

AM03

Notice of administrator's proposals



Companies House

FRIDAY



A22 *A82RLØNU* 05/04/2019 #268
COMPANIES HOUSE


1	Company details		→ Filling in this form Please complete in typescript or in bold black capitals.
Company number	0 7 5 1 6 5 5 4		
Company name in full	Frees Family Finance Limited		
2	Administrator's name		
Full forename(s)	A D		
Surname	Cadwallader		
3	Administrator's address		
Building name/number	Leonard Curtis		
Street	5th Floor		
	Grove House		
Post town	248a Marylebone Road		
County/Region	London		
Postcode	N W 1 6 B B		
Country			
4	Administrator's name ①		
Full forename(s)	A J		① Other administrator Use this section to tell us about another administrator.
Surname	Duncan		
5	Administrator's address ②		
Building name/number	Leonard Curtis		② Other administrator Use this section to tell us about another administrator.
Street	5th Floor		
	Grove House		
Post town	248a Marylebone Road		
County/Region	London		
Postcode	N W 1 6 B B		
Country			

AM03
Notice of Administrator's Proposals

6 Statement of proposals

<input checked="" type="checkbox"/>	I attach a copy of the statement of proposals	
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7 Sign and date

Administrator's Signature	Signature X  X																	
Signature date	<table><tr><td>^d</td><td>0</td><td>^d</td><td>3</td><td>^m</td><td>0</td><td>^m</td><td>4</td><td>^y</td><td>2</td><td>^y</td><td>0</td><td>^y</td><td>1</td><td>^y</td><td>9</td></tr></table>	^d	0	^d	3	^m	0	^m	4	^y	2	^y	0	^y	1	^y	9	
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AM03

Notice of Administrator's Proposals



Presenter information

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

Contact name	Samantha O'Hara
Company name	Leonard Curtis
Address	5th Floor
	Grove House
	248a Marylebone Road
Post town	London
County/Region	
Postcode	N W 1 6 B B
Country	
DX	
Telephone	020 7535 7000



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



Important information

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



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

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

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



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**FFREES FAMILY FINANCE LIMITED
(IN ADMINISTRATION)
(TRADING AS: U AND FFREES)**

Registered Number: 07516554

High Court of Justice, Business and Property Courts of England and Wales No. CR-2019-002237

**Joint Administrators' Report and Statement of Proposals in accordance
with Para 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of
the Insolvency (England and Wales) Rules 2016**

Report Date: 3 April 2019

Date Report Deemed to be Delivered to Creditors: 5 April 2019

Decision Date: 23 April 2019

Leonard Curtis contact details:

**5th Floor, Grove House, 248a Marylebone Road,
London NW1 6BB**

Tel: 020 7535 7000 Fax: 020 7723 6059

General email: creditors@leonardcurtis.co.uk

Email for requests for a physical meeting: LONDON.meetingreq@leonardcurtis.co.uk

Ref: L/30/SMT/FFR01/1040

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TO: THE REGISTRAR OF COMPANIES
ALL CREDITORS
ALL EMPLOYEES
ALL MEMBERS

1 INTRODUCTION

1.1 General information

1.1.1 I refer to the appointment of A J Duncan, A Poxon and I as Joint Administrators ("**the Joint Administrators**") of Frees Family Finance Limited (Trading As: U and Frees) ("**the Company**") on 29 March 2019 and now write to present the Joint Administrators' proposals ("**the Proposals**") (Appendix A) for the Company pursuant to the Insolvency Act 1986 (as amended) ("**the Act**").

1.1.2 Paragraph 3 of Schedule B1 to the Act requires Administrators to perform their functions with the objective of:

- a) Rescuing the company as a going concern; or
- b) Achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in Administration); or
- c) Realising property in order to make a distribution to one or more secured or preferential creditors.

1.1.3 I can confirm that in this case the Joint Administrators are of the opinion that the Company has sufficient property to enable a distribution to be made to unsecured creditors. Accordingly they are required to seek a decision from the Company's creditors as to whether they approve these Proposals. The Joint Administrators are also required to ask the creditors to determine, amongst other things, the basis upon which the Joint Administrators will draw their remuneration and Category 2 disbursements.

1.1.4 It is our intention to seek these decisions by correspondence as provided for by the Act and Insolvency (England and Wales) Rules 2016 ("**the Rules**"). Formal notice of this Decision Procedure is attached at Appendix I. A voting form is attached at Appendix J. This form should be completed and returned to this office by 23:59 hours on the decision date, being **23 April 2019** ("**the Decision Date**"), with a completed proof of debt form (attached at Appendix K) or your vote will be disregarded, as will any forms returned after the Decision Date.

1.1.5 Creditors meeting the following minimum criteria may request in writing that the decisions be made at a creditors' meeting, rather than by correspondence:

- (a) 10% in value of the creditors; or
- (b) 10% in number of the creditors; or
- (c) 10 Creditors

1.1.6 Such a request must be made not later than five business days after the date on which these Proposals were delivered. The deemed date of delivery of this report is given on the front page. Requests should ideally be made to LONDON.meetingreq@leonardcurtis.co.uk.

1.1.7 In the event that no such request is received, the Joint Administrators will, as soon as reasonably practicable after the Decision Date, report to creditors on the decisions taken.

1.2 Creditors' Right to Elect to Opt Out

1.2.1 Creditors have the right to elect to opt out of receiving further documents about the Administration unless:

- (i) The Act requires a document to be delivered to all creditors without expressly excluding opted-out creditors;
- (ii) It is a notice relating to a change in the office-holder or the office-holder's contact details; or

- (iii) It is a notice of a dividend or proposed dividend or a notice which the court orders to be sent to all creditors or all creditors of a particular category to which the creditor belongs.

1.2.2 Opting-out will not affect a creditor's entitlement to receive dividends should any be paid to creditors.

1.2.3 Unless provided to the contrary in the Rules, opting-out will not affect any right a creditor may have to vote in a decision procedure or to participate in a deemed consent procedure in the proceedings although the creditor will not receive notice of it.

1.2.4 A creditor who opts out will be treated as having opted out in respect of any consecutive insolvency proceedings of a different kind in respect of the Company.

1.2.5 Creditors may at any time elect to opt-out. The election to opt out must be by a notice in writing, authenticated and dated by the creditor and delivered to the office-holder. An example of such a notice is attached at Appendix M. A creditor becomes an opted-out creditor when the notice is delivered to the office-holder and will remain an opted-out creditor for the duration of the proceedings unless the opt-out is revoked.

1.2.6 An opted-out creditor may revoke the election to opt out by a further notice in writing, authenticated and dated by the creditor and delivered to the office-holder. The creditor ceases to be an opted-out creditor from the date the notice is received by the office-holder.

1.3 Notice of General Use of Website to Deliver Information

1.3.1 Section 246B of the Act and Rule 1.49 of the Rules allow an office-holder who is required to deliver certain documents to satisfy that requirement by delivering a notice which states that the document is available for viewing and downloading on a website.

1.3.2 Attached at Appendix N is the notice which the Joint Administrators are issuing in this case. You should note that the notice extends to all future documents, with some exceptions, to be issued in this case, as provided for by Rule 1.50 of the Rules.

1.3.3 The relevant website address for the viewing and downloading of documents is:

- Webpage: <https://leonardcurtis.insolvencydata.co.uk>
- KeyCode: **HEAMGZSG (case sensitive)**

1.4 Notice of an Invitation to Creditors to Form a Creditors' Committee

1.4.1 Creditors are entitled to decide whether a Creditors' Committee ("**Committee**") should be established if sufficient creditors are willing to be members of that Committee.

1.4.2 Attached at Appendix O is notice of an Invitation to Form a Creditors' Committee. Any nominations must be delivered to the Joint Administrators by the Decision Date shown on the front of this report and can only be accepted if the Joint Administrators are satisfied as to the creditors' eligibility under Rule 17.4 of the Rules.

1.4.3 In order to assist creditors in making an informed decision on whether they wish to be nominated to serve on a Committee, creditors are encouraged to access the document below, which provides information on the rights, duties and functions of creditors' committees.

- <https://www.r3.org.uk/media/documents/publications/professional/R3-Guide-to-Creditors-Committees.pdf>

2 STATUTORY INFORMATION

- 2.1 The Administration proceedings are under the jurisdiction of the High Court of Justice, Business and Property Courts of England and Wales ("**the High Court**") under Court reference CR-2019-002237.
- 2.2 During the period in which the Administration is in force, any act or function required or authorised to be done by the Joint Administrators may be exercised by any one or all of them.
- 2.3 The Company was incorporated on 3 February 2011, under the name The Frees Network Limited which was changed to its present title on 17 April 2012. The Company traded as 'U' and 'Frees'.
- 2.4 The Company operated from serviced offices at Electric Works, Sheffield Digital Campus, Sheffield S1 2BJ. This was also the current registered office of the Company. However, this is in the process of being changed to the offices of the Joint Administrators at 5th Floor, Grove House, 248a Marylebone Road, London NW1 6BB.
- 2.5 The Company's registered number is 07516554.
- 2.6 The current directors are Alex Letts (CEO), Nigel Medhurst (CFO), Stephen Woodford and Ian Brown ("**the Directors**").
- 2.7 The Company's issued share capital is as follows:

	Nominal value £	Number of shares	Nominal value £
Ordinary Shares	0.01	178,012,370	1,780,123.70
A Ordinary Shares	0.01	5,903,706	59,037.06
B Ordinary shares	1.00	989,667	989,667.00
		<u>184,905,743</u>	<u>2,828,827.76</u>

- 2.8 The Company has over 30 shareholders. The largest shareholder is Mr Keith Morris ("**Mr Morris**") who holds a 30% shareholding. No other shareholder has a holding over 5%.
- 2.9 According to the information registered at Companies House, the Company does not have any outstanding registered charges.
- 2.10 The EU Regulation on Insolvency Proceedings 2015 applies to this Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.

3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION

- 3.1 The Company provided a digital current account service known as the 'U Account' aimed at people within the UK with impaired credit status and had 23,000 active customers depositing approximately £12million per month. The Company provided a pre-paid debit card to customers, which are issued by Wirecard Card Solutions Limited ("WCS"), a Financial Conduct Authority ("FCA") regulated entity that stewarded customer funds and under whose licence the Company operated the U Account, and working with key technology providers the Company was able to offer customers traditional current account services, such as faster payments, direct debits and ATM withdrawals, providing a fully featured smartphone-based alternative to traditional bank accounts. The Company received revenue from account usage and operating fees and additional revenue through cash back opportunities.

- 3.2 It took the Company 18 months to build the complex technology solution that delivered the U Account, integrating a supply chain of major technology providers utilising Application Programming Interface ("API") technologies. Simultaneously the customer and current account interfaces were built by the Company. The Company also had an agreement with Contis Financial Services Limited ("Contis"), who provided prepaid cards to customers, and the Company provided client services such as a website for card applications and cardholder servicing, design content and undertook marketing for Contis under the trading name 'Frees'.
- 3.3 As at the date of Administration, the Company employed 76 full time employees and 8 employees on flexible or fixed term contracts.
- 3.4 Prior to Administration, the Company was still within a development phase with many of its operations and required estimated 70,000 customers to trade at breakeven. Since incorporation the Company has incurred losses totalling £14.8million and had a working capital shortfall of approximately £350,000 per month.
- 3.5 The Company received significant funding from management, private investors and funds managed by four institutional investors, Finance Yorkshire Seedcorn LP, Finance Yorkshire Equity LP, The Technology & Innovation Fund LP and Nesta Impact Investments 1 LP ("the Institutional Investors"). In total the Company had raised over £15.4million, from a number of funding rounds since inception, with a mix of equity, loan notes, preference shares and warrants being issued.
- 3.6 Regardless of this significant funding, the board of directors found it difficult to source new investment capital despite having approached over 150 separate investor groups directly or indirectly in the past 5 years. The management have found there to be a number of significant barriers preventing further investment:
- The high burn rate of the Company / capital required to deliver a banking platform;
 - The capital structure of the company relating specifically to:
 - £7m of loans and loan notes
 - diluted interest of the management team
 - The period of time to operational break-even; and
 - Complexity of building and operating a current account platform.
- 3.7 Management also tried to engage with banks and other key providers in the industry, but the relatively low size of the business and issues around IT integrations, which is a significant issue in the financial services industry and for banks in particular, made progress beyond initial conversations unsuccessful.
- 3.8 As a result, for the past two years, the Company was not able to raise any institutional funding and had relied on EIS investors and the continuing support of its major shareholder, Mr Morris. Furthermore, over the past six months, Mr Morris had been the sole provider of capital, and with his equity investment constrained by EIS limits, he needed to enter into loan arrangements with the Company, on the same unsecured terms as the existing loan notes held by the Institutional Investors
- 3.9 In February 2019, Mr Morris approached management, seeking improved and secured terms for any new loans advanced as he was taking an increasing equity risk for an unsecured debt return. However, the proposal was rejected by one of the Institutional Investors under the Investment Agreement which was entered into in December 2016. One of the Institutional Investors put forwarded a proposal that any new terms for loans should be on an equivalence basis to the existing loan notes or also applied to all loan note holders (including all historic loan notes) regardless if they participated in the new funding
- 3.10 Subsequently, faced with the Company missing payroll at the end of February 2019 and mindful of his own exposure with some £5m of loans and equity invested, Mr Morris conceded this request and provided funds to cover February payroll on existing terms.
- 3.11 As a result of the Company's financial position, with concerns that Mr Morris might withdraw support and without funding to cover payroll falling due at the end of March 2019, the directors were referred to Leonard Curtis on 7 March 2019, for advice.

Frees Family Finance Limited - In Administration

- 3.12 Shortly afterwards, when approached by management for additional funding under the existing arrangements, and with the raising of future investment continuing to look uncertain, Mr Morris declined, indicating that he was not prepared to advance any further funds under existing terms.
- 3.13 As a result the directors, after taking advice from Leonard Curtis, and following a review of the Company's financial position and considering that the working capital shortfall could not be met, it was agreed that the Company could not continue to trade and that steps should immediately be taken to attempt to secure a sale of the Company's business and assets as a going concern which would be in the best interests of all stakeholders.
- 3.14 Leonard Curtis was subsequently instructed by the board of directors on 14 March 2019 to consider and assist them with preparing and negotiating an agreement to sell the business and certain assets of the Company, by way of a pre-packaged ("Pre-Pack") sale through an Accelerated Mergers and Acquisitions ("AMA") process. The AMA process was initiated on 14 March 2019.
- 3.15 Throughout the engagement, Leonard Curtis advised the directors of their fiduciary duties to the Company and its creditors. No advice was given to the directors regarding the impact of the insolvency of the Company on their personal financial affairs. Whilst not formally in office at that time, Leonard Curtis was required to continue to act in its dealings with the Company in accordance with the Insolvency Code of Ethics.
- 3.16 Notice of Appointment of Administrators was filed in the High Court by the directors on 29 March 2019, and A D Cadwallader, A J Duncan and A Poxon of Leonard Curtis were appointed as Joint Administrators.

4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

- 4.1 The Company's trading results for the years ending 28 February 2017 and 28 February 2018 and 28 February 2019 are detailed below:

	Management Accounts for the year ended 28 February 2019 £	Statutory Accounts for the year ended 28 February 2018 £	Statutory Accounts for the year ended 28 February 2017 £
Turnover	1,656,600	1,241,561	994,352
Costs of Sales	(1,280,700)	(1,041,404)	(839,768)
Gross Profit	375,900	200,157	154,584
Administrative Expenses	(4,436,300)	(3,860,949)	(2,010,025)
Other Operating Income	-	271,827	262,856
Operating Loss	(4,060,400)	(3,388,965)	(1,592,585)
Interest Receivable and Similar Income	-	30	50
Interest Payable and Similar Charge	-	(579,227)	(2,697,418)
Loss for the Financial Year	(4,060,400)	(3,968,162)	(4,289,953)

Frees Family Finance Limited - In Administration

4.2 The Company's balance sheets as at 28 February 2017, 28 February 2018, and 28 February 2019 are detailed below:

	Management Accounts for the year ended 28 February 2019		Statutory Accounts for the year ended 28 February 2018		Statutory Accounts for the year ended 28 February 2017	
	£	£	£	£	£	£
Fixed Assets						
Tangible Assets		267,600		188,470		73,600
Investments				100		-
Current Assets						
Debtors	361,400		471,061		127,237	
Cash at Bank and in Hand	71,300		28,761		164,559	
	<u>361,471</u>		<u>499,822</u>		<u>291,796</u>	
Creditors: amounts falling due within one year	<u>(1,108,500)</u>		<u>(2,183,224)</u>		<u>(493,977)</u>	
Net Current Liabilities		<u>(675,700)</u>		<u>(1,682,402)</u>		<u>(202,181)</u>
Total Assets less Current Liabilities		<u>(408,100)</u>		<u>(1,494,832)</u>		<u>(128,581)</u>
Creditors: amounts falling due after one year		<u>(6,315,900)</u>		<u>(3,049,200)</u>		<u>(2,535,700)</u>
Net Liabilities		<u>(6,724,100)</u>		<u>(4,544,032)</u>		<u>(2,664,281)</u>
Capital and Reserves						
Called Up Share Capital		2,828,828		2,452,872		2,095,028
Share Premium Account		9,883,927		7,827,438		6,096,871
Profit and Loss Account		<u>(18,884,700)</u>		<u>(14,824,342)</u>		<u>(10,856,180)</u>
		<u>(6,171,945)</u>		<u>(4,544,032)</u>		<u>(2,664,281)</u>

*It is noted that the Net Liabilities position as at 28 February 2019 does not balance with the Shareholders' Funds in the draft management accounts. The accounts are in draft format and the difference of £550,000 is considered to be immaterial.

4.3 Statement of Affairs

4.3.1 The directors are required to lodge a Statement of Affairs as at 29 March 2019 which has to be filed with the Registrar of Companies.

4.3.2 This document has not yet been received. In the meantime, an estimate of the financial position as at the date of the Joint Administrators' appointment is enclosed at Appendix B, together with a list of creditors including their names, addresses and details of their debts, including any security held.

Secured Creditor

The Company has no secured creditors.

4.4 Prescribed Part

As the Company has no unsatisfied post-Enterprise Act charges, there will be no requirement to set aside a prescribed part in this case.

4.5 Preferential Claims

The only claims which have preferential status are those of employees in respect of arrears of wages, accrued holiday pay and certain pension contributions. It is anticipated that there will be no preferential claims in the Administration, as all employees were transferred to U Holdings Limited ("**the Purchaser**") in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("**TUPE**").

4.6 Unsecured Claims

4.6.1 Based upon the information currently available, it is anticipated that there will be sufficient funds available to allow a dividend to be paid to unsecured creditors. This may be paid in the Administration with the consent of the court or by a subsequently appointed Liquidator, should liquidation be the appropriate exit route from the Administration process.

4.6.2 Creditors are asked to forward full details of their claims using the proof of debt form attached at Appendix K.

4.7 Receipts and Payments

4.7.1 A receipts and payments account for the period of Administration to date is enclosed at Appendix C.

4.7.2 All figures are stated in this report and its attachments net of VAT.

5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT

5.1 Sale of Business

5.1.1 Prior to appointment, the Joint Administrators considered the most appropriate strategy for creditors as a whole. It was agreed that to achieve the best possible value for the business and assets a sale should be completed as soon as possible following Administration to protect the Company's goodwill and intellectual property rights. It would also allow the following:

- Enhanced asset values;
- Minimise employee claims; and
- Mitigate breach of contract claims from key suppliers.

5.1.2 On 21 March 2019, an offer of £150,000 was made by the Purchaser to the proposed Joint Administrators. The Purchaser is a connected party within the definition of Section 249 of the Act by virtue of Alexander Letts, Nigel Medhurst and Stephen Woodford being directors and shareholders.

5.1.3 Following advice from our appointed agents, Hilco Appraisal Limited ("**Hilco**"), who had carried out valuations of the Company's physical assets and the Company's goodwill and the intellectual property rights, this offer was accepted on 21 March 2019 and the business and assets sale was concluded on 29 March 2019, following the Joint Administrators appointment.

5.1.4 Please find enclosed at Appendix L information in relation to the pre-packaged sale of the business and assets in accordance with the provisions of Statement of Insolvency Practice 16 ("SIP16"), along with additional details regarding the marketing of the business and assets, the valuation basis as provided by Hilco for the assets, and the transaction providing details of the assets involved in the sale.

5.1.5 Additional consideration will become due based on 17.5% of the Purchaser's net profit for the first 24 months following completion. In addition, should the Purchaser sell the business or assets or the shares in the Company or U Account Limited in the next two years, save for issuing and allotting shares in the normal course of business, an uplift consideration will become payable of between 5% and 15% depending on the value achieved.

5.2 Trade Debtors

5.2.1 The Company's records show a current debtor's ledger totalling £159,655, the majority of which is owed by WCS (£141,740), WCS are also a creditor of the Company and as the account operates on a two month rolling basis, a full up to date reconciliation of the account will be required.

5.2.2 As part of the sale, it has been agreed that the Purchaser will carry out this reconciliation and in the event of there being a debt due to the Company from WCS, the Purchaser shall, by way of further consideration, pay to the Company a sum equivalent to this debt.

5.2.3 The Company's contract with WCS was novated on completion of the sale.

5.2.4 A small debt of £4,776 was owed to the Company by Avinity Limited ("Avinity") in relation to a cash back scheme operated by Avinity. The Purchaser bought this debt for £4,500 as part of the pre-packaged sale and has agreed to honour all obligations that the Company has to customers in relation to the cash bank schemes as part of the sale.

5.2.5 The remaining debt is owed by Contis, who are also a creditor of the Company and therefore a full reconciliation of this account will also be undertaken in due course.

5.3 Other Debtors

The Company's management accounts as at 28 February 2019 included other debtors of £236,200. The Joint Administrators are currently awaiting a breakdown of this amount to determine what amounts can be collected.

5.4 Prepayments

The Company's management accounts as at 28 February 2019 showed prepayments of £107,300. The Joint Administrators will review the prepayments to determine if any refunds may be due to the Company.

5.5 Cash at Bank

The Company operated 4 bank accounts with HSBC Bank Plc ("HSBC"). We have written to HSBC to close these accounts and remit any balances held to the Administration. It is not considered that significant balances are held.

5.6 Professional Advisors and Subcontractors Used

5.6.1 On this assignment the Joint Administrators consider that the following professional advisors will be used.

Name of Professional Advisor	Service Provided	Basis of Fees
Crowell & Moring LLP	Legal advice generally and novation of supplier contracts	Time Costs
IUI Global	Assistance with the preparation of the Statement of Affairs	Fixed Fee

- 5.6.2 Crowell & Moring LLP ("CM") have been engaged to provide advice in general legal matters arising during the course of the Administration, as well as assisting the Joint Administrators with novating contracts to the Purchaser.
- 5.6.3 IUI Global ("IUI"), advisory consultants, have been instructed with regards to the preparation of the Statement of Affairs of the Company as at the date of Administration, being 29 March 2019. In accordance with Rule 3.34 of the Rules, the Joint Administrators can contribute towards the costs of the preparation of the Statement of Affairs in such sums as they consider to have been reasonably incurred and be paid as an expense of the Administration.
- 5.6.4 Details of this firm's policy regarding the choice of advisors and the basis for their fees are given in Appendix H.

6 ACHIEVING THE PURPOSE OF ADMINISTRATION

- 6.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:
- (a) rescuing the Company as a going concern, or (if this cannot be achieved);
 - (b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration), or (if (a) and (b) cannot be achieved);
 - (c) realising property in order to make a distribution to one or more secured or preferential creditors.
- 6.2 The Joint Administrators are obliged to perform their functions in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, the Joint Administrators have a duty not to unnecessarily harm the interests of the creditors as a whole.
- 6.3 It was not reasonably practicable to achieve objective (a) unless external funds were introduced to provide significant working capital to finance a Company Voluntary Agreement and the Company was unable to survive in its current form regardless.
- 6.4 The second objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were to be wound up (without first being in Administration). In the opinion of the Joint Administrators, this objective is likely to be achieved as a sale of the business and certain assets in Administration has enabled enhanced values for the Company's assets to be achieved, resulting in a better return for creditors, as a whole, and funds being available to distribute to the Company's unsecured creditors. In addition, a sale has allowed for all employees to be transferred to the Purchaser under TUPE, reducing preferential and unsecured creditor claims against the Company and saving 84 jobs. The achievement of this objective will not unnecessarily harm the interest of the creditors as a whole.
- 6.5 As objective (b) is capable of being achieved it is not, at this stage, necessary to consider objective (c). However, this objective could not be achieved as there are no secured creditors and no preferential claims anticipated.
- 6.6 We confirm that, in our opinion, the transaction will enable a statutory purpose to be achieved and that the sale price achieved was the best reasonably obtainable in all the circumstances.
- 6.7 The Administration has been, and will continue to be financed by monies received from asset realisations.

7 JOINT ADMINISTRATORS' PROPOSALS AND EXIT ROUTE

- 7.1 The Joint Administrators' Proposals for achieving the objective of Administration are attached at Appendix A.
- 7.2 The Joint Administrators have considered the various options available to the Company. As previously stated, based on information currently available, the Joint Administrators consider that realisations will be sufficient to enable a dividend to be paid to unsecured creditors.

- 7.3 In this situation, the Joint Administrators may apply to court for permission to make such a distribution in the Administration. Alternatively, if considered preferable, on completion of the Administration, the Joint Administrators will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation ("CVL").
- 7.4 In the event that the Joint Administrators choose to place the Company into CVL, the Proposals provide for the appointment of myself, A J Duncan, and A Poxon as Joint Liquidators. Creditors may nominate a different person to be Joint Liquidator provided that the nomination is made after receipt of the Proposals and before they are approved.

8 EXTENSION OF ADMINISTRATION

- 8.1 The appointment of Joint Administrators ordinarily ceases to have effect at the end of the period of one year from the date of their appointment.
- 8.2 In certain circumstances it may be necessary to extend the Joint Administrators' term of office. In the circumstances of this case, this may be done for a specified period not exceeding twelve months with the consent of the unsecured creditors of the Company.
- 8.3 We do not believe that an extension to the Administration will be necessary in this case.

9 PRE-ADMINISTRATION COSTS

- 9.1 Pre-administration costs are defined as:

- Fees charged; and
- Expenses incurred

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

9.2 Work undertaken by Leonard Curtis, Hilco, IUI and CM

- 9.2.1 Leonard Curtis were first approached by the Directors of the Company on 7 March 2019, having been referred by solicitors, concerning the Company's financial position.
- 9.2.2 On 11 March 2019, the Directors met with Leonard Curtis to consider the options available to the Company. Considering the Company's financial position and that it was insolvent on a cash flow basis, it was agreed that the Company could not continue to trade in its current form and that steps should immediately be taken to attempt to secure a sale of the Company's business and assets as a going concern which would be in the best interests of all stakeholders through an AMA process.
- 9.2.3 Leonard Curtis were formally instructed on 14 March 2019 by the Directors to carry an AMA process.
- 9.2.4 On 14 March 2019, IUI were instructed by the proposed Joint Administrators to assist with the marketing of the Company's business and assets for sale.
- 9.2.5 Hilco were instructed on 14 March 2019 by the proposed Joint Administrators to value the Company's assets and advise on the acceptance of any offer received for the business and assets.
- 9.2.6 Hilco confirmed its independence and that the lead valuer involved was qualified and regulated by the Royal Institution of Chartered Surveyors, and that they hold adequate indemnity insurance to carry out such valuations.

- 9.2.7 CM were instructed by the proposed Joint Administrators on 14 March 2019 to provide advice regarding the proposed pre-pack sale of the business and assets and to prepare the sale and purchase agreement documentation, including a deed of assignment of the intellectual property rights.
- 9.2.8 CM also prepared the deed of novation relating to the WCS contract, as well as the stock transfer form for the shares held by the Company in its subsidiary U Account Ltd. CM also prepared the Joint Administrators' appointment documentation, filed the notice at the High Court and dealt with all other associated formalities.
- 9.2.9 All of the above work was necessary to be undertaken to complete a pre-packaged sale of the business and assets. As detailed in Section 5.1 of this report, an offer for the business and assets was accepted by the proposed Joint Administrators and completed on 29 March 2019.
- 9.2.10 By completing a pre-pack sale of the business and assets of the Company through an AMA process, the Joint Administrators have been able to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up, and consequently the purpose of the Administration as referred to in Section 6 has been achieved.
- 9.3 Time charged and expenses incurred by the Joint Administrators and their agents and solicitors in the period prior to their appointment are summarised below:

Charged by	Services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Leonard Curtis Limited	Meetings with the Company and Directors, assessing the financial position of the Company, providing insolvency advice, assessing the appropriate strategy and consideration of whether an Administration purpose could be achieved. Dealing with the appointment documentation. Exploring, managing and dealing with the sales process, negotiating with interested parties and completing a sale of the business and assets through a pre-packaged sale. Instructing agents and solicitors regarding the sale of the business and certain assets. Time was also spent assisting the Directors in managing the financial position of the Company and cash flow monitoring.	35,061.50	Nil	Not Applicable	35,061.50
Crowell & Moring LLP	Preparing the Joint Administrators' appointment documents. Drafting the sale and purchase agreement and ancillary documents, and providing legal advice generally.	13,865.00 (Time Costs) 85.00 (Expenses)	Nil Nil	Not Applicable Not Applicable	13,865.00 (Time Costs) 85.00 (Expenses)
Hilco	Valuation of the business and assets, and advice regarding a potential sale of the business and assets through a pre-packaged sale, including recommending the offer for acceptance.	6,500.00	Nil	Not Applicable	6,500.00

IUI Global	Assistance with drafting the sales teaser and preparing the sales pack of information to circulate to interested parties. Provision of summary of previous marketing campaign and fund raising round. Reviewing the Company's previous marketing list to identify any parties that may still have an interest in the business and be able to act within the timescales available. Assistance with identifying any other potentially interested parties who could be approached as part of the targeted marketing process. Assistance with engagement with loan note holders. Providing further information to assist with our engagement of our agents and solicitors and providing assistance with any requests for further information from any interested party.	8,500.00	Nil	Not Applicable	8,500.00
Total		64,011.50	Nil	-	64,011.50

9.4 Enclosed at Appendix D is an analysis of the Joint Administrators' pre-administration costs. The analysis shows that total pre-administration time costs of £35,061.50 have been incurred which represents 87.70 hours at a rate of £399.79.

9.5 The payment of unpaid pre-administration costs (set out above) as an expense of the Administration is subject to the approval of the appropriate class of creditors, separately to the approval of the Joint Administrators' Proposals. This approval will be the responsibility of the Creditors' Committee, if one is appointed, or alternatively will be by a decision of the general body of creditors.

10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

10.1 General

10.1.1 The basis of the Joint Administrators' remuneration may be fixed either as a percentage of the value with which they have to deal ('a percentage basis'), as a set amount, or by reference to the time properly given by the Joint Administrators and their staff in attending to matters as set out in a Fees Estimate.

10.1.2 A combination of these bases may be fixed, with different bases being fixed in respect of different things done by the Joint Administrators. Additionally, where a percentage basis is fixed, different percentages may be fixed in respect of different things done by the Joint Administrators.

10.2 Approval by appropriate body

10.2.1 The Joint Administrators think that the Company will have sufficient property to enable a distribution to be made to unsecured creditors. In such circumstances, it is for the Creditors' Committee to determine the basis of remuneration. If there is no Committee, or if the Committee fail to make the requisite determination then the basis of remuneration must be fixed by a decision of the creditors.

10.2.2 The outcome of this decision will be reported to all creditors in due course.

10.3 Information to be given to creditors

10.3.1 The Joint Administrators wish, in this case, to seek the creditors' agreement to their remuneration being fixed by reference to the time properly given by them and their staff in attending to matters as set out in a Fees Estimate.

10.3.2 Prior to seeking approval of this basis, the Joint Administrators are required to provide all known creditors with their Fees Estimate and details of the expenses that they consider will be, or are likely to be, incurred during the Administration ("**Statement of Likely Expenses**").

10.4 The Fees Estimate

10.4.1 The Joint Administrators' Fees Estimate for the whole of the Administration is set out at Appendix E. It includes the following:

- Details of the work that the Joint Administrators and their staff propose to undertake;
- The hourly rate or rates that Joint Administrators and their staff propose to use; and
- The time that the Joint Administrators anticipate that each part of the work will take.

10.4.2 Details of the Joint Administrators' time costs to 2 April 2019 have also been included for comparison purposes. In summary, time costs of £11,724.00 have been incurred to date which represents 35.40 hours at a rate of £331.19 per hour.

10.4.3 The total amount of time costs as set out in the Fees Estimate is £42,320.00 ("**the Fees Estimate**").

10.4.4 Once approved by the appropriate body of creditors, the remuneration drawn by the Joint Administrators must not exceed this total amount without prior approval. It should be noted that in some instances payment of these costs will be limited to the amount of realisations available in the Administration.

10.4.5 The Fees Estimate is based upon information currently available to the Joint Administrators. Based upon this information, the Joint Administrators do not anticipate that the Fees Estimate will be exceeded. However should information come to light during the course of the Administration which means that the Joint Administrators will be required to undertake work not envisaged at the time that the Fees Estimate was provided, it may be necessary for the Joint Administrators to revert to creditors for further approval.

10.4.6 Details of the firm's charge-out rates and policy regarding the recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix H.

10.4.7 Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded using the following link:

- <https://www.r3.org.uk/what-we-do/publications/professional/fees>

If you would prefer this to be sent to you in hard copy please email recovery@leonardcurtis.co.uk or contact Samantha O'Hara of this office on 020 7535 7000.

10.5 Statement of Likely Expenses

The Joint Administrators' Statement of Likely Expenses is set out for creditor information at Appendix F. To assist creditors' understanding of this information, it has been separated into the following categories:

- i) **Standard Expenses:** this category includes expenses payable by virtue of the nature of the Administration process and / or payable in order to comply with legal or regulatory requirements.
- ii) **Case Specific Expenses:** this category includes expenses likely to be payable by the Joint Administrators in carrying out their duties in dealing with issues arising in this particular case. Also included within this category are costs that are directly referable to the Administration but are not paid to an independent third party (and which may include an element of allocated costs). These are known as "Category 2 disbursements" and they may not be drawn without the approval of the creditors in the same way as fees and creditors will be contacted directly in this respect. The basis of the calculation of their recharge is detailed in Appendix H.

10.6 Further Updates

The Joint Administrators will provide creditors with an indication of whether the remuneration anticipated to be charged by them is likely to exceed the Fees Estimate, and if so the reasons for this, in their subsequent reports. Information will also be provided in subsequent reports on whether the expenditure detailed in the Statement of Likely Expenses has been or is likely to be exceeded and the reasons why.

11 ESTIMATED OUTCOME FOR CREDITORS

11.1 In order to assist the various classes of creditors in assessing the quantum of any dividend which may or may not be payable to them, we have produced an Estimated Outcome Statement. This is attached at Appendix G.

11.2 The Estimated Outcome Statement assumes the following:

- (a) That asset realisations are in line with those estimated at Appendix B;
- (b) That the Joint Administrators' Fees Estimate (as detailed at Appendix E) is approved and is not exceeded; and
- (c) That the expenses of the Administration are as set out in the Statement of Likely Expenses at Appendix F and are not exceeded.

11.3 In summary:

11.3.1 **Secured Creditors** – there are no secured creditors.

11.3.2 **Preferential Creditors** – no preferential claims are anticipated, as the employees were transferred to the Purchaser in accordance with TUPE.

11.3.3 **Unsecured Creditors** – it is anticipated that there will be sufficient realisations to enable a small dividend to be paid to the unsecured creditors.

12 RELEASE OF JOINT ADMINISTRATORS FROM LIABILITY

12.1 As soon as all outstanding matters in the Administration have been attended to it is anticipated that we will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically to Creditors' Voluntary Liquidation.

12.2 On the registration of the relevant notice with the Registrar of Companies, the Administration and the appointment of the Joint Administrators will automatically cease.

12.3 It is ordinarily for the creditors to fix the date upon which the Joint Administrators are discharged from liability in respect of any action of theirs during the Administration. The Voting Form at Appendix J includes a decision that we be discharged from liability immediately upon our appointment ceasing to have effect.

13 VOTING PROCEDURE AND CONCLUSION

13.1 It is important that you give careful attention to this report and its Appendices.

13.2 Details of all decisions to be made by creditors are included on Appendix I – Notice of a Decision Procedure by Correspondence. In order for your vote to count, you should ensure that your completed voting form (see Appendix J) has been delivered to the Joint Administrators on or before the Decision Date given on the front of this report and in Appendix I. Your vote should be accompanied by a proof of debt, unless one has previously been provided, failing which your vote may be disregarded.

13.3 Creditors' attention is drawn to Chapter 9 of Part 1 of the Rules, which detail the rules for delivery of documents.

13.4 Creditors will be notified of the outcome of the decision procedure in due course.

Should you have any queries or require any further clarification please contact Samantha O'Hara at my office, **in writing**.
Electronic communications should also include a full postal address.

for and on behalf of

FFREES FAMILY FINANCE LIMITED



A D CADWALLADER

Joint Administrator

A D Cadwallader, A J Duncan and A Poxon are authorised to act as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales under office holder numbers 9501, 9319 and 8620, respectively.

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

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

It is proposed that:

1. The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration.
2. If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company.
3. If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation. It is further proposed that A D Cadwallader, A J Duncan and A Poxon be appointed Joint Liquidators of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them.

NB. Creditors may nominate a different person as the proposed Joint Liquidators, provided that the nomination is made after receipt of these proposals and before the proposals are approved.

4. Alternatively, if appropriate, the Joint Administrators apply to Court under Paragraph 65(3) of Schedule B1 to the Insolvency Act 1986 (as amended) for permission to make a distribution to the unsecured creditors within the Administration.
5. In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved.
6. The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company.
7. The Company may be placed into Compulsory Liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that A D Cadwallader, A J Duncan and A Poxon be appointed Joint Liquidators of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by any one or all of them.
8. The Joint Administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986 (as amended), as they consider desirable or expedient to achieve the statutory purpose of the Administration.

APPENDIX B

ESTIMATED FINANCIAL POSITION AS AT 29 MARCH 2019

ESTIMATED FINANCIAL POSITION

Summary of Assets	Book Value £	Estimated to Realise £
Assets Subject to Fixed Charge		
- None		
Assets Subject to Floating Charge:		
- None		
Uncharged Assets:		
- Trading Name	-	1
- Office and Computer Equipment	33,100	18,000
- Work in Progress	-	1
- Contracts	-	1
- Intellectual Property	-	2,397
- Goodwill	-	5,000
- Shares	100	100
- Software	234,400	120,000
- Trade Debtors	17,900	Uncertain
- Other Debtors	236,200	Uncertain
- Prepayments	107,300	Uncertain
- Cash at Bank	1,000	Uncertain
Estimated Total Assets Available for Preferential Creditors	630,000	145,500

ESTIMATED FINANCIAL POSITION

Summary of Liabilities	£	Estimated to Realise £
Estimated total assets available for preferential creditors (carried from page A)		146,500
Liabilities		
Preferential creditors:- Employee Wages and Holiday Pay		0
Estimated surplus/(deficiency) as regards preferential creditors		146,500
Estimated prescribed part of net property where applicable (to carry forward)		0
Estimated total assets available for floating charge holders		146,500
Less Floating Charge Creditors		0
Estimated surplus/(shortfall) of assets after floating charges		146,500
Estimated prescribed part of net property where applicable (b/down)		0
Total assets available to unsecured creditors		146,500
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)		
- Trade and Expense Creditors	(685,832)	
- HM Revenue and Customs (VAT)	(14,891)	
- HM Revenue and Customs (PAYE)	(304,023)	
- Loan Note Holders'	(4,650,000)	
- Shareholder Loan	(2,657,000)	(8,311,745)
Estimated total deficiency as regards creditors		(8,165,245)
Issued and Called Up Capital	(2,828,828)	
Share Premium	(9,883,927)	(12,712,755)
Estimated total deficiency as regards members		(20,878,000)

NOTES TO THE ESTIMATED FINANCIAL POSITION

All book values have been taken from the Company's latest financial information or from valuations obtained by independent valuers. It should be noted that no provision has been made for the costs and expenses of the Administration.

The valuation agents that has been instructed in this matter are Hilco Appraisal Limited ("**Hilco**"). Hilco have confirmed their independence and that they carry adequate professional indemnity insurance for the valuation performed.

1. Fixed Charge Assets

There are no holders of fixed charge security.

2. Floating Charge Assets

There are no holders of floating charge security.

3. Uncharged Assets

3.1. Goodwill and Intellectual Property Rights

3.1.1. Hilco were instructed to provide a valuation of the Company's intellectual property, including the brand, trademarks, technology platform, websites and mobile applications, organisational knowledge, social media accounts and domain names ("**Business Intellectual Property**").

3.1.2. Hilco valued these assets using Market and Income based approaches and provided a force sale valuation of between £44,000 and £136,000. Hilco advised that the value of the goodwill and Business Intellectual Property would be significantly diminished should the Company cease to trade.

3.1.3. The Business Intellectual Property was sold to U Holdings Ltd ("**the Purchaser**") following a pre-packaged sale which completed on 29 March 2019 for consideration as follows:

Trading Name	£1.00
Work in Progress	£1.00
Contracts	£1.00
Intellectual Property	£2,397.00
Goodwill	£5,000.00
Software	£120,000.00
Total	£127,400.00

5.3.1 Additional consideration will become due based on 17.5% of the Purchasers net profit for the first 24 months following completion. In addition, should the Purchaser sell the business or assets in the next two years, save for issuing and allotting shares in the normal course of business, an uplift consideration will become payable of between 5% and 15% depending on the value achieved.

3.2. Office and Computer Equipment

3.2.1. Hilco were instructed to provide a valuation of the chattel assets of the Company and attended the trading premises to inspect these assets. In their opinion, when considering these assets as a whole, they were generally aged but appeared to be well maintained.

3.2.2. The equipment of the Company was sold to the Purchaser for £18,000. No further recoveries will be made in respect of the equipment.

3.3. Shares

- 3.3.1. At the date of Administration, the Company held 100% of the share in U Account Ltd, a dormant company. The shares held in the subsidiary have been sold to the Purchaser for £100.
- 3.3.2. Should the Purchaser sell the shares in the U Account Ltd in the next two years an uplift consideration will become payable of between 5% and 15% depending on the value achieved.

3.4. Trade Debtors

- 3.4.1. In accordance with the books and records of the Company, the Company had outstanding trade debtors totalling £159,655. Of this amount, a debt owing by Avinity Limited was sold to the Purchaser in the sale of the business of assets for £4,500. This book debt had a book value of £4,776.
- 3.4.2. With regard to the remaining book debts owing to the Company, the Joint Administrators are currently reconciling these accounts to ascertain what, if any, recoveries will be made in this regard.

3.5. Other Debtors

The Company's management accounts as at 28 February 2019 included other debtors of £236,200. The Joint Administrators are currently awaiting a breakdown of this amount to determine what amounts can be collected.

3.6. Prepayments

The Company's management accounts as at 28 February 2019 showed prepayments of £107,300. The Joint Administrators will review the prepayments to determine if any refunds may be due to the Company.

3.7. Cash at Bank

The Company operated 4 bank accounts with HSBC Bank Plc ("HSBC"). We have written to HSBC to close these accounts and remit any balances held to the Administration. It is not considered that significant balances are held.

4. Preferential Creditors

It is not anticipated that there will be any preferential claims in the Administration.

5. Prescribed Part

As the Company has no unsatisfied post-Enterprise Act charges, there will be no requirement to set aside a prescribed part in this case.

6. Trade and Expense Creditors

In accordance with the books and records of the Company, the Company had 37 outstanding trade and expense creditors at the date of Administration totalling £685,831.56. The values shown should not be regarded as agreed amounts.

7. HM Revenue and Customs

In accordance with the books and records of the Company, it is indebted to HM Revenue and Customs for £14,890.58 and £304,022.89 in respect of VAT and PAYE, respectively. Although this does not include any amounts owing for VAT accrued in February and March 2019.

8. Loan Note Holders'

- 8.1. The Company issued £3.77m of unsecured 10% PIK loan notes in December 2016 to the Institutional Investors and redeemable in December 2021. Accrued interest in the form of further PIK loan notes were issued every quarter.
- 8.2. As at 28 February 2019, the Company remained indebted to these Loan Note Holders' for the sum of £4.65 million.

9. Shareholder Loan

The Company has an unsecured loan agreement with Mr Keith Morris, with interest accruing at 10% per annum. As at 28 February 2019, Mr Morris was owed £2.657 million.

CREDITORS LIST FOR THE ESTIMATED FINANCIAL POSITION

ESTIMATED FINANCIAL POSITION - LIST OF CREDITORS

Name of Creditor or Claimant	Address -	Post Code	Amount £	Details of Security held by Creditor	Date security given	Value of Security
Trade and Expense Creditors						
4 Media Group	19 Hayward's Place	London	24,000.00	None	-	-
Adobe Systems Software Ireland Ltd	4-6 Riverwalk	Dublin 24	100.62	None	-	-
Amazon Web Services	1 Principal Place	London	5,376.77	None	-	-
Astonmark	Ilex House	London	427.85	None	-	-
Avinity Ltd	AV House	Aylesbury	3,627.37	None	-	-
Balter Regulation Ltd	23 Berkeley Square	London	405.00	None	-	-
Bayleaf HR & Employment Law	59 Sherham St	Sheffield	485.00	None	-	-
Blue Owl	The Gazary	Barnold Road Worsley	918.00	None	-	-
Bottomline Technologies	115 Chatham Street	Reading	9,745.98	None	-	-
Calendly LLC	1315 Peedtree St	NE 3rd Floor	57.54	None	-	-
Circus PPC Agency Ltd	Hamilton House	Atlanta, Georgia	5,755.04	None	-	-
CMS	Canon Place	Bloomsbury	3,106.20	None	-	-
Coritis Financial Services	Navigation House/Belmont Wharf	London	8,632.14	None	-	-
Electric Works (Creative Space Management Ltd)	Digital Campus 3 Concourse Way	South Yorkshire	11,750.63	None	-	-
Expenseln	St Mary's House	Waltham Street	40.00	None	-	-
Forge Bakehouse Limited	302 Abbeyle Rd	Lawrence	0.60	None	-	-
Google	Gordon House	Ireland	307.88	None	-	-
GPS	Beaufort House	London	172,030.85	None	-	-
IT Innovations	GRC International Group Plc	15 St Boleoph Street	9,750.00	None	-	-
Knight's plc	The Brampton	Cambridgeshire Business Park	1,134.00	None	-	-
Legal & General	One Coleman Street	Staffordshire	2,331.00	None	-	-
Pay Point Network Ltd	No 1 The Boulevard	Wielwyn Garden City	3,077.68	None	-	-
PayPoint Collections Ltd	1 The Boulevard	Wielwyn Garden City	4,509.76	None	-	-
People Apps Ltd	Unit 23 Station Road	Doncaster	11,458.06	None	-	-
People Value	Victor House	England	3,148.28	None	-	-
Peritus Learning & Development Ltd	Pioneer Park Dock	Wharfedale, Oxford	1,642.25	None	-	-
Qualays Ltd	Qualways Mill	Leicestershire	4,800.00	None	-	-
Spencer Edwards Associates Ltd	First Floor	Sheffield	16,545.60	None	-	-
SureCloud Limited	10 Brick Street	Harrrogate	1,575.00	None	-	-
TenderHut	Slendewicza 110	London	6,000.00	None	-	-
Thomas Card Technology	Thomas House	Rayleigh Essex	5,744.69	None	-	-
Totally Money Ltd	TotallyMoney Ltd T/A TotallyMoney	London	11,787.00	None	-	-
Trihor	4th Floor	London	928.80	None	-	-
W2 Global	Clarence House	Newport	22,397.23	None	-	-
Waggrains Ltd	21 Farringdon Road	Gwent	55,160.64	None	-	-
Wirecard Solutions Ltd	Third Floor Galinger Chambers	England	260,752.09	None	-	-
Total Trade and Expense Creditors			685,531.56			
Other Unsecured Creditors						
HM Revenue and Customs (PAYE)	Durington Bridge House	Worthing	304,102.89	None	-	-
HM Revenue and Customs (VAT)	Durington Bridge House	Worthing	14,850.58	None	-	-
Finance Yorkshire Equity LP	1 Capital Court	Barnsley	703,000.00	None	-	-
Nesta Impact Investments 1 LP	58 Victoria Embankment	London	1,770,000.00	None	-	-
The Technology & Innovation Fund LP	9 Berkeley Street	London	2,177,000.00	None	-	-
Kaith Morris	19E Hyde Park Gardens	London	2,657,000.00	None	-	-
Employee Creditors			7,625,913.47			
- None						
Total Employee Creditors						
Consumer Creditors						
- None						
Total Consumer Creditors						

APPENDIX C

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS
FROM 29 MARCH 2019 TO 3 APRIL 2019

APPENDIX C

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS FROM 29 MARCH 2019 TO 3 APRIL 2019

	<i>Estimated Financial Position</i>	
	£	£
Receipts		
- Trading Name	1	1.00
- Office and Computer Equipment	18,000	18,000.00
- Work in Progress	1	1.00
- Contracts	1	1.00
- Intellectual Property	2,397	2,397.00
- Goodwill	5,000	5,000.00
- Shares	100	100.00
- Software	120,000	120,000.00
- Trade Debtors	Uncertain	4,500.00
- Other Debtors	Uncertain	-
- Prepayments	Uncertain	-
- Cash at Bank	Uncertain	-
	145,500	150,000.00
Payments		
- None		-
Balance		150,000.00
Balance Made Up As Follows:		
- Administration Account (interest bearing)		150,000.00
- VAT Control Account		-
		150,000.00

APPENDIX D

SUMMARY OF JOINT ADMINISTRATORS' PRE-ADMINISTRATION COSTS

SUMMARY OF JOINT ADMINISTRATORS' PRE-ADMINISTRATION COSTS

	Director		Manager 1		Administrator 1		Administrator 4		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Financial Assessment	23	1,035.00	-	-	-	-	-	-	23	1,035.00	450.00
Strategy & Purpose Evaluation	330	14,850.00	375	13,687.50	-	-	-	-	705	28,537.50	404.79
Preparation of Documents	90	4,050.00	8	292.00	2	52.00	37	555.00	137	4,949.00	361.24
Court related issues	12	540.00	-	-	-	-	-	-	12	540.00	450.00
Total	455	20,475.00	383	13,979.50	2	52.00	37	555.00	877	35,061.50	
Average Hourly Rate (£)		450.00		365.00		260.00		150.00		399.79	

All Units are 6 minutes

DETAILED ANALYSIS OF PRE-ADMINISTRATION COSTS

Financial Assessment

- This involved reviewing and assessing the Company's cash flow requirements in the period up to the date of Administration;
- Liaising with directors regarding the financial position of the Company; and
- Reviewing and assessing financial information provided by the Company.

Strategy & Purpose Evaluation

Time has been spent in relation to the preparation of the strategy and purpose evaluation. This included but was not limited to:

- Meeting initially with the directors to ascertain all pertinent issues;
- Circulating a conflict of interest email to all members of LCBSG staff;
- Formation of case strategy and preparation of a Strategy Note;
- Considering whether it was appropriate to trade the Company and offer it for sale as a going concern during the Administration;
- Liaising with Hilco Appraisal Limited with regards to the valuations of the assets;
- Liaising with the directors of the Company regarding the financial position of the Company;
- Liaising with the Institutional Investors and key suppliers;
- Conducting the accelerated mergers and acquisition process and negotiating with interested parties;
- Liaising with Hilco Appraisal Limited to obtain their recommendations regarding the offer received from the Purchaser; and
- Liaising with the Financial Conduct Authority ("FCA") with regards to the proposed appointment of Joint Administrators and the strategy of the Administration in order to obtain their consent to the appointment.

Preparation of Documents

- Setting up the case file and conducting the requisite FCA, pension scheme, and data protection register searches;
- Conducting anti-money laundering checks in accordance with mandatory requirements;
- Reviewing the Notice of Appointment ("NOA") as prepared by the Joint Administrator's instructed solicitors; and
- Preparing the proposed Joint Administrators consents to act for the NOA.

Court related issues

- Time was spent arranging for the NOA to be filed at Court by the Joint Administrators' instructed solicitors.

APPENDIX E

JOINT ADMINISTRATORS' FEES ESTIMATE INCORPORATING TIME INCURRED TO 2 APRIL 2019

JOINT ADMINISTRATORS' FEES ESTIMATE INCORPORATING TIME INCURRED TO 2 APRIL 2019

	FEES ESTIMATE			TIME COST INCURRED			COMPARISON	
	Units No.	Cost £	Average Hourly Rate £	Units No.	Cost £	Average Hourly Rate £	Units No.	Cost £
Statutory and Review	235	7,387.50	314.36	8	260.50	325.63	227	7,127.00
Receipts and Payments	95	2,972.50	312.89	6	187.50	312.50	89	2,785.00
Bonding and Pensions	50	1,390.00	278.00	7	255.50	365.00	43	1,134.50
Assets	155	5,522.50	356.29	65	2,627.50	404.23	90	2,895.00
Liabilities	135	4,385.00	324.81	38	1,514.50	398.55	97	2,870.50
General Administration	170	5,185.00	305.00	20	708.50	354.25	150	4,476.50
Appointment	95	2,632.50	277.11	74	1,756.50	237.36	21	876.00
Post Appointment Creditor Reporting	275	9,525.00	346.36	136	4,413.50	324.52	139	5,111.50
Investigations	105	3,320.00	316.19	-	-	-	105	3,320.00
	1,315	42,320.00	321.83	354	11,724.00	331.19	961	30,596.00

APPENDIX D

JOINT ADMINISTRATORS' FEES ESTIMATE

	Director		Senior Manager		Manager 1		Administrator 1		Administrator 4		Total		Average
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Hourly Rate £
Statutory and Review	35	1,575.00	25	1,025.00	75	2,737.50	50	1,300.00	50	750.00	235	7,387.50	314.36
Receipts and Payments	5	225.00	10	410.00	35	1,277.50	35	910.00	10	150.00	95	2,972.50	312.89
Bonding and Pensions	5	225.00	-	-	10	365.00	25	650.00	10	150.00	50	1,390.00	278.00
Assets	35	1,575.00	10	410.00	75	2,737.50	25	650.00	10	150.00	155	5,522.50	356.29
Liabilities	25	1,125.00	10	410.00	50	1,825.00	25	650.00	25	375.00	135	4,385.00	324.81
General Administration	25	1,125.00	10	410.00	50	1,825.00	50	1,300.00	35	525.00	170	5,185.00	305.00
Appointment	10	450.00	10	410.00	25	912.50	10	260.00	40	600.00	95	2,632.50	277.11
Post Appointment Creditor Reporting	50	2,250.00	25	1,025.00	100	3,650.00	100	2,600.00	-	-	275	9,525.00	346.36
Investigations	10	450.00	10	410.00	50	1,825.00	10	260.00	25	375.00	105	3,320.00	316.19
Total	200	9,000.00	110	4,510.00	470	17,155.00	330	8,580.00	205	3,075.00	1,315	42,320.00	

Average Hourly Rate (£)

450.00365.00260.00150.00321.83

All Units are 6 minutes

APPENDIX D

SUMMARY OF JOINT ADMINISTRATORS' TIME COSTS TO 2 APRIL 2019

	Director Units	Cost £	Senior Manager Units	Cost £	Manager 1 Units	Cost £	Administrator 1 Units	Cost £	Administrator 4 Units	Cost £	Units	Total Cost £	Average Hourly Rate £
Statutory and Review	-	-	-	-	5	182.50	3	78.00	-	-	8	260.50	325.63
Receipts and Payments	-	-	-	-	3	109.50	3	78.00	-	-	6	187.50	312.50
Bonding and Pensions	-	-	-	-	7	255.50	-	-	-	-	7	255.50	365.00
Assets	30	1,350.00	-	-	35	1,277.50	-	-	-	-	65	2,627.50	404.23
Liabilities	15	675.00	-	-	23	839.50	-	-	-	-	38	1,514.50	398.55
General Administration	-	-	-	-	19	693.50	-	-	1	15.00	20	708.50	354.25
Appointment	15	675.00	3	123.00	5	182.50	1	26.00	50	750.00	74	1,756.50	237.36
Post Appointment Creditor Reporting	-	-	13	533.00	65	2,372.50	58	1,508.00	-	-	136	4,413.50	324.52
Investigations	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	60	2,700.00	16	656.00	162	5,913.00	65	1,690.00	51	765.00	354	11,724.00	

Average Hourly Rate (£)

All Units are 6 minutes

450.00

410.00

365.00

260.00

150.00

331.19

JOINT ADMINISTRATORS' FEES ESTIMATE DETAILS OF WORK PROPOSED TO BE UNDERTAKEN

Statutory and Review

This category of activity encompasses work undertaken for both statutory and case management purposes. Whilst this work will not directly result in any monetary value for creditors, it will ensure that the case is managed efficiently and resourced appropriately, which will be of benefit to all creditors. The work to be carried out under this category will comprise the following:

- Case management reviews. These will be carried out periodically throughout the life of the case. In the early stages of the case this will involve team meetings to discuss and agree case strategy and a month 1 review by the firm's Compliance team to ensure that all statutory and best practice matters have been dealt with appropriately. As the case progresses we will as a minimum carry out three monthly reviews to ensure that the case is progressing as planned;
- Allocation of staff, management of staff, case resourcing and budgeting – It is anticipated that the majority of the work in respect of this matter will be carried out by Manager and Administrator level staff, with overview by the appointed office holders;
- Review of time costs data to ensure accurate posting of time and to ensure compliance with Statement of Insolvency Practice 9;
- Review of work carried out by more junior members of staff to ensure quality of work and adherence to standards, legislation and best practice;
- The Joint Administrators are required under the Company Directors Disqualification Act 1986 ("CDDA") to review the Company's records and consider information provided by creditors on the conduct of the all directors involved in the Company during the three years leading up to the insolvency. This will result in the preparation and submission of statutory returns or reports on all directors to the Insolvency Service. Evidence of unfit conduct can result in directors being disqualified for periods of up to 15 years;
- Review of directors' Statement of Affairs and filing of document at Companies House in accordance with statutory requirements; and
- Completion of case closing procedures at the end of the case.

To date, the following tasks have been completed under this category:

- Review of work carried out by more junior members of staff to ensure quality of work and adherence to standards, legislation and best practice.

Receipts and Payments

This category of work will not result in a direct financial benefit for creditors. However, close monitoring of case bank accounts is essential to ensure that bank interest is maximised where possible, estate expenses are properly managed and kept to a minimum and amounts payable to creditors are identified and distributed promptly.

- Opening of case bank account;
- Management of case bank account to ensure compliance with relevant risk management procedures;
- Preparation of periodic receipts and payments accounts for inclusion in statutory reports;
- Preparation of periodic estimated outcome statements to ensure that asset realisations and likely expenses are in line with those estimated in the Joint Administrators' Report and Statement of Proposals;
- Timely completion of all post appointment tax and VAT returns; and
- Managing estate expenses.

To date, the following tasks have been completed under this category:

- Preparation of an initial estimated outcome statement to determine the anticipated return to the unsecured creditors; and
- Preparation of an initial periodic receipts and payments accounts for inclusion in this report.

Bonding and Pensions

Insolvency Practitioners are obliged to comply with certain statutory requirements when conducting their cases. Some of these requirements are in place to protect Company assets (see insurance and bonding matters below), whilst requirements in respect of Company pension schemes are there to protect the pension funds of Company employees. Whilst there is no direct financial benefit to Company creditors in dealing with these, close control of case expenditure is crucial to delivering maximum returns to the appropriate class of creditor.

- Calculation and request of Joint Administrators' bond in accordance with the Insolvency Practitioners Regulations 2005. A bond is a legal requirement on all Administrations and is essentially an insurance policy to protect creditors against the fraud or dishonesty of the Insolvency Practitioner. The bond is calculated by reference to the value of assets which are estimated before costs to be available to unsecured creditors;
- Periodic review of bonding requirements to ensure that creditors are appropriately protected. The bond is reviewed upon each large receipt of monies into the case and also at three month intervals in accordance with best practice;
- Completion and submission of statutory notifications under the Pensions Act 2004. This includes liaising with the Company directors to establish the existence of Company pension schemes, making the statutory notifications under s22 and s120 of the pensions legislation; liaising with pensions providers to understand the nature of the scheme, and submitting claims to the Redundancy Payments Service for reimbursement of unpaid contributions to the scheme; and
- Liaising with pension companies to arrange for prompt wind up of schemes.

To date, the following tasks have been completed under this category:

- Calculation and request of Joint Administrators' bond in accordance with the Insolvency Practitioners Regulations 2005

Assets

Time will be spent:

- Completing the sale and purchase agreement and receiving the initial consideration;
- Completing post sale duties contained within the sale and purchase agreement;
- Assisting with the novation of contracts held by the Company to the Purchaser, as and when required;
- Instruction of and liaising with solicitors, as required; and
- Identification and return of third party assets, if appropriate.
- Liaising with the Company's bankers regarding the closure of the pre-appointment bank accounts;
- Reconciling the debtor position with Wirecard Solutions Limited;
- Reviewing the other debtors and pursuing recovery of any balances owing; and
- Reviewing the prepayments made by the Company to determine if any refunds are due to the Company.

To date, the following tasks have been completed under this category:

- Completion of the sale and purchase agreement and receiving the initial consideration; and
- Completing post sale duties contained within the sale and purchase agreement, and receiving the initial consideration.

Liabilities

This category of time includes both statutory and non-statutory matters.

Statutory

- Processing of claims from the Company's creditors – the Company's records indicate that there are a total of 43 creditors in the Administration (including HM Revenue and Customs). Based on the estimated to realise value of the assets shown in the Estimated Financial Position, it is likely that there will be sufficient asset realisations to enable a distribution to unsecured creditors. At this stage the Joint Administrators will simply be logging claims received. It will be responsibility of the subsequently appointed Joint Liquidators to adjudicate on claims once they are in a position to pay a first and final distribution; and
- Preparation, review and submission of pre-appointment tax and VAT returns.

Non-statutory

- Dealing with enquiries from the Company's creditors, as appropriate.

To date, none of the above tasks have been completed.

General Administration

- General planning matters;
- Setting up and maintaining the Joint Administrators' records;
- Arranging collection and storage of Company records; and
- Dealing with general correspondence and communicating with directors and shareholders.

To date, the following tasks have been completed under this category:

- General planning matters;
- Setting up the Joint Administrators' records; and
- Communicating with the directors regarding ongoing duties.

Appointment

- Statutory notifications to creditors and other interested parties following the Joint Administrators' appointment; and
- Preparation of case plan;

The above tasks have now been completed and it is anticipated that no further time costs will be incurred under this category.

Post Appointment Creditor Reporting

- Preparation of the Joint Administrators' letter to creditors regarding the pre-packaged sale of the business and certain assets in accordance with Statement of Insolvency Practice 16;
- Preparation of Joint Administrators' Proposals for achieving a statutory purpose of the Administration;
- Preparation of Fees Estimate and Statement of Expenses in accordance with Insolvency (England and Wales) Rules 2016;
- Convening a decision by correspondence to agree Fees Estimate with appropriate body of creditors;
- Reporting on outcome of voting;

Frees Family Finance Limited - In Administration

- Preparation of six monthly progress reports to creditors to provide an update on the Administration process; and
- Preparation of a final progress report to conclude the Administration.

To date, the following tasks have been completed under this category:

- Preparation of the Joint Administrators' letter to creditors regarding the pre-packaged sale of the business and certain assets in accordance with Statement of Insolvency Practice 16;
- Preparation of Joint Administrators' Proposals for achieving a statutory purpose of the Administration;
- Preparation of Fees Estimate and Statement of Expenses in accordance with Insolvency (England and Wales) Rules 2016; and
- Convening a decision by correspondence to agree Fees Estimate with appropriate body of creditors;

Investigations

- Collecting and reviewing the Company's records – this will mainly consist of reviewing bank statements and other information provided by creditors; and
- Conducting initial investigations into the Company's affairs / records to identify the possibility of further realisations and enable the submission of returns due under the CDDA – The submission of returns under the CDDA is a statutory requirement and is unlikely to result in any benefit to creditors.

To date, none of the above tasks have been completed.

JOINT ADMINISTRATORS' STATEMENT OF LIKELY EXPENSES

JOINT ADMINISTRATORS' STATEMENT OF LIKELY EXPENSES

Standard Expenses

Type	Description	Amount £
AML Checks	Electronic client verification	25.00
Bond Fee	Insurance bond	260.00
Document Hosting	Hosting of documents for creditors (5 documents at £14.00 per document)	126.00
Software Licence Fee	Case management system licence fee	87.00
Statutory Advertising	Advertising (1 advert at £85.95)	85.95
Storage Costs	Storage of books and records	250.00
Post redirection	Redirection of post	-
Total Standard expenses		833.95

Case Specific Expenses

Type	Description	Amount £
Legal Fees	Costs of appointed solicitors. General advice and dealing with contract novations.	5,000.00
Agents' Fees and Expenses	Assistance with the preparation of the Statement of Affairs	4,500.00
Internal photocopying	Category 2 disbursement requiring specific creditor / committee approval	25.00
General stationery, postage, telephone etc.	Category 2 disbursement requiring specific creditor / committee approval (£100 per 100 creditors & members)	100.00
Storage of office files (6 years)	Category 2 disbursement requiring specific creditor / committee approval (2 boxes @ £81.25 per box)	162.50
Total Case Specific Expenses		9,787.50

ESTIMATED OUTCOME STATEMENT

ESTIMATED OUTCOME STATEMENT

	Estimated Financial Position £	Current Position £	Estimated Future £	Estimated Final Position £
Fixed Charge Assets				
- None	-	-	-	-
Floating Charge Assets:				
- None	-	-	-	-
Non-Charged Assets:				
- Trading Name	1	1	-	1
- Computer and Office Equipment	18,000	18,000	-	18,000
- Work in Progress	1	1	-	1
- Contracts	1	1	-	1
- Intellectual Property	2,397	2,397	-	2,397
- Goodwill	5,000	5,000	-	5,000
- Shares	100	100	-	100
- Software	120,000	120,000	-	120,000
- Trade Debtors	Uncertain	4,500	Uncertain	4,500
- Other Debtors	Uncertain	-	Uncertain	Uncertain
- Prepayments	Uncertain	-	Uncertain	Uncertain
- Cash at Bank	Uncertain	-	Uncertain	Uncertain
Estimated Assets Available to Preferential Creditors	145,500	150,000	-	150,000
Costs of Administration:				
- Pre-Appointment Costs				
- Leonard Curtis Limited (time costs and expenses)		-	(35,062)	(35,062)
- Crowell & Moring LLP (time costs and expenses)		-	(13,950)	(13,950)
- Hilco Appraisal Limited		-	(6,500)	(6,500)
- IUF Global		-	(8,500)	(8,500)
- Joint Administrators' Remuneration		-	(42,320)	(42,320)
- Joint Administrators' Expenses		-	(1,121)	(1,121)
- Agents' Fees and Expenses (preparation of Statement of Affairs)		-	(4,500)	(4,500)
- Solicitors' Fees and Expenses		-	(5,000)	(5,000)
Estimated Assets Available to Preferential Creditors (after costs)		150,000	(116,953)	33,047
Preferential Creditors				-
Estimate Surplus as regards Preferential Creditors				33,047
Estimated Prescribed Part of Net Property where applicable (to carry forward)				-
Estimated Total Assets Available to Floating Charge Creditors				33,047
Floating Charge Creditor				-
Estimated Surplus of Assets after Floating Charge Creditors				33,047
Estimated Prescribed Part of Net Property where applicable (bought down)				-
Total Assets Available to Unsecured Creditors				33,047
Estimated Unsecured Non-Preferential Creditors:				
- Trade and Expense Creditors				(685,832)
- HM Revenue and Customs (VAT)				(14,891)
- HM Revenue and Customs (PAYE)				(304,023)
- Loan Note Holders'				(4,650,000)
- Landlords				(2,657,000)
Estimated Deficiency as regards Unsecured Non-Preferential Creditors (before the costs of liquidation)				(8,278,698)
Estimated Dividend to Unsecured Non-Preferential Creditors - pence in £ (before the costs of liquidation)				0.004

LEONARD CURTIS POLICY REGARDING FEES, EXPENSES AND DISBURSEMENTS

LEONARD CURTIS POLICY REGARDING FEES, EXPENSES AND DISBURSEMENTS

The following Leonard Curtis policy information is considered to be relevant to creditors:

Staff Allocation and Charge Out Rates

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by resolution that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters as set out in a Fees Estimate, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below. In cases of exceptional complexity or risk, the insolvency practitioner reserves the right to obtain authority from the appropriate body of creditors that their remuneration on such time shall be charged at the higher complex rate given below.

The following hourly charge out rates apply to all assignments undertaken by Leonard Curtis:

	Standard	Complex
	£	£
Director	450	562
Senior Manager	410	512
Manager 1	365	456
Manager 2	320	400
Administrator 1	260	325
Administrator 2	230	287
Administrator 3	210	262
Administrator 4	150	187
Support	0	0

Office holders' remuneration may include costs incurred by the firm's in-house legal team, who may be used for non-contentious matters pertaining to the insolvency appointment.

Subcontractors

Where we subcontract out work that could otherwise be carried out by the office holder or his/her staff, this will be drawn to the attention of creditors in any report which incorporates a request for approval of the basis upon which remuneration may be charged. An explanation of why the work has been subcontracted out will also be provided.

Professional Advisors

Details of any professional advisor(s) used will be given in reports to creditors. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements.

The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

Expenses

We are required to provide creditors with an estimate of the expenses we expect to be incurred in respect of an assignment and report back to them on actual expenses incurred and paid in our periodic progress reports. There are two broad categories of expenses: standard expenses and case specific expenses. These are explained in more detail below:

- a) **Standard Expenses** – this category includes expenses which are payable in order to comply with legal or regulatory requirements and therefore will generally be incurred on every case. They will include:

Type	Description	Amount
AML checks	Electronic client verification in compliance with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017	£5.00 plus VAT per individual
Bond / Bordereau fee	Insurance bond to protect the insolvent entity against and losses suffered as a result of the fraud or dishonesty of the IP	£10.00 to £1,200.00 dependent on value of assets within case

Company searches	Extraction of company information from Companies House	£1.00 per document unless document can be accessed via the free service		
Document hosting	Hosting of documents for creditors/shareholders. Cost per upload.	Type	First 100	Every addtl 10
		ADM	£14.00	£1.40
		CVL	£7.00	£0.70
		MVL	£7.00	£0.70
		CPL	£7.00	£0.70
		CVA	£10.00	£1.00
		BKY	£10.00	£1.00
		IVA	£10 p.a. or £25 for life of case	
Post re-direction	Redirection of post from Company's premises to office-holders' address	0-3 months £204.00 3-6 months £303.00 6-12 months £490.00		
Software Licence fee	Payable to software provider for use of case management system	£87.00 plus VAT per case		
Statutory advertising	Advertising of appointment, notice of meetings etc. - London Gazette - Other	£85.95 plus VAT per advert Dependent upon advert and publication		
Storage costs	Costs of storage of case books and records	£5.07 plus VAT per box per annum plus handling charges		

- b) Case-specific expenses – this category includes expenses (other than office-holders' fees) which are likely to be payable on every case but which will vary depending upon the nature and complexity of the case and the assets to be realised. They will include:

Type	Description	Amount
Agents' fees	Costs of appointed agents in valuing and realising assets	Time costs plus disbursements plus VAT
Debt Collection fees	Costs of appointed debt collectors in realising debts	Generally agreed as a % of realisations plus disbursements plus VAT
Legal fees	Costs of externally appointed solicitors. Will generally comprise advice on validity of appointment, drafting of sale contracts, advice on retention of title issues and advice on any reviewable transactions.	Time costs plus disbursements plus VAT
Other disbursements	See disbursements section below	See disbursements section below

Disbursements

Included within both of the above categories of expenses are disbursements, being amounts paid firstly by Leonard Curtis on behalf of the insolvent entity and then recovered from the entity at a later stage. These are described as Category 1 and Category 2 disbursements.

- a) Category 1 disbursements: These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses (excl. mileage), and equivalent costs reimbursed to the office holder or his or her staff. Category 1 disbursements may be drawn without prior approval.
- b) Category 2 disbursements: These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage. In the event of charging for category 2 disbursements the following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

Internal photocopying	10p per copy
General stationery, postage, telephone etc.	£100 per 100 creditors/ members or part thereof
Storage of office files (6 years)	£81.25 per box
Business mileage	45p per mile

Category 2 disbursements may be drawn if they have been approved in the same manner as an office holder's remuneration.

NOTICE OF A DECISION PROCEDURE BY CORRESPONDENCE

NOTICE OF A DECISION PROCEDURE BY CORRESPONDENCE

FFREES FAMILY FINANCE LIMITED (IN ADMINISTRATION) ("THE COMPANY")

TRADING AS: U AND FFREES

REGISTERED NUMBER: 07516554

HIGH COURT OF JUSTICE, BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES NO. CR-2019-002237

**NOTICE TO CREDITORS OF A DECISION PROCEDURE TO BE CONSIDERED BY CORRESPONDENCE
IN ACCORDANCE WITH PARA 51(1) OF SCHEDULE B1 TO THE INSOLVENCY ACT 1986 AND RULES 15.8
AND 18.18 OF THE INSOLVENCY (ENGLAND AND WALES) RULES 2016**

We, A D Cadwallader and A J Duncan, of Leonard Curtis, 5th Floor, Grove House, 248a Marylebone Road, London NW1 6BB and A Poxon of Leonard Curtis, 1a Elms Square, Bury New Road, Whitefield M45 7TA, were appointed Joint Administrators of the Company on 29 March 2019.

NOTICE IS HEREBY GIVEN pursuant to Paragraph 51(1) of Schedule B1 to the Insolvency Act 1986 (as amended) and Rules 15.8 and 18.18 of the Insolvency (England and Wales) Rules 2016 ("the Rules") that the creditors are being asked to make a decision as to whether they approve the Joint Administrators Proposals set out at Appendix A, agree the basis of the Joint Administrators' remuneration and approve three other decisions by way of correspondence.

To participate in the vote creditors will need to have delivered a completed voting form to my office at 5th Floor, Grove House, 248a Marylebone Road, London, NW1 6BB or via email to samanth.o'hara@leonardcurtis.co.uk by 23:59 hours on **23 April 2019** together with a proof of debt form if one has not previously been lodged. Failure to deliver a proof of debt will result in your vote being disregarded.

NB. Creditors' attention is drawn to Chapter 9 of Part 1 of the Rules, which detail the rules for delivery of documents.

The resolutions to be considered are:

1. That the Joint Administrators' Proposals are approved.
2. In the absence of a creditors' committee, that the remuneration of the Joint Administrators be fixed by reference to time properly spent by them and their staff in attending to matters as set out in the Fees Estimate (for an amount not exceeding £42,320.00).
3. That the unpaid pre-administration costs as detailed in the Joint Administrators' Statement of Proposals be approved for payment as an expense of the Administration.
4. That the basis of the recharge of the Joint Administrators' category 2 disbursements be fixed by reference to the rates set out in the Joint Administrators' Statement of Proposals and that they be authorised to be reimbursed such disbursements as and when funds permit.
5. That the Joint Administrators be discharged from liability in respect of any action(s) of theirs as Joint Administrators pursuant to the provisions of paragraph 98(2)(b) of Schedule B1 to the Insolvency Act 1986, immediately upon their appointment ceasing to have effect.

Statutory Information and Creditors' Entitlement To Vote

In accordance with Rule 15.8 of the Insolvency (England and Wales) Rules 2016 please be aware of the following information:

- Creditors are only entitled to vote if they have delivered a proof of debt prior to the decision date and the claim has been accepted in whole or in part, together with a voting form. Whilst I am permitted to agree claims below £1,000 without a proof of debt, a creditor whose claim is less than £1,000 is not able to vote without having lodged a proof of debt. Creditors who have opted out from receiving notices may, nevertheless, vote if a proof of debt has been lodged.
- Creditors must deliver their voting form no later than 23:59pm on 23 April 2019. Forms should be posted to Ffrees Family Finance Limited at Leonard Curtis, 5th Floor, Grove House, 248a Marylebone Road, London, NW1 6BB. Alternatively voting forms can be faxed to 020 7723 6059 or submitted by email to [samantha.o'hara@leonardcurtis.co.uk].
- I am obliged to advise creditors that applications to have any decision reviewed must be made to under reference . Any such application should be made within 21 days of the decision date.
- If creditors are not satisfied with the decision procedure being used, they may request a physical meeting be convened providing their claim is 10% of the value of the creditors or 10% of the number of creditors request the same or 10 individual creditors request that a meeting be convened. All requests to hold a physical meeting should be made in writing but can be made by email to LONDON.meetingreq@leonardcurtis.co.uk. Requests for a physical meeting should be made within five business days of delivery of this notice.

Dated: **3 APRIL 2019**

Signed: _____


A D CADWALLADER
JOINT ADMINISTRATOR

Contact details

A D Cadwallader, A J Duncan and A Poxon
Leonard Curtis
5th Floor
Grove House
248a Marylebone Road
London
NW1 6BB
Tel: 020 7535 7000

VOTING FORM FOR CREDITORS

VOTING FORM FOR CREDITORS

FFREES FAMILY FINANCE LIMITED (IN ADMINISTRATION) ("THE COMPANY")

TRADING AS: U AND FFREES

REGISTERED NUMBER: 07516554

HIGH COURT OF JUSTICE, BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES NO. CR-2019-002237

Please indicate whether you are in favour or against each of the decisions set out below.

Please note that this form should be returned prior to 23:59 hours on **23 April 2019** to my offices at 5th Floor, Grove House, 248a Marylebone Road, London NW1 6BB. Alternatively the form can be faxed to Leonard Curtis on 020 7723 6059 or submitted by email to samantha.o'hara@leonardcurtis.co.uk. In order for your vote to be valid a proof of debt should also have been lodged.

RESOLUTIONS TO BE CONSIDERED

- | | | |
|-------------------|---|---------------------------|
| Decision 1 | That the Joint Administrators' Proposals are approved. | I am *in Favour / Against |
|
 | | |
| Decision 2 | In the absence of a creditors' committee, the remuneration of the Joint Administrators be fixed by reference to time properly spent by them and their staff in attending to matters as set out in the Fees Estimate (for an amount not exceeding £42,320.00). | I am *in Favour / Against |
|
 | | |
| Decision 3 | That the unpaid pre-administration costs as detailed in the Joint Administrators' Statement of Proposals be approved for payment as an expense of the Administration. | I am *in Favour / Against |
|
 | | |
| Decision 4 | That the basis of the recharge of the Joint Administrators' category 2 disbursements be fixed by reference to the rates set out in the Joint Administrators' Statement of Proposals and that they be authorised to be reimbursed such disbursements as and when funds permit. | I am *in Favour / Against |
|
 | | |
| Decision 5 | That the Joint Administrators be discharged from liability in respect of any action(s) of theirs as Joint Administrators pursuant to the provisions of paragraph 98(2)(b) of Schedule B1 to the Insolvency Act 1986, immediately upon their appointment ceasing to have effect. | I am *in Favour / Against |

**delete as appropriate*

TO BE COMPLETED BY CREDITOR:

Dated:

Signed:

Name of creditor:

Position:

PROOF OF DEBT

Proof of Debt – General Form

Relevant date: 29 March 2019

Name of Company in Administration:

Frees Family Finance Limited

Company registered number:

07516554

1. Name of creditor (if a company, provide registration number)

1. Correspondence address of creditor (including email address)

2. Total amount of claim (£) at relevant date (include any Value Added Tax)

3. If amount in 3 above includes outstanding uncapitalised interest, state amount (£)

4. Details of how and when the debt was incurred (if you need more space attach a continuation sheet to this form)

5. Details of any security held, the value of the security and the date it was given

6. Details of any reservation of title claimed in respect of goods supplied to which the debt relates

7. Details of any document by reference to which the debt relates

8. Signature of creditor (or person authorised to act on the creditor's behalf)

9. Date of signing:

10. Address of person signing (if different from 2 above)

11. Name in BLOCK LETTERS

12. Position with, or relation to, creditor

Notes:

- 1 There is no need to attach them now but the office-holder may ask you to produce any document or other evidence which is considered necessary to substantiate the whole or any part of the claim, as may the chairman or convenor of any qualifying decision procedure.
- 2 This form can be authenticated for submission by email by entering your name in block capitals and sending the form as an attachment from an email address which clearly identifies you or has been previously notified to the office-holder. If completing on behalf of the company, please state your relationship to the company.

APPENDIX L

**INFORMATION IN RELATION TO THE PRE-PACKAGED SALE OF THE BUSINESS AND ASSETS IN
ACCORDANCE WITH THE PROVISIONS OF STATEMENT OF INSOLVENCY PRACTICE 16**

**FFREES FAMILY FINANCE LIMITED ("the Company")
(IN ADMINISTRATION)**

**INFORMATION REGARDING THE PRE-PACKAGED SALE OF THE BUSINESS AND ASSETS OF
FFREES FAMILY FINANCE LIMITED**

1 INITIAL INTRODUCTION

- 1.1 Leonard Curtis were first approached by the directors on 7 March 2019 concerning the Company's financial position and to provide advice on the options available to the Company in the event that further support from its shareholders was not forthcoming. The directors were referred to Leonard Curtis by solicitors, Knights Plc.
- 1.2 We do not believe that there are any significant personal or prior professional relationships between the Company or its directors and Leonard Curtis, and we confirm that we carried out the appropriate conflict review prior to accepting the appointment.

2 PRE-APPOINTMENT CONSIDERATIONS

2.1 The extent of the Administrators' Involvement prior to the appointment and the Role of the Insolvency Practitioner ("IP")

- 2.1.1 Following our instruction on 14 March 2019, we wrote formally to the directors of the Company informing them that our role before any formal appointment would involve providing the following services:
- i) Advising them on which insolvency process would be most appropriate for the Company;
 - ii) dealing with all formalities relating to the appointment of Administrators including giving appropriate notification of the intention to make such appointment to the Financial Conduct Authority ("FCA"), as an authorised and regulated company, and other parties entitled to receive notice;
 - iii) preparing any reports necessary and attending Court hearings if appropriate;
 - iv) advising them on the financial control and supervision of the business between the date of our engagement and the date of the appointment of Administrators;
 - v) advising them on whether an early sale of the Company's business and trading assets would be likely to be in the interests of creditors.
- 2.1.2 We made it clear that these services were to be given for the benefit of the creditors of the Company and that our role was not to advise the directors in their personal capacity. We recommended that they seek their own independent advice if they were uncertain on any matter, particularly if they had expressed, or were likely to express, an interest in purchasing the Company's business and trading assets. We also wrote to all interested parties who we believed to be connected to the Company advising them of the IP's obligations under Statement of Insolvency Practice 16 ("SIP 16") regarding the marketing of the business and assets of the Company and of their ability to make a submission, or submissions, to the Pre-Pack Pool.
- 2.1.3 Finally, we explained that initially an IP acts as professional adviser to the Company with responsibilities only to it and its directors. At this stage of the process the IP will assist the directors in making the right decision about what is the correct option for them to pursue in the best interests of creditors having regard to the Company's circumstances. In this case, we advised the directors that the Company was insolvent and that immediate steps be taken to place it into Administration.

- 2.1.4 Once the Company has been placed into Administration, the IP becomes Administrator with different functions and responsibilities. The Administrator is obliged to perform his functions and responsibilities in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, he has a duty not to unnecessarily harm the interests of creditors as a whole.

2.2 Background

- 2.2.1 The Company was incorporated on 3 February 2011, under the name The Frees Network Limited which was changed to its present title on 17 April 2012. The Company trades as 'U'.
- 2.2.2 The current directors are Alex Letts (CEO), Nigel Medhurst (CFO), Stephen Woodford and Ian Brown ("the directors"). The Company has over 30 shareholders. The largest shareholder is Mr Keith Morris ("Mr Morris") who holds a 30% shareholding. No other shareholder has a holding over 5%.
- 2.2.3 The Company operated from serviced offices at Electric Works, Sheffield Digital Campus, Sheffield S1 2BJ and employed 76 full time employees and 8 employees on flexible or fixed term contracts.
- 2.2.4 The Company provided a digital current account service known as the 'U Account' aimed at people within the UK with impaired credit status and had 23,000 active customers depositing approximately £12million per month. The Company provided a pre-paid debit card to customers, which are issued by Wirecard Card Solutions Limited ("WCS"), a FCA regulated entity that stewarded customer funds and under whose licence the Company operated the U Account, and working with key technology providers the Company was able to offer customers traditional current account services, such as faster payments, direct debits and ATM withdrawals, providing a fully featured smartphone-based alternative to traditional bank accounts. The Company received revenue from account usage and operating fees and additional revenue through cash back opportunities.
- 2.2.5 It took the Company 18 months to build the complex technology solution that delivers the U Account, integrating a supply chain of major technology providers utilising Application Programming Interface ("API") technologies. Simultaneously the customer and current account interfaces were built by the Company. The Company also had an agreement with Contis Financial Services Limited ("Contis"), who provided prepaid cards to customers, and the Company provided client services such as a website for card applications and cardholder servicing, design content and undertook marketing for Contis under the trading name 'Frees'.
- 2.2.6 The Company was still within its development phase with many of its operations and required an estimated 70,000 customers to trade at breakeven. Since incorporation the Company incurred losses totalling £14.8million and had an ongoing working capital shortfall of approximately £350,000 per month.
- 2.2.7 The Company received significant funding from management, private investors and funds managed by four institutional investors, Finance Yorkshire Seedcorn LP, Finance Yorkshire Equity LP, The Technology & Innovation Fund LP and Nesta Impact Investments 1 LP ("the Institutional Investors"). In total the Company has raised over £15.4million, from a number of funding rounds since inception, with a mix of equity, loan notes, preference shares and warrants being issued.
- 2.2.8 Regardless of this significant funding, the board of directors found it difficult to source new investment capital despite having approached over 150 separate investor groups directly or indirectly in the past 5 years. The management have found there to be a number of significant barriers preventing further investment:
- The high burn rate of the Company / capital required to deliver a banking platform;
 - The capital structure of the company relating specifically to:
 - £7m of loans and loan notes
 - diluted interest of the management team
 - The period of time to operational break-even; and

- Complexity of building and operating a current account platform.

- 2.2.9 Management have also tried to engage with banks and other key providers in the industry, but the relatively low size of the business and issues around IT integrations, which is a significant issue in the financial services industry and for banks in particular, made progress beyond initial conversations unsuccessful.
- 2.2.10 As a result, for the past two years, the Company has not raised any institutional funding and has relied on EIS investors and the continuing support of its major shareholder, Mr Morris. Furthermore, over the past six months, Mr Morris has been the sole provider of capital, and with his equity investment constrained by EIS limits, he has needed to enter into loan arrangements with the Company, on the same unsecured terms as the existing loan notes held by the Institutional Investors.
- 2.2.11 In February 2019, Mr Morris approached management seeking improved and secured terms for any new loans advanced as he was taking an increasing equity risk for an unsecured debt return. However, we understand that the proposal was rejected by one of the Institutional Investors under the Investment Agreement which was entered into in December 2016. One of the Institutional Investors put forwarded a proposal that any new terms for loans should be on an equivalence basis to the existing loan notes or also applied to all loan note holders (including all historic loan notes) regardless if they participated in the new funding.
- 2.2.12 Subsequently, faced with the Company missing payroll at the end of February 2019 and mindful of his own exposure with some £5m of loans and equity invested, Mr Morris conceded this request and provided funds to cover February payroll on existing terms.
- 2.2.13 As a result of the Company's financial position, with concerns that Mr Morris might withdraw support and without funding to cover payroll falling due at the end of March 2019, the directors were referred to Leonard Curtis on 7 March 2019, for advice.
- 2.2.14 Shortly afterwards, when approached by management for additional funding under the existing arrangements, and with the raising of future investment continuing to look uncertain, Mr Morris declined, indicating that he was not prepared to advance any further funds under existing terms.
- 2.2.15 As a result the directors, after taking advice from Leonard Curtis, and following a review of the Company's financial position and considering that the working capital shortfall could not be met, it was agreed that the Company could not continue to trade and that steps should immediately be taken to attempt to secure a sale of the Company's business and assets as a going concern which would be in the best interests of all stakeholders.
- 2.2.16 Leonard Curtis was subsequently instructed by the board of directors on 14 March 2019 to consider and assist them with preparing and negotiating an agreement to sell the business and certain assets of the Company, by way of a pre-packaged ("Pre-Pack") sale through an Accelerated Mergers and Acquisitions ("AMA") process. The AMA process was initiated on 14 March 2019.
- 2.2.17 Throughout the engagement, Leonard Curtis advised the directors of their fiduciary duties to the Company and its creditors. No advice was given to the directors regarding the impact of the insolvency of the Company on their personal financial affairs. Whilst not formally in office at that time, Leonard Curtis was required to continue to act in its dealings with the Company in accordance with the Insolvency Code of Ethics.
- 2.2.18 A Notice of Appointment of Administrators was filed in the High Court by the directors on 29 March 2019, and A D Cadwallader, A J Duncan and A Poxon of Leonard Curtis were appointed as Joint Administrators ("the Joint Administrators").

2.3 Details of registered charges and dates of creation

There are no charges registered against the Company at Companies House.

2.4 Alternative courses of action considered by the Administrator

2.4.1 The following courses of alternative action were considered with management prior to our appointment and the pre-packaged sale:

(a) Distressed sale of the business and assets as a going concern by management

There was insufficient funding available to support on-going trading prior to any sale. The Company was unable to raise additional funding from external sources having approached over 150 separate investor groups in the past few years and the directors and shareholders were not in a position to make further funds available on existing terms whilst a purchaser was sought.

As referred to above, the major shareholder, Mr Morris, who over the past six months had been the sole provider of capital, had withdrawn his support in March 2019 due to the impasse with the Institutional Investors regarding ongoing funding terms. As such the Company had insufficient funding available to support on-going trading and meet payroll falling due at the end of March 2019 in order for management to secure a distressed sale of the business and assets.

(b) Company Voluntary Arrangement ("CVA")

This was unlikely to be a viable option for the Company, as there was no immediate source of funding to provide working capital to enable a CVA to be proposed to creditors.

As mentioned above, an impasse had been reached regarding ongoing funding terms between the Company and the Institutional Investors and the major shareholder had withdrawn his support. In addition, the Company was unable to raise additional funding from external sources.

Furthermore, we considered that a CVA would not be viable for the Company for the following reasons:

- The Company's current business model is loss making and it would not be able to support a contribution based CVA.
- Without significant working capital or prospects of trading profitably, the Company cannot continue to trade in its current form.
- Given the nature of the Company's creditors it is uncertain whether a CVA would be achievable as there would be a number of ransom creditors that would have to be paid outside of a CVA to ensure the ongoing operation of the U Account technology.

(c) Administrative Receivership

There are no holders of a floating charge who are in a position to appoint an Administrative Receiver.

(d) Sale of the business and assets as a going concern by the Administrator with or without ongoing trading

This was considered the most appropriate option for creditors as a whole. It was agreed that to achieve the best possible value for the business and assets a sale should be completed as soon as possible following the Administration to protect the Company's goodwill and intellectual property rights. A going concern sale would also maximise the value for the chattel assets as opposed to them being sold on a break-up basis.

A sale of the business in Administration would allow for continuity of trading, mitigate breach of contract claims from key suppliers and offer a better return for creditors as a whole.

In addition, a sale would allow for all employees to be transferred to the Purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"), reducing the liability in the Administration and saving some 84 jobs.

It was also considered that a Pre-Pack sale would achieve the purpose of Administration, namely 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).

(e) Sale of assets by the Administrator after a period of marketing to third parties

Attempting to trade the business in Administration would not have been viable owing to the lack of funding available to meet payroll and the need to pay critical supplier payments to ensure the ongoing operation of the U Account technology.

As referred to above, an impasse had been reached regarding ongoing funding terms between the Company and the Institutional Investors and the major shareholder had withdrawn his continued support. In addition, the Company was unable to raise additional funding from external sources and the Company had no other source of funds. Consequently trading during the Administration was not viable given the need to pay wages at the end of March 2019 and critical suppliers.

In addition, it was considered that the customers being notified of the Administration would be likely to immediately request a return of their deposited funds which could lead to a 'run on the bank' and be detrimental to the ongoing business and consequently the value of the Company's business and assets.

(f) Liquidation and subsequent forced sale of the Company's assets

A sale of the business and assets as a going concern would not be achievable in a liquidation scenario and would not lead to better realisations. Hilco Valuation Services ("Hilco"), our instructed agents, had advised that the value of the Company's chattel assets was minimal and therefore the majority of the value in the Company was attributed to its software and intellectual property. If the Company was placed into liquidation and ceased trading these assets would have little to no value.

In a liquidation scenario, there would have been a managed wind down of the business which would have involved selling the customer base or alternatively customers withdrawing their monies which would not have been in the best interest of the Company's creditors, would have seriously impacted the customers who utilise the services and would cause brand, reputational and cost issues for WCS. In this scenario, it may have resulted in a significant breach of contract claim being received from WCS substantially increasing the level of creditor claims.

Furthermore, employee claims for unpaid wages, accrued holiday pay, lieu of notice and redundancy would have also formed against the Company by it ceasing to trade.

2.4.2 **Whether efforts were made to consult with major creditors and the outcome of any consultations**

The Institutional Investors were advised and kept informed of the AMA process and approached as potentially interested parties as part of the marketing of the business and assets.

WCS, who issue the pre-paid debit card to the U Account customers, were advised of the Company's financial position and of the AMA process given the unique mutual interdependency between the Company and WCS for the services which the Company provided to its customers. Any sale of the Company's business and assets would therefore require the ongoing support of WCS and the Company's contract with WCS would need to be

novated to the purchaser as part of any sale to ensure a seamless transition of the business ensuring that customers have access to their accounts without interruption and their funds are properly safeguarded.

As part of our conversations with WCS, they confirmed that they would be amenable to novating the Company's contracts subject to them consenting to the transfer and carrying out the necessary due diligence on the purchasing entity. WCS confirmed that they would be prepared in principle to facilitate an assignment to a Newco that only involved the current management team and that if the current management were not involved in a Newco then it was unlikely that WCS would agree to a novation of the contract and would seek an orderly wind down of the business.

It was decided not to consult with other suppliers / unsecured trade creditors as it was considered that creditors would cease to provide essential services and supplies, which would have been detrimental to the Company's on-going operation of the U Account technology and consequently the value of the Company's business and assets.

2.4.3 Why it was not appropriate to trade the business, and offer it for sale as a going concern, during the Administration

Trading the business in Administration whilst a sale of the business was explored was not considered to be a viable option for the following reasons:

- The Company is loss making.
- There was no prospect of receiving adequate funding to trade the business and cover trading losses.
- The Administration may have become public knowledge and would have likely resulted in a loss of customer confidence and a 'run on the bank' which would have been detrimental to the ongoing business and consequently the value of the Company's business and assets.
- The Company had a number of contracts with major technology suppliers which could be terminated on Administration leading to business disruption and a loss of customers, impacting on goodwill. It was understood from discussions that the key suppliers would not support the business trading in Administration or would demand ransom payments of balances owed to ensure continued supply of services which would have to be paid as an expense of the Administration.
- A period of trading would inevitably lead to intervention by the FCA and associated costs.
- Trading the business would result in increased professional costs in addition to the overheads associated with trading which would have to be paid as an expense of the Administration. Trading the business is unlikely to result in an increase in realisations sufficient enough to outweigh the costs associated with continued trading.

2.4.4 Details of requests made to potential funders to fund working capital requirements

As referred to above, the major shareholder, Mr Morris, who over the past six months had been the sole provider of capital, had withdrawn his support in March 2019 due to the impasse with the Institutional Investors regarding ongoing funding terms.

The Company had been unable to raise additional funding from external sources having approached over 150 separate investor groups in recent years. As advised in 2.2.8, the management have found there to be a number of insurmountable barriers preventing further investment in the Company.

In addition, we directly approached fifteen turnaround investors with a known interest in this sector on a discrete basis, as part of the marketing undertaken as referred to in Section 3. The majority of these investors advised that

they would not be prepared to fund the business due to the level of funding required, the lack of value in the assets and issues concerning the future relationship with WCS if the existing management were not involved in the ongoing business.

2.4.5 Details of any acquisition of business assets from an insolvency practitioner

We confirm that the business, or business assets, of the Company were not acquired from an insolvency practitioner within the 24 months prior to our appointment.

3 MARKETING OF THE BUSINESS AND ASSETS

- 3.1 The Joint Administrators initiated an AMA process on 14 March 2018 requesting initial expressions of interest by 19 March 2019 and best and final offer by 21 March 2019.
- 3.2 Given the nature of the business, the marketing of the business and assets was conducted on a discrete basis as any wider marketing, and the issues facing the Company becoming public knowledge, would likely have resulted in a loss of customer confidence and a 'run on the bank' which would have been detrimental to the ongoing business and consequently the value of the Company's business and assets. It would also inevitably lead to potential FCA interventions and have negative implications for WCS.
- 3.3 In addition, given the financial position of the Company and that payroll needed to be met on 28 March 2019, the Company did not have sufficient time to carry out a lengthy M&A process.
- 3.4 The Company had previously contacted a large number of parties to raise additional investments in the last few years which had been unsuccessful and the prospects of identifying an independent third party interested in acquiring the business and assets in the timescales available was therefore deemed remote. IUI Global, advisory consultants, were engaged to provide an analysis of the previous marketing campaigns and to assist with the marketing process generally.
- 3.5 For the reasons above, we therefore only approached the current investors in the business and management and fifteen turnaround investors with a known interest in this sector on a discrete basis, as part of the targeted process.
- 3.6 Of the four Institutional Investors, one party declined to make an offer, two parties confirmed that as they are no longer investing they did not have the sufficient funding to make an offer. The remaining party returned a signed Non-Disclosure Agreement and was issued a sales pack on 18 March 2019. Management also confirmed their interest in acquiring the business and assets of the Company as a going concern.
- 3.7 Of the fifteen turnaround investors approached, only three requested further information. The remaining twelve confirmed they would not be taking the opportunity forward due to the level of funding required, the lack of value in the assets and issues concerning the future relationship with WCS if the existing management were not involved in the business going forward. The three other parties were given further information to consider following which they confirmed that they were not interested in the business and would not be making any formal offers.
- 3.8 One party made a formal offer for the business and assets of the Company on a going concern basis on 21 March 2019.
- 3.9 The offer was received by U Holdings Limited ("the Purchaser") (Company Number: 11898861), an entity connected to the Company in accordance with Section 249 of the Act, by virtue of common directors and shareholders, Alexander Letts, Nigel Medhurst and Stephen Woodford who are directors and shareholders of the Purchaser.

- 3.10 Hilco subsequently provided a recommendation that this offer be accepted as the consideration offered was in line with their valuation and given the circumstances an early sale of the Company's business and assets was in the best interest of all stakeholders.
- 3.11 Given that the marketing was undertaken on a discrete basis, the marketing diverged from the marketing essentials set out in the Appendix to SIP16, for the reasons set out above.

4 VALUATION OF THE BUSINESS AND ASSETS

4.1 Details of valuers/advisors

- 4.1.1 On 14 March 2019, Hilco were instructed to provide a valuation of the Company's assets and advise on the acceptance of any offers received for the business and assets.
- 4.1.2 Hilco confirmed their independence and that they carry adequate professional indemnity insurance for the valuation performed. The lead valuer involved is qualified and regulated by the Royal Institution of Chartered Surveyors.

4.2 The valuations obtained of the business or the underlying assets

- 4.2.1 The valuations obtained for the business and underlying assets are as follows:

Category of asset	Note	Book value £	High value (note 1) £	Low value (note 2) £	Value achieved £
Uncharged Assets					
Computer Equipment	4	25,000	18,000	7,500	18,000
Office Equipment	4	10,000			
Software and Intellectual Property	5	228,000	136,000	44,000	127,400
Investments		100	-	-	100
Book Debt		4,776	-	-	4,500
TOTAL		267,776	154,000	51,500	150,000

Note 1: High Value – also referred to as "Market Value (note 3) In-Situ" (Assuming that all assets are sold together as a whole, in their existing location, as part of a sale as a going concern).

Note 2: Low Value – also referred to as "Market Value Ex-Situ" (Assuming that assets are removed from their current location, at the expense of the Purchaser, with no reasonable marketing period).

Note 3: Market Value – defined as "the estimated amount for which an asset should exchange (at the valuation date) between a willing buyer and a willing seller in an arm's length transaction".

Note 4: Computer and Office Equipment – Hilco were instructed to provide a valuation of the chattel assets of the Company and attended the trading premises to inspect these assets. In their opinion, when considering these assets as a whole, they are generally aged but appeared to be well maintained.

Note 5: Software and Intellectual Property – Hilco were instructed to provide a valuation of the Company's business intellectual property, including the brand, trademarks, technology platform, websites and mobile applications, organisational knowledge, social media accounts and domain names ("Business Intellectual Property").

Hilco advised that offers between £44,000 to £136,000 should be sought for the Business Intellectual Property of the Company. Hilco advised that the value of the Business Intellectual Property would be significantly diminished should the Company cease to trade.

The basis of this valuation was confirmed as being based on a market and income approach. The primary intent of the market approach is to estimate the value of the assets based on recent sales or offering of similar assets. The income approach considers value in relation to the present worth of future benefits expected to be derived from ownership and is often measured through the capitalisation of a specific level of income. Hilco advised that they adopted the most appropriate valuation approaches, based on the purpose of the valuation, the nature of the assets and the available facts, information and circumstance applicable as at the valuation date.

- 4.2.2 Hilco advised that a sale of the business and assets as a going concern would in the circumstances result in the best possible outcome for the Company's creditors and therefore provided the "High" value noted above. The "Low" value was provided as what the Joint Administrators could expect to achieve if a sale of the business was not possible and the assets had to be sold on a piecemeal basis following a cessation of trade.

4.3 **An explanation of the sale of the assets compared to those valuations**

The consideration achieved for the assets was in line with the valuation.

4.4 **If no valuation has been obtained, the reason for not having done so and how the Administrator was satisfied as to the value of the assets.**

Valuations were obtained for all assets.

5 **THE TRANSACTION**

- 5.1 As stated above the Joint Administrators were appointed on 29 March 2019 at 1:42 pm and the contract for the sale of the Company's business and certain assets was exchanged and the sale was completed shortly after on the same day.

- 5.2 The Joint Administrators sold the Company's business and certain assets to U Holdings Limited, a company under the control of common directors and shareholders, Alexander Letts, Nigel Medhurst and Stephen Woodford who are also directors and shareholders of the Purchaser.

- 5.3 The Purchaser is therefore deemed a connected party within the definition of Section 249 of the Act.

5.4 **Related Party Transactions and the Pre-Pack Pool**

- 5.4.1 Connected party purchasers are encouraged to, but are not required to, approach what is known as the Pre-Pack Pool, an independent group of suitably qualified and experienced individuals, in order to obtain their opinion on the pre-pack transaction.

- 5.4.2 In this instance the Purchaser did not approach the pre-pack pool, despite Leonard Curtis formally inviting them to do so.

5.5 **Viability Statement**

- 5.5.1 Connected party purchasers are also encouraged to, but are not required to, prepare a viability statement indicating how their business will survive for at least 12 months from the date of the purchase, and detailing what they will do differently from the Company in Administration to avoid a repeated failure of the business.

5.5.2 In this instance the Purchaser did not prepare a viability statement, despite Leonard Curtis formally inviting them to do so, although they confirmed that they had sufficient support from their shareholders.

5.6 Assets involved and the nature of the transaction

5.6.1 The Company's assets bought by the Purchaser as detailed in the Sale and Purchase Agreement ("SPA") included:

- the Name
- the Equipment
- the Work in Progress
- Certain Supplier Contracts
- the Intellectual Property
- the Goodwill
- the Shares in U Account Limited ("UAL")
- the Software
- the Avinity Debt

5.6.2 The sale specifically excluded any cash at bank and any other book debts.

5.6.3 The initial consideration of £150,0000 was apportioned under the SPA as follows:

Category of Asset	£
The Name	1.00
The Equipment	18,000.00
The Work in Progress	1.00
The Contracts	1.00
The Intellectual Property	2,397.00
The Goodwill	5,000.00
The Shares	100.00
The Software	120,000.00
The Avinity Debt	4,500.00
Total	150,000.00

5.6.4 The sales consideration was paid in full on completion.

5.6.5 Additional consideration will become due based on 17.5% of the Purchasers net profit for the first 24 months following completion. In addition, should the Purchaser sell the business or assets or the shares in the Company or UAL in the next two years, save for issuing and allotting shares in the normal course of business, an uplift consideration will become payable of between 5% and 15% depending on the value achieved.

5.6.6 The Purchaser bought the debt owing to the Company by Avinity Limited ("Avinity") as this relates to money due to the Company in relation to a cashback scheme operated by Avinity and the Purchaser has agreed to honour all obligations that the Company has to customers in relation to the cashback schemes as part of the sale.

5.6.7 The Company's contract with WCS was novated on completion of the sale. The Company's records show that WCS currently owes the Company £141,740, however, WCS are also a creditor of the Company and as the account operates on a two month rolling basis a full up to date reconciliation of the account will be required. As part of the sale, it has been agreed that the Purchaser will carry out this reconciliation and in the event of there being a debt due to the Company from WCS, the Purchaser shall, by way of further consideration, pay to the Company a sum equivalent to this debt.

5.6.8 There are no other terms of the SPA that could materially affect the asset consideration.

5.6.9 The Purchaser sought separate independent legal advice in relation to the purchase.

5.6.10 All employees were transferred to the Purchaser under TUPE, which will reduce preferential and unsecured claims in the Administration.

5.6.11 There are no buy-back arrangements or similar conditions attached to the contract of sale and the sale is not part of a wider transaction.

5.6.12 The Joint Administrators' are not aware of any personal guarantees having been given by any current or former directors to a prior financier.

6 STATUTORY PURPOSE OF ADMINISTRATION

6.1 The Joint Administrators must perform their functions with the objective of:

- (a) Rescuing the Company as a going concern, or (if this cannot be achieved)
- (b) Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration), or (if (a) and (b) cannot be achieved)
- (c) Realising property in order to make a distribution to one or more secured or preferential creditors.

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

6.3 It was not reasonably practicable to achieve objective (a) unless external funds were introduced to provide working capital to finance a CVA.

6.4 It is anticipated that objective (b) is likely to be achieved as a sale of the business and assets as a going concern will result in:

- Greater realisations for the benefit of the Administration, which is anticipated to result in a distribution to the unsecured creditors; and
- A reduction in preferential and unsecured claims in the Administration due to the transfer of employees.

6.5 The achievement of this objective will not unnecessarily harm the interest of the creditors as a whole.

CREDITOR'S ELECTION TO OPT OUT

CREDITOR'S ELECTION TO OPT OUT

Insert court or Proceeding details	In the:	High Court of Justice, Business and Property Courts of England and Wales	No:	CR-2019-002237
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Insert full name of Company	Re:	FFREES FAMILY FINANCE LIMITED (IN ADMINISTRATION) (TRADING AS: U AND FFREES)
	Previous Name:	
	Registered No:	07516554

Address of Company	Electric Works, Sheffield Digital Campus, Sheffield, S1 2BJ
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a) Insert full name and address of creditor making the election	I, (a)	
---	--------	--

a creditor of the above Company, elect to opt out of receiving documents.

I acknowledge that I shall remain an opted-out creditor for the duration of these and any following proceedings unless and until I elect in writing to revoke my opt out.

I acknowledge that I shall continue to receive:

- all documents that the Insolvency Act 1986 or the court requires to be delivered to all creditors;
- notice of any change in the office-holder or their contact details; and
- notice of any distributions applicable to me.

b) Insert name and address of office holder to whom you will deliver this notice	(b)	
--	-----	--

This form can be authenticated for submission by email by entering your name and email address and sending the form as an attachment from an email address which clearly identifies you.	Signed / Authenticated	
	Date	
	Name (BLOCK LETTERS)	
	Relationship to Creditor	

NOTICE OF GENERAL USE OF WEBSITE TO DELIVER DOCUMENTS

NOTICE OF GENERAL USE OF WEBSITE TO DELIVER DOCUMENTS

In the:	High Court of Justice, Business and Property Courts of England and Wales	No:	CR-2019-002237
---------	--	-----	----------------

Re:	FFREES FAMILY FINANCE LIMITED (IN ADMINISTRATION) (TRADING AS: U AND FFREES)
Previous Name:	
Registered No:	07516554

Address of Company	Electric Works, Sheffield Digital Campus, Sheffield, S1 2BJ
--------------------	---

NOTICE IS HEREBY GIVEN THAT A D Cadwallader, A J Duncan and A Poxon intend to deliver all future documents in this case (other than those listed below) to a website. The documents will be made available for viewing and downloading to the website without any further notice to you. The details of the website are:

Address of Website: <https://leonardcurtis.insolvencydata.co.uk> ("the Website")

KeyCode: HEAMGZSG

The Joint Administrators are not obliged to deliver any documents to you (other than those listed below) unless they are requested to do so by you. You may, at any time, request a hard copy of any or all of the following:

- All documents currently available for viewing on the Website;
- All future documents which may be made available on the Website

Such requests should be made to the Joint Administrators at:

Telephone number: 020 7535 7000
Email address: creditors@leonardcurtis.co.uk
Postal address: Leonard Curtis, 5th Floor, Grove House, 248a Marylebone Road, London NW1 6BB

This Notice does not apply to the delivery of the following documents:

- A document for which personal delivery is required;
- A notice under Rule 14.29 of the Insolvency (England and Wales) Rules 2016 of an intention to declare a dividend; and
- A document which is not delivered generally

All documents and information made available via the website will remain on the website for at least two months after the conclusion of the administration.

Signed: _____



Dated: 3 April 2019

APPENDIX O

NOTICE OF AN INVITATION TO CREDITORS TO FORM A CREDITORS' COMMITTEE

NOTICE OF AN INVITATION TO CREDITORS TO FORM A CREDITORS' COMMITTEE

In the:	High Court of Justice, Business and Property Courts of England and Wales	No:	CR-2019-002237
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Re:	FFREES FAMILY FINANCE LIMITED (IN ADMINISTRATION) (TRADING AS: U AND FFREES)
Previous Name:	
Registered No:	07516554

Address of Company	ELECTRIC WORKS, SHEFFIELD DIGITAL CAMPUS, SHEFFIELD, S1 2BJ
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NOTICE IS HEREBY GIVEN, IN ACCORDANCE WITH PARAGRAPH 57 OF SCHEDULE B1 TO THE INSOLVENCY ACT 1986, RULE 3.39 AND PART 17 OF THE INSOLVENCY (ENGLAND AND WALES) RULES 2016, THAT creditors are invited to decide whether a creditors' committee should be established if sufficient creditors are willing to be members of that committee.

A D Cadwallader, A J Duncan and A Poxon invite creditors to put forward their nominations for membership of the committee. Such nominations must be received by the date specified in this notice. The Joint Administrators can only accept nominations if they are satisfied as to the creditors' eligibility under Rule 17.4 of the Insolvency (England and Wales) Rules 2016.

Nominations must be received by:
and should be delivered to:

23 April 2019
A D Cadwallader, A J Duncan and A Poxon
5th Floor
Grove House
248a Marylebone Road
London
NW1 6BB
Tel: 020 7535 7000
Email: recovery@leonardcurtis.co.uk

Signed: _____

Dated: 3 April 2019

Creditors are referred to Section 1.4.3 of this report for a link to guidance for creditors as to the roles, duties and responsibilities of members of creditors' committees.