proposals and our previous progress report, there are several possible exit routes from administration. Based on current information, we do not anticipate there will be sufficient assets to make a distribution to the unsecured creditors other than possibly by way of the Prescribed Part. As such, it is likely that the administrators will file a notice with the Registrar of Companies in due course and the Company will be dissolved three months later.

Discharge from liability

The administrators have not yet sought approval regarding their discharge from liability. Based on information currently available, it is anticipated that approval will be sought from the secured creditors at the appropriate time.

12. Creditors' rights

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 or otherwise with the court's permission) may request in writing that the administrators provide further information about their remuneration or expenses which have been itemised in this report.

Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors or otherwise with the court's permission) may within 8 weeks of receipt of this report make an application to court on the grounds that, in all the circumstances, the basis fixed for the administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred (including any paid) by the administrators, as set out in this report, are excessive.

The above rights apply only to matters which have not been disclosed in previous reports.

On a general note, if you have any comments or concerns in connection with our conduct, please contact Colin Hardman or Henry Shinnars in the first instance. If the matter is not resolved to your satisfaction, you may contact our Head of Legal by writing to 25 Moorgate, London EC2R 6AY or by telephone on 020 7131 4000.

Thereafter, if you wish to take the matter further you may contact the Insolvency Services directly via Insolvency Complaints Gateway. They can be contacted by email, telephone or letter as follows:

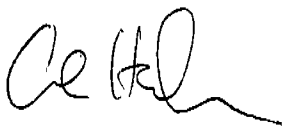
i) Email: insolvency.enquiryline@insolvency.gsi.gov.uk

ii) Telephone number: +44 300 678 0015

iii) Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA.

13. Next report

We are required to provide a further report on the progress of the administration within one month of the end of the next six-month period of the administration unless we have concluded matters prior to this, in which case we will write to all creditors with our final report.



Colin Hardman

Joint Administrator

Date: 22 April 2022

Colin Hardman, Henry Anthony Shinnars and Nicholas Myers were appointed as Joint Administrators of the Company on 23 March 2021.

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

All office holders are authorised and licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. Further details of their licensing body along with our

complaints and compensation procedure can be accessed at: <https://smithandwilliamson.com/en/insolvency-licensing-bodies/>

The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at:

<https://www.icaew.com/technical/insolvency/sips-regulations-and-guidance/insolvency-code-of-ethics>

The Joint Administrators may act as controllers of personal data, as defined by the UK data protection law, depending upon the specific processing activities undertaken. Smith and Williamson LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment.

The Fair Processing Notice in relation to the UK General Data Protection Regulation can be accessed at <http://smithandwilliamson.com/rsgdpr>

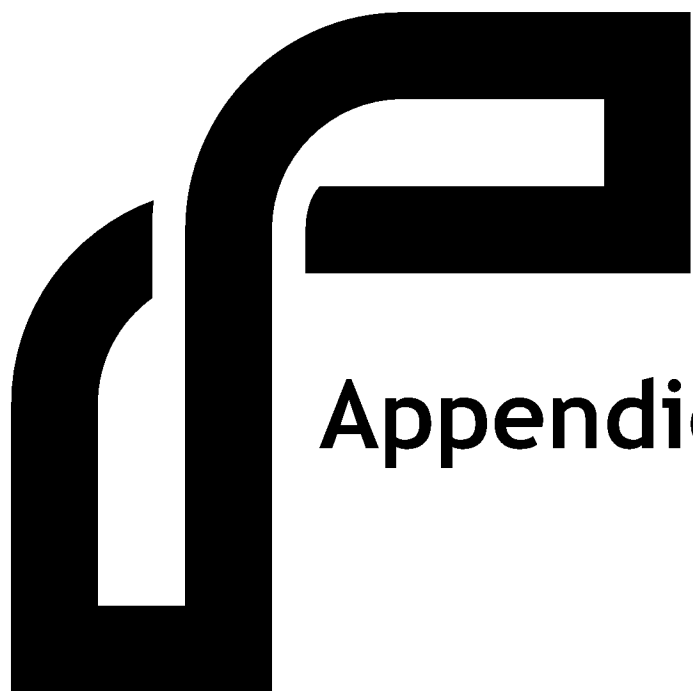
Should you wish to be supplied with a hard copy of any notice, attachment or document relating to a case matter, please contact the staff member dealing with this matter at any time via telephone, email or by post and this will be provided free of charge within five business days of receipt of the request.

The word partner is used to refer to a member of Smith & Williamson LLP. A list of members is available at the registered office.

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Appendices

I Receipts and payments account

Receipts and payments account to 22 March 2022

Duet Capital (Holdings) Limited
(In Administration)
Joint Administrators' Trading Account

Statement of Affairs £	From 23/09/2021 To 22/03/2022 £	From 23/03/2021 To 22/03/2022 £
POST APPOINTMENT SALES		
Institution Leasing Income - OSB Assets	149,285.25	149,285.25
Institution Leasing Income - Close Assets	72,902.71	72,902.71
Duet Media Income	26,310.00	41,540.00
Consumer Hire Income	155,670.02	155,670.02
	<u>404,167.98</u>	<u>419,397.98</u>
OTHER DIRECT COSTS		
Sub Contractors		
Piano Technicians	28,607.90	112,760.08
Consultants	9,492.08	37,041.70
Media Technicians	NIL	4,859.33
Musiq Group Ltd - Consumer Book	47,142.86	47,142.86
Direct Labour	14,884.56	77,044.12
Staff Expenses	2,421.45	8,117.37
Ransom Payments	NIL	35,584.88
	<u>(102,548.85)</u>	<u>(322,550.34)</u>
TRADING EXPENDITURE		
Pension Contributions	1,832.54	7,842.12
PAYE/NIC	6,363.01	36,497.17
Utilities	457.60	1,456.57
IT & Telecoms	8,930.16	26,756.81
Professional Fees	280.00	550.00
Bank Charges	1.40	46.25
Repairs & Maintenance	NIL	4,447.84
Stationery	NIL	16.89
Storage	8,648.74	18,360.00
Waste Disposal	NIL	123.72
Employee Healthcare Insurance	NIL	8,369.60
Customer Refunds	1,839.39	2,248.90
Consumer Hire Purchases	NIL	1,640.00
Subcontractor Hotel & Travel Costs	1,012.50	2,193.75
Security Systems	NIL	516.00
	<u>(29,365.34)</u>	<u>(111,065.62)</u>
TRADING SURPLUS/(DEFICIT)	<u>272,253.79</u>	<u>(14,217.98)</u>

Duet Capital (Holdings) Limited
(In Administration)
Joint Administrators' Summary of Receipts & Payments

Statement of Affairs £	From 23/09/2021 To 22/03/2022 £	From 23/03/2021 To 22/03/2022 £
	GENERAL FIXED CHARGE	
	Customer Advances	
	Institution Hire	1.00
	Consumer Hire	1.00
	Customer Contracts	
	Institution Hire	1.00
	Consumer Hire	1.00
	Goodwill	1.00
	Intellectual Property Rights	1.00
	Share Capital: Duet Piano Leasing Inc	245,000.00
		<u>245,006.00</u>
		245,006.00
	PROPERTY & LAND	
200,000.00	Freehold Property - Bank House	425,000.00
	Property Management Costs	(420.00)
	Realisation Costs - Bank House	(1,500.00)
	Chargeholder - National Westminster Bank	(171,292.19)
		<u>251,787.81</u>
		251,787.81
	ASSET REALISATIONS	
	Adriatic - Court Deposit Refund	NIL
	Adriatic - Insurance Settlement	NIL
	Adriatic - Pre Legal Fees Refund	NIL
	Adriatic - Tax Refund	1,044.60
	Adriatic - Yacht (Chimera)	1,207,045.74
	Trading Surplus / (Deficit)	272,253.79
	Assigned Debt	1.00
	Bank Interest Gross	85.27
	Business Rates Refund	1,442.78
	Cash at Bank	20,928.56
	Company Records	1.00
	Consumer Hire Agreements Assets	
	Consumer Hire Agreements Assets	1.00
	Other Consumer Hire Agreements Assets	1.00
	Customer Contracts - Close Bros	1.00
6,500,000.00	Equipment - Musical Instruments	
	Institution Hire	2,465,042.00
	Consumer Hire	64,946.00
	Fixtures & Fittings	5,000.00
31,000.00	Motor Vehicles	20,000.00
	Musiq Group Ltd - Purchaser Receipts	
	Institution Hire Advances 20.10.21	78,216.94
	Consumer Hire Advances at 20.10.2	11,066.01
	Post-sale Receipts - Institution Hire	1,326.60
	Post-sale Receipts - Consumer Hire	49,462.97
	Musiq Group Ltd - Contribution to Costs	(39,108.47)
	Vehicle Tax Refund	131.66
	Work In Progress	1.00
		<u>4,158,890.45</u>
		4,043,945.23

Statement of Affairs £	From 23/09/2021 To 22/03/2022 £	From 23/03/2021 To 22/03/2022 £
ADMINISTRATION FUNDING		
Administration Funding		
Trading Funding	NIL	329,056.52
Adriatic Funding	NIL	249,913.82
Sky Taste Funding	NIL	6,803.42
Repayment of Admin. Funding		
Trading Funding	(329,056.52)	(329,056.52)
Adriatic Funding	(249,913.82)	(249,913.82)
Sky Taste Funding	(6,803.42)	(6,803.42)
	<u>(585,773.76)</u>	<u>0.00</u>
COST OF REALISATIONS		
Agents Fees		
Hilco Global	9,500.00	9,500.00
Instrument Valuations	2,025.00	3,525.00
Wrightson Marine LLC (Adriatic)	97,759.65	173,256.35
Denison (Adriatic)	15,039.35	15,039.35
American Bureau of Shipping (Adriatic)	5,528.66	5,528.66
Agents/Valuers Expenses	394.64	394.64
Bank Charges	174.25	322.40
Commission - Rates Refund	721.39	721.39
Data Room Fees	508.50	508.50
Insurance of Assets		
Duet Adriatic	NIL	32,139.09
Legal Expenses	76,946.08	76,946.08
Legal Fees		
Squire Patton Boggs	681,737.69	681,737.69
Holland & Knight LLP (Adriatic)	NIL	94,116.88
Conway & Partners (Adriatic)	4,294.74	40,136.61
DTB (Sky Taste)	NIL	4,261.54
Gajski Grlic Prka (Sky Taste)	NIL	7,578.51
Natwest Bank Charges - Pre-appt bank	1,067.69	1,067.69
Professional Expenses		
Pike Restructuring (Adriatic)	NIL	662.30
Other (Adriatic)	327.20	327.20
Professional Fees		
Pike Restructuring (Adriatic)	23,380.00	56,986.00
Piano Lease	2,776.94	2,776.94
Architect & Legal Fees (Sky Taste)	64,422.08	64,422.08
Other (Adriatic)	1,859.82	1,859.82
Statutory Advertising	95.00	95.00
	<u>(988,558.68)</u>	<u>(1,273,909.72)</u>
6,731,000.00	<u>3,081,351.82</u>	<u>3,266,829.32</u>
REPRESENTED BY		
Clients Deposit IB - Fixed chg		245,006.00
Clients Deposit IB - Flt chg		2,420,115.98
Clf Dep - Int Bear - Customer Advances		190,287.86
Squire Patton Boggs - Client Account		454,716.61
VAT Payable		(151,310.71)
VAT Payable Fixed Chg		(85,000.00)
VAT Receivable		192,629.58
VAT Receivable Fixed Chg		384.00
		<u>3,266,829.32</u>

Note: The Bank accounts are currently interest bearing.

Notes and further information required by SIP 7

- The administrators' remuneration has not yet been approved as a result of the outstanding query regarding the security position (see section 8.1 of the report for further information). We anticipate that this matter will be resolved during the next reporting period, after which approval will be sought from the appropriate parties.
- For the same reason, we have not yet sought approval of or drawn any other costs that would require the same approval as our remuneration.
- No payments have been made to us from outside the estate.
- Details of significant expenses paid are provided in the body of our report.
- Details of payments made to sub-contractors are shown in the body of our report.
- Information concerning our remuneration and expenses incurred is provided in the body of the report.
- Information concerning the ability to challenge remuneration and expenses of the administration is provided in our report.
- All bank accounts are interest bearing.
- There are no foreign currency holdings.
- All amounts in the receipts and payments account are shown exclusive of any attributable VAT. Where VAT is not recoverable it is shown as irrecoverable VAT.

Notes and further information required by SIP 9

Trading

Receipts

- Trading receipts totalling £222,188 (net of VAT) in respect of the Institution Leasing business line were received into the administration bank account during the reporting period. As a result of the banking arrangements set out in section 3.1 of this report, this figure comprises trading income from the previous reporting period as well as the current period:
 - £176,254 was generated between 23 March 2021 to 22 September 2021; and
 - £45,934 was generated between 23 September 2021 and 20 October 2021.
- Trading receipts totalling £76,183 (plus VAT) in respect of the Consumer Hire business line were received into the administration bank account during the reporting period. All of this income was generated between 23 March 2021 and 22 September 2021 but was held in the Company's pre-appointment NatWest bank accounts at the end of the last reporting period and as such did not appear on the R&P included with our previous progress report.
- At 22 March 2022 a further £79,487 (plus VAT) of Consumer Hire trading income was held in SPB's client account as a result of the repayment structure agreed with NatWest following the sale of Bank House. These monies comprise:
 - £43,904 generated between 23 March 2021 and 22 September 2021; and
 - £35,583 generated between 23 September 2021 and 20 October 2021.
- A further £253 (plus VAT) of Consumer Hire trading income remained in the Company's pre-administration NatWest bank account at the end of the current reporting period and as such does not appear on the R&P above.
- Trading income of £26,310 relating to the Duet Media business line was received into the administration bank account during the reporting period, bringing total trading receipts for this business line to £41,540. All of this income was generated between 23 March 2021 and 22 September 2021.
- All business lines have now been sold to Musiq Group and the administrators are no longer trading the business. As such, we do not anticipate that there will be any further trading receipts (with the exception of the £79,487 Consumer Hire trading income noted above).

Payments

- An overview of the material categories of trading payments is provided in section 3.1 of this report.
- Trading costs of £131,914 (£102,549 of direct costs and £29,365 of other trading expenditure) have been paid during the reporting period.

- A reconciliation of costs incurred during the Transitional Services Period following the business sale to Musiq Group is ongoing, and we are also awaiting final utility invoices relating to the administration trading period. There may therefore be a small quantum of further trading costs and/or refunds to disclose in our next report to creditors.
- It should be noted that the administrators have not yet sought approval for the basis of their remuneration, and as such the trading payments to date do not include any payments made in respect of the administrators' fees.

Administration Funding

- As set out in our first progress report, administration funding totalling £585,774 was provided by OSB during the previous reporting period. The funding was provided for the following purposes:
 - £329,057 of trading funding to enable the administrators to discharge trading costs whilst trading receipts were initially inaccessible due to the banking arrangements outlined in section 3.1 of this report;
 - £249,914 of funding in respect of Duet Adriatic to enable payment of costs required to secure the release of an insurance settlement and to pay for ongoing maintenance of the yacht 'Chimera' whilst a buyer was sought; and
 - £6,803 of funding to cover legal fees relating to Sky Taste.
- All administration funding was repaid during the reporting period. We do not anticipate that any further funding will be required as asset realisations are now sufficient to discharge the remaining costs of the administration.

General Fixed Charge Asset Realisations

Receipts

- In accordance with advice obtained from SPB and Counsel, certain assets included within the business sale to Musiq have been treated as being subject to a fixed charge in favour of OSB.
- These assets include a realisation of £245,000 in respect of DCHL's 100% shareholding in Duet Piano Leasing Inc, the Company's US-registered subsidiary.
- Certain sundry assets included in the business and asset sale, including customer contracts, customer advances, goodwill and intellectual property rights, have been realised for the nominal value of £1 each.

Fixed Charge Property: Bank House

- The Company's freehold premises ('Bank House') were sold to MW Holdings (SE) Ltd, an unconnected party, on 14 February 2021 for consideration of £425,000 (plus VAT).
- As outlined in section 8.1.2 of this report, NatWest held a first-ranking fixed charge over Bank House and has been repaid in full following the property sale.
- On 22 March 2022, the net proceeds of sale in the amount of £454,717 (being the gross realisation of £510k less a settlement payment of £55,283 paid to NatWest on 14 February 2022) were held in SPB's client account. We anticipate that these monies will be received into the administration bank account shortly.

Other Asset Realisations

Business Sale

- A total of £2,465,042 has been realised in respect of the floating charge assets included in the business sale to Musiq Group, comprising:
 - £2,465,042 in respect of the musical instruments relating to the Institution Hire business line;
 - £64,946 in respect of the musical instruments relating to the Consumer Hire business line;
 - £20,000 in respect of DCHL's 2 motor vehicles;
 - £5,000 in respect of DCHL's office equipment, fixtures and fittings; and
 - £6 in respect of various sundry assets including customer contracts, work in progress and book debts included as part of the business sale transaction.
- All receipts reflected under 'Musiq Group Ltd - Purchaser Receipts' are monies belonging to Musiq Group and comprise customer advances as at 20 October 2021 or post-sale receipts which were received into the Company's pre-administration NatWest bank accounts and subsequently transferred to the administration Customer Advances bank account during the reporting period. As such, these are not true asset realisations

in the administration. A reconciliation exercise is ongoing and we anticipate that all monies belonging to Musiq Group will be transferred to them shortly after this report is issued.

Adriatic

- As reported in section 3.4.1 of the report, the superyacht Chimera was sold during the reporting period and proceeds of £1,207,046 were received into the administration bank account.
- £1,045 has been received regarding a Duet Adriatic VAT refund.

Miscellaneous Realisations

- Prior to the administrators' appointment DCHL engaged Altus Group UK Limited, a business rate claims specialist to carry out a historic business rates review in respect of Bank House. This exercise resulted in a refund of £1,443 from Ashford Borough Council which was received during the reporting period.
- Cash at bank in the amount of £20,929 from the Company's secondary NatWest bank account was realised during the reporting period.
- As detailed in section 3.1, the administrators have continued to receive income for the benefit of Musiq Group whilst FCA approval was sought. A total of £88,625 has been paid to Musiq Group, consisting of institution hire advances, consumer hire advances, post-sale institution hire receipts and post-sale consumer hire receipts.
- A vehicle tax refund in the sum of £132 has been realised during the reporting period.
- Bank interest of £85 was received during the period in respect of monies held in the administration bank account. All interest was received gross of tax.

Payments

DCHL

- Post-appointment legal fees of £681,738 and legal expenses of £76,946 (including Counsel's fees) have been paid to SPB during the reporting period. Full details regarding the scope of work carried out by SPB is outlined in our previous progress report and a litigation update is included in section 3.5 of this report.
- Hilco Global were paid fees of £9,500 and expenses of £395 during the reporting period for work undertaken relating to the valuation of DCHL's floating charge assets (excluding musical instruments).
- Piano Auctions have been paid £2,025 for work undertaken in valuing the Company's musical instruments.
- Fees of £509 have been paid to Data Site, an online hosting platform used to facilitate the marketing of DCHL's business.
- Altus Group UK Limited were paid commission of £721 out of the Bank House business rates refund received during the period.
- Bank charges of £1,068 in relation to the Company's pre-appointment NatWest bank accounts and £174 in respect of the administration bank accounts were paid during the period.
- Statutory advertising fees of £95 were paid during the period.

Adriatic

- £23,380 has been paid to Pike Restructuring during the reporting period in respect of Nick Pike's directorship of Adriatic and DPL.
- Wrightson Marine LLC were paid £97,760 in respect of monthly costs associated with the mooring and maintenance of Chimera prior to its sale on 15 February 2022.
- Denison Yachting have been paid fees in the sum of £15,039 for their valuation and marketing work relating to Chimera.
- American Bureau of Shipping were paid £5,529 during the period to carry out a survey as part of the sale of Chimera.
- Conway & Partners were paid £4,295 during the reporting period for legal fees charged to prepare the sale contracts for Chimera.
- Mifsud & Mifsud Advocates were paid £1,860 in legal fees and £327 in expenses relating to the termination of Adriatic's crew contracts in April 2020.

Sky Taste

- As set out in section 3.4.2 of the report, a payment of £64,422 was made to Sky Taste in March 2022 in order to enable it to make a payment to the building contractors used for Selina.

Duet Piano Leasing Inc

- A payment of £1,860 was made to Friedman LLP in respect of work carried out to prepare DPL's federal, New Jersey and Pennsylvania income tax returns for 2020.

II Time analysis for the period

From 23 September 2021 to 22 March 2022

Period: 23/09/21 to 22/03/22	Partner	Director & Associate Director	Manager	Other Professionals	Total	Cost	Average rate
	Hours	Hours	Hours	Hours	Hours	£	£/hr
Administration & planning							
Statutory & Regulatory	-	1.00	62.18	25.72	88.90	22,106.86	249
Case administration	44.88	11.63	98.23	86.55	241.30	76,026.87	315
Post appointment AML	-	-	-	0.47	0.47	107.34	230
Sub-total Administration & planning	44.88	12.63	160.42	112.73	330.67	98,241.07	297
Investigations							
Directors	-	-	-	0.10	0.10	23.00	230
Records and investigations	1.80	-	12.08	8.10	21.98	6,048.84	275
Sub-total Investigations	1.80	-	12.08	8.20	22.08	6,071.84	275
Realisation of assets							
Freehold property assets	5.85	-	14.22	8.60	28.67	9,094.75	317
Other assets	16.90	-	79.33	11.95	108.18	36,773.45	340
Tax assets	-	-	1.33	-	1.33	320.02	240
Business sale	30.07	-	60.80	17.12	107.98	36,621.17	339
Legal actions (civil recoveries)	15.37	-	27.22	7.73	50.32	17,792.94	354
Sub-total Realisation of assets	68.18	-	182.90	45.40	296.48	100,602.33	339
Trading							
Trading suppliers and expenses	-	-	5.32	6.47	11.78	2,975.44	253
Trading accounting	0.45	-	32.50	11.12	44.07	10,626.82	241
Trading employees	0.35	-	2.50	0.95	3.80	1,131.42	298
Trading customers	-	-	1.17	3.95	5.12	1,188.49	232
Trading compliance	-	-	2.25	0.50	2.75	655.00	238
Sub-total Trading	0.80	-	43.73	22.98	67.52	16,577.17	246
Creditors							
Chargeholders	0.50	-	33.00	2.48	35.98	10,327.09	287
Employees, Pensions & RPS	1.35	-	10.75	5.68	17.78	4,697.16	264
Unsecured creditors (exc. Staff)	-	-	0.33	1.32	1.65	382.83	232
Sub-total Creditors	1.85	-	44.08	9.48	55.42	15,407.08	278
Total of all hours	117.52	12.63	443.22	198.80	772.17		
Total of all £	70,509.84	4,989.90	115,505.37	45,894.38		236,899.49	
Average rate	600.00	395.00	260.61	230.86			307
Time undertaken by non insolvency teams							
Forensics	0.83	-	0.42	1.65	2.90	1,380.82	476
Tax Advice (Business, employment & VAT)	7.50	2.00	9.17	0.50	19.17	11,840.01	618
Total hours (non insolvency teams)	8.33	2.00	9.59	2.15	22.07		
Total £ (non insolvency teams)	7,482.89	1,890.08	3,278.28	569.58		13,220.83	
Average rate £/hr (non insolvency teams)	898.31	945.04	341.84	264.92			599.04
Grand total hours	125.85	14.63	452.81	200.95	794.24		
Grand total £	77,992.73	6,879.98	118,783.65	46,463.96		250,120.32	
Average rate £/hr (all staff)	619.75	470.18	262.33	231.22			315

Explanation of major work activities undertaken

Administration & planning

- Maintaining electronic case files and case details on IPS (case management software)
- Ongoing monitoring of insolvency bordereau for the case
- Maintaining up to date Anti-Money Laundering information for the case
- Monitoring insurance requirements regarding the Company's assets and requesting adjustments to insurance cover as asset realisations took place
- Maintaining and managing the administration estate's cash book and bank accounts
- All cashiering functions, including processing payments for administration trading and general expenses, preparing journal forms as necessary and deposit forms in respect of funds received
- Preparing and issuing the administrators' Progress Report for the six-month period to 22 September 2021, including filing the report with Companies House and the Court
- Dealing with routine correspondence not relating to assets, creditors or investigation matters
- Completing case checklists and diary lines to ensure compliance and case progression
- Carrying out case planning, administration and general case progression to include internal team calls
- Completing periodic case reviews
- Engaging with HMRC in respect of post-administration tax matters
- Obtaining secured creditor consent to extend the administration and filing notice of the extension with the Registrar of Companies
- Correspondence with the directors not relating to investigation or other matters which fall within other categories listed below
- All other general administrative tasks which may not specifically fall within one of the categories specified below

Investigations

- Compiling information relating to potential antecedent transactions identified in the administrators' initial review of the Company's records
- Liaising with the Insolvency Service and providing them with additional information as and when requested

Realisation of assets

Freehold property and other assets

- Liaising with Hilco in respect of the marketing and sale of Bank House, including ongoing monitoring of the marketing strategy and reviewing offers received from interested parties
- Discussions with SPB relating to offers received and instructing SPB to prepare contracts to execute the property sale

Other assets - subsidiaries, chattels and other assets

- Liaising with the respective legal advisors to monitor the strategy in place for each of the Operating Subsidiaries
- Holding regular calls with the independent directors of each entity (Pike Restructuring & Antares) to remain appraised of developments and monitor progression of asset realisations
- Communicating directly with professional advisors regarding assets held within the Operating Subsidiaries
- Working alongside the Directors of the Operating Subsidiaries to ensure that the assets held by the subsidiaries were properly maintained
- Assisting Pike Restructuring with the sale of Chimera
- Engaging with Croatian legal advisors (both directly and via Antares) to secure the release of the pledge registered against the Sky Taste properties by the former architects
- Working with Antares to complete the sale of the property known as Dick

- Reviewing documents and correspondence relating to the Operating Subsidiaries
- Paying outstanding costs to ensure the status of the subsidiaries are preserved

Business Sale

- Engaging in protracted negotiations via telephone and email correspondence with Musiq Group in order to agree the terms of sale following the administrators' acceptance of Musiq Group's offer of £2.8m on 2 August 2021
- Obtaining legal and technical advice regarding the requirement for any purchaser of the Consumer Hire business line to be FCA-authorised and adjusting the sale structure as required once this was established
- Liaising with SPB regarding the contracts required to execute the business sale (SPA, TSA, Reverse TSA, Licence Agreement in respect of Bank House)
- Ongoing dialogue with the Company's secured creditors regarding the business sale and contract negotiations

Legal actions (civil recoveries)

- Assisting SPB in connection with the ongoing legal proceedings in respect of Mr Thorne and the Operating Subsidiaries, primarily by compiling and circulating information to facilitate the preparation of witness statements and Counsel's skeleton argument
- Assisting SPB with preparation of the court bundle for and attending the High Court hearing on 24 February 2022 during which Summary Judgment and an interim payment order were granted against Mr Thorne
- Liaising with OSB and SPB regarding the initiation of bankruptcy proceedings against Mr Thorne after obtaining Summary Judgment
- Managing Mr Thorne's trust account and liaising with Mr Thorne in order to obtain information and make payments

Trading

- Producing weekly cash flows to monitor the trading of the Company and reporting anticipated profit/loss outcomes to OSB
- Liaising with trading suppliers regarding ongoing essential services
- Correspondence with utility suppliers relating to Bank House and providing undertakings to meet payments relating to the administrators' period of occupation as an expense of the administration
- Arranging payment of trading expenses as they fell due
- Paying monthly payroll and pension contributions in respect of retained employees, and arranging for payment of the relevant tax and pension deductions to HMRC and NEST
- Reviewing and signing off on all operations relating to ongoing trading
- Monitoring work carried out by the piano tuners under the servicing agreements in place with educational establishments
- Liaising with customers owed refunds due to cancelled direct debit payments following the return of short-term hire instruments
- Working with Musiq Group to continue trading the Consumer Hire business line from the date of the business sale on 20 October 2021 until Musiq Group obtained FCA-regulated status on 24 January 2022
- Carrying out a detailed trading reconciliation of deferred income, trading income and income belonging to Musiq Group upon reaching key milestones in the transitional period following the sale of business

Creditors

- Ongoing reporting to and correspondence with the Company's chargeholders in respect of trading matters, the business & asset sale, and progress in realising all other assets
- Preparing estimated outcome statements to keep the chargeholders apprised of anticipated realisations and costs
- Dealing with the Company's pension scheme provider (NEST) to ensure payments made in respect of employee contributions relating to the administration trading period were received and correctly allocated
- Liaising with employees and unsecured creditors relating to the administration and submitting claims

Forensics

- Carrying out key word searches of the Company's records to support the legal proceedings against Mr Thorne
- Arranging for the Company's IT and cloud data to be transferred onto a secured hard drive

Tax

- Providing ongoing corporation tax and VAT advice to the administrators in respect of the Company and its subsidiaries
- Advice regarding the business & asset sale in respect to potential tax implications of the transaction
- Assisting with preparation of the Company's outstanding pre-appointment tax returns, including liaising with Karl Stevenson and the Company's former accountants

III Cumulative time analysis

From 23 March 2021 to 22 March 2022

Cumulative: 23/03/21 to 22/03/22	Partner	Director & Associate Director	Manager	Other Professionals	Total	Cost	Average rate
	Hours	Hours	Hours	Hours	Hours	£	£/hr
Administration & planning							
Statutory & Regulatory	2.58	1.50	129.55	70.55	204.18	51,341.13	251
Case administration	87.10	81.15	176.00	282.98	627.23	196,806.66	314
Post appointment AML	-	-	1.00	2.60	3.60	891.67	248
Sub-total Administration & planning	89.68	82.65	306.55	356.13	835.02	249,039.46	298
Investigations							
Directors	1.25	2.00	8.25	3.98	15.48	4,673.00	302
Records and investigations	8.65	17.50	27.92	17.38	71.45	24,444.12	342
Sub-total Investigations	9.90	19.50	36.17	21.37	86.93	29,117.12	335
Realisation of assets							
Freehold property assets	5.85	1.50	19.13	10.00	36.48	11,446.04	314
Other assets	37.60	26.72	359.42	40.72	464.45	148,096.62	319
Tax assets	-	-	1.33	-	1.33	320.02	240
Business sale	153.47	32.25	394.65	34.25	614.62	213,241.98	347
Legal actions (civil recoveries)	18.57	42.10	98.57	21.85	181.08	60,589.93	335
Leasing and HP assets	-	-	0.83	2.25	3.08	714.16	232
Sub-total Realisation of assets	215.48	102.57	873.93	109.07	1,301.05	434,408.75	334
Trading							
Trading suppliers and expenses	4.10	3.10	45.83	22.12	75.15	22,846.21	304
Trading accounting	0.45	8.05	218.58	97.17	324.25	89,523.12	276
Trading employees	2.90	3.35	13.58	12.93	32.77	10,363.87	316
Trading customers	-	1.25	18.35	17.98	37.58	10,085.52	268
Trading compliance	-	-	2.25	2.10	4.35	1,016.33	234
Sub-total Trading	7.45	15.75	298.60	152.30	474.10	133,835.05	282
Creditors							
Chargeholders	35.00	25.55	140.98	6.40	207.93	69,994.13	337
Employees, Pensions & RPS	2.20	0.25	25.00	25.53	52.98	13,089.26	247
Unsecured creditors (exc. Staff)	0.10	1.00	3.35	5.62	10.07	2,738.52	272
Sub-total Creditors	37.30	26.80	169.33	37.55	270.98	85,821.91	317
Total of all hours	359.82	247.27	1,684.59	676.42	2,968.08		
Total of all £	213,443.00	118,876.47	445,944.35	153,958.47		932,222.29	
Average rate	593.20	480.76	264.72	227.61			314
Time undertaken by non insolvency teams							
Forensics	4.33	-	10.92	20.15	35.40	13,953.47	394
Tax Advice (Business, employment & VAT)	25.50	5.75	37.92	14.68	83.85	42,547.76	507
Total hours (non insolvency teams)	29.83	5.75	48.84	34.83	119.25		
Total £ (non insolvency teams)	26,210.15	3,955.08	18,441.66	7,894.34		56,501.23	
Average rate £/hr (non insolvency teams)	878.65	687.84	377.59	226.65			473.80
Grand total hours	389.65	253.02	1,733.43	711.25	3,087.33		
Grand total £	239,653.15	122,831.55	464,386.01	161,852.81		988,723.52	
Average rate £/hr (all staff)	615.05	485.47	267.90	227.56			320

IV Staffing, charging, subcontractor and adviser policies and charge out rates

Introduction

Detailed below are:

- Smith & Williamson LLP's policies in relation to:
 - Staff allocation and the use of subcontractors
 - Professional advisers
 - Expense recovery
- Smith & Williamson LLP's current charge out rates

Staff allocation and the use of subcontractors

Our 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 and a partner or director or associate director or consultant as joint office holders, 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. The charge out rate schedule below provides details of all grades of staff and their experience level. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed, and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

All of our staff who work on the case (including our cashiers (which is centralised and London rates apply), support and secretarial staff) charge time directly to the assignment and are included in any analysis of time charged. Each grade of staff has an hourly charge-out rate which is reviewed from time to time. Time up to 31 July 2020 is recorded in units representing 3 minutes or multiples thereof. From 1 August 2020 time is recorded in 1-minute units or multiples thereof. The minimum time chargeable is one minute. We do not charge general or overhead costs.

It may be necessary to utilise staff from both regional and London offices, subject to the specific requirements, e.g., geographical location, of individual cases.

We may use subcontractors to perform work which might ordinarily be carried out by us and our staff where it is cost effective to do so and/or where the specific expertise offered by the subcontractor is required.

Details of any subcontractors' services utilised in the period covered by this report are set out in Appendix V.

Any such arrangements will be reviewed periodically to ensure that best value and service continue to be obtained.

Use of professional advisers

We select professional advisers such as agents and solicitors on the basis of balancing a number of factors including:

- The industry and/or practice area expertise required to perform the required work.
- The complexity and nature of the assignment.
- The availability of resources to meet the critical deadlines in the case.

- The charge out rates or fee structures that would be applicable to the assignment.
- The extent to which we believe that the advisers in question can add best value and service to the assignment.
- The expertise and experience of the service provider.
- The provider holds appropriate regulatory authorisations.
- The professional and ethical standards applicable to the service provider.

Arrangements will be reviewed periodically to ensure that best value and service continue to be obtained.

External professional advisers are third party entities. The insolvency practitioners and their firm do not have any association with any external provider of services and therefore they do not fall within the definition of an associate as defined in Section 435 of the Insolvency Act 1986 and in Statement of Insolvency Practice 9. Payments to external professional advisers for the services they provide are therefore not a category 2 expense as defined in Statement of Insolvency Practice 9 and therefore do not require prior approval from the committee or creditors.

Expenses

Category 1 expenses do not require approval by creditors. The type of expenses that may be charged as a Category 1 expense to a case generally comprise 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.

Category 2 expenses 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.

Since 7 July 2012 Smith & Williamson LLP's policy is to recover only one type of Category 2 expense, namely business mileage at HMRC's approved mileage rates at the relevant time. Current mileage rates are 45p per mile plus 5p per passenger per mile. Prior to 7 July 2012 approval may have been obtained to recover other types of Category 2 expenses.

Details of any Category 2 expenses incurred and/or recovered in the period covered by this report are set out in the body of this report.

Charge out rates

A schedule of Smith & Williamson LLP's charge out rates was issued to creditors in the Proposals.

Smith & Williamson LLP	London office	Regional offices
Restructuring & Recovery Services	£/hr	£/hr
Charge out rates as at 1 July 2021		
Partner	590-610	480
Director & Associate Director	395-530	395-415
Managers	290-430	240-335
Other professional staff	130-280	160-215
Support & secretarial staff	100-120	90

Notes

1. Time is recorded in 1 minute units or multiples thereof.
2. It may be necessary to utilise staff from both regional and London offices, subject to the requirements of individual cases.

3. The firm's cashiering function is centralised and London rates apply. Up to 31 July 2020 the cashiering function time is incorporated within 'Other professional staff' rates. Following a change to our time reporting software, from 1 August 2020 the cashiering function time continues to be reported according to the seniority of staff undertaking the work in our time analyses and is split between 'Other professional staff', 'Managers' and 'Associate Director'.
4. Partner includes a consultant acting as an office-holder or in an equivalent role.

Smith & Williamson LLP	London office
Corporate Tax	£/hr
Charge out rates as at 1 January 2022	
Partner / Director	590-950
Associate Director	430-535
Managers	230-460
Other professional staff	105-245
Support & secretarial staff	60-75

Smith & Williamson LLP	London office
Corporate Tax	£/hr
Charge out rates as at 1 July 2021	
Partner / Director	550-890
Associate Director	400-500
Managers	215-430
Other professional staff	95-230
Support & secretarial staff	55-70

Smith & Williamson LLP	London office
Forensics	£/hr
Charge out rates as at 1 July 2019	
Partner / Director	470
Associate Director	-
Managers	320-410
Other professional staff	240
Support & secretarial staff	-

V Subcontractors

Name of subcontractor	Basis of fee arrangement	Costs incurred in current period £	Cumulative total £	Estimate future £	Anticipated future total £	Costs paid in current period £	Total costs outstanding at period end £
Piano Technicians	Hourly rate and expenses	13,493	112,761	Nil	112,761	28,608	Nil
Karl Stevenson - Consultancy	Hourly rate and expenses	10,126	41,273	1,000	42,273	11,913	1,810
Musiq Group Ltd	Fixed fee	47,143	47,143	Nil	47,143	47,143	Nil
Gibbons, Mannington & Phipps LLP - Payroll services & preparation of pre-appointment accounts for tax purposes	Fixed fee	Nil	550	1,200	1,750	280.00	Nil
Datasite	Fixed fee	Nil	509	Nil	509	509	Nil
Wrightson Marine LLC	Fixed monthly fees	80,649	173,256	Nil	173,256	97,760	Nil
Total		151,411	375,492	2,200	377,692	186,213	1,810

Note: Total costs outstanding may include costs incurred in prior periods, but not yet paid.

VI Professional advisers

Name of professional advisor	Basis of fee arrangement	Costs incurred in current period £	Cumulative total £	Estimate future £	Anticipated future total £	Costs paid in current period £	Total costs outstanding at period end £
Squire Patton Boggs (UK) LLP Legal advice including: <ul style="list-style-type: none"> - Providing advice and instructing Counsel in respect of the legal proceedings against Mr Thorne - Preparing contracts in respect of the business sale and the sale of Bank House - Ongoing advice regarding all legal matters arising during the course of the administration. 	Hourly rate and expenses	199,416	878,489	106,511	985,000	758,684	119,805
Hilco Global <ul style="list-style-type: none"> - Valuation advice regarding Bank House, tangible and intangible assets - Assistance with marketing the business & assets - Marketing of Bank House - Assistance with management matters in respect of Bank House 	Fixed fee of £5k (business sale) Hourly rate and expenses	969	11,395	11,395	Nil	11,395	Nil
Pike Restructuring Limited <ul style="list-style-type: none"> - Managing all day to day matters concerning Adriatic (including the sale of Chimera) and DPL 	Hourly rate and expenses	18,032	57,648	15,000	72,648	23,380	Nil
Piano Auctions Limited <ul style="list-style-type: none"> - Valuation advice regarding DCHL's musical instruments 	Fixed fee	Nil	3,000	Nil	3,000	1,500	Nil

Jeffrey Shackell	Hourly rate	Nil	525	Nil	525	525	Nil
- Advice regarding the condition of certain pianos in order to assist with the valuation work carried out by Piano Auctions Limited							
Total		218,417	951,057	132,906	1,061,173	795,484	119,805

Note: Total costs outstanding may include costs incurred in prior periods, but not yet paid.

Expenses such as the directorship fees charged by Antares and the legal fees charged by GGP in respect of Sky Taste are discharged directly from Sky Taste's bank account and as such are not reported above.

VII Administrators' expenses

Description	Costs incurred in previous period(s) £	Costs incurred in current period £	Total costs incurred to date £	Costs paid in current period £	Costs outstanding at period end £	Estimated future costs £	Total cumulative estimated costs £
Statutory advertising	95	Nil	95	95	Nil	114	209
Administrators' bonds	140	Nil	140	Nil	140	Nil	140
Company searches	6	Nil	6	Nil	6	Nil	6
Courier	368	Nil	368	Nil	368	Nil	368
Total	609	Nil	609	95	514	114	723

Note: Total costs outstanding may include costs incurred in prior periods, but not yet paid.

VIII Other expenses

Description	Costs incurred in previous period(s) £	Costs incurred in current period £	Total costs incurred to date £	Costs paid in current period £	Costs outstanding at period end £	Estimated future costs £	Total cumulative estimated costs £
Marsh Limited Insurance of DCHL assets	16,218	Nil	16,218	Nil	16,218	Nil	16,218
The Shipowners Mutual P&I Association & Alliance Marine Risk Managers Yacht insurance for Chimera	32,139	Nil	32,139	Nil	Nil	Nil	32,139
NatWest Bank charges relating to the Company's pre-administration bank accounts	1,068	Nil	1,068	1,068	Nil	Nil	1,068
Various Storage of pianos	13,665	4,695	18,360	8,649	Nil	Nil	18,360
Gazprom Electricity & gas supply for Bank House	1,213	Nil	1,213	458	Nil	150	1,363
Business Stream & Castle Water Water supply for Bank House	553	Nil	553	Nil	553	Nil	553
Anchor Computer Systems Ltd & Infinity Technology Solutions Ltd IT systems required for trading	17,826	8,931	26,757	8,931	Nil	Nil	26,757
Total	82,682	13,626	96,308	19,106	16,771	150	96,458

Note: Total costs outstanding may include costs incurred in prior periods, but not yet paid.

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Principal offices: London, Belfast, Birmingham, Bristol, Cheltenham, Dublin, Glasgow, Guildford, Jersey, Salisbury and Southampton.

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