

AM03

Notice of administrator's proposals



Companies House

WEDNESDAY



A25 *A7AY1G62* #36
25/07/2018
COMPANIES HOUSE

1 Company details

Company number 0 8 2 5 1 8 6 5

Company name in full Enclothed Limited

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Christopher

Surname Purkiss

3 Administrator's address

Building name/number Devonshire House

Street 60 Goswell Road

Post town London

County/Region

Postcode E C 1 M 7 A D

Country

4 Administrator's name ①

Full forename(s) Ian

Surname Robert

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number Devonshire House

Street 60 Goswell Road

Post town London


County/Region

Postcode E C 1 M 7 A D

Country

② Other administrator
Use this section to tell us about
another administrator.

AM03
Notice of Administrator's Proposals

| | | | |
|------------------------------|-------------------------------|---|---|
| 6 | | Statement of proposals | |
| | | <input checked="" type="checkbox"/> I attach a copy of the statement of proposals | |
| 7 | | Sign and date | |
| Administrator's Signature | Signature ✕ |  | ✕ |
| Signature date | ^d 2 ^d 3 | ^m 0 ^m 7 | ^y 2 ^y 0 ^y 1 ^y 8 |

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

**Enclothed Limited -
In Administration**

23 July 2018

ENCLOTHED LIMITED - IN ADMINISTRATION

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ENCLOTHED LIMITED - IN ADMINISTRATION

1 Introduction and Background

- 1.1 Enclothed Limited ("the Company") was incorporated on 12 October 2012 by Dana Zingher and Levi Young. The Company did not trade immediately as Dana Zingher continued in her employment as a technology consultant and Levi Young as a sales executive.
- 1.2 The underlying idea behind the Company is that men do not like to shop and dislike most aspects of high street shopping. With a personalised stylist, customers would give an idea of their style preferences and the assigned stylist would hand pick clothing articles/accessories on that basis and send a selection of items direct to the customer for consideration.
- 1.3 The Company received some start up capital from Dana's family in 2014. With this initial working capital in place, the Directors left their PAYE employment and dedicated their full time to the Company. The Directors secured an office, entered partnerships with several clothing brands and hired a PR agency and an intern.
- 1.4 In early 2014, Men's Health Magazine tried the Company's service, generating the Company's first 100 customers. Soon after, the Directors were asked by the BBC to interview for Dragon's Den, which aired in February 2015. The publicity from the show resulted in the Company being over-subscribed.
- 1.5 Following Dragon's Den, the Company grew its database rapidly off the back of the Directors' success on the show. Orders increased from 10 a day to thousands per day. As a result of the high volume of interest from customers, a Crowdcube campaign to raise funds was launched, subsequently securing £500,000 to help meet the growth demands of the Company.
- 1.6 The £500,000 investment secured was the only external investment the Company received since it launched. Additional cash injections have been funded through family members, friends and a second round to its existing investors.
- 1.7 Due to the high volume of orders, and subsequent stock levels required to meet demand, the Company needed to acquire a warehouse, staff and essential control systems needed to be put in place.
- 1.8 Although sales grew dramatically during 2015 and 2016, this resulted in a vast amount of stock left over from attempting to fulfil orders for the Dragon's Den customers. This created a large strain on cashflow as the Company placed new stock orders to maintain its ongoing brand relationships, despite sales dropping by almost 50% in 2017 in comparison to the previous year due to cash restraints.
- 1.9 This cycle continued, as the Company ordered and paid for new stock, resulting in spending being cut on other key areas of the business, predominantly marketing.
- 1.10 In September 2017, the Company received a loan instrument aimed at converting to equity at a later date.
- 1.11 Despite the cashflow injection in September 2017, the Company continued to experience cashflow difficulties resulting in the directors entering discussions with a competitor, The Chapar, regarding a possible merger. Whilst the terms of the mergers were being agreed, the Company ceased its warehouse facilities in Slough and moved all stock to the warehouse of The Chapar.
- 1.12 Rather than considering the merger and possibly convert the loan when the merger completed, the Chargeholders decided to call in the loan and requested repayment.
- 1.13 Once the Company's creditor position had been finalised, the merger fell through due to the high level of debts held by the Company.

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- 1.14 Realising the Company was unable to pay its debts as they fell due, the Directors sought advice and subsequently instructed Andrew Stevens of Smith Cooper Limited to assist with placing the Company into Administration, with a prepack sale of the Company's business and assets being proposed, The Chapar being the proposed purchaser.
- 1.15 Upon receipt of the Notice to Appoint an Administrator, the Floating Charge Holder sought advice from a Solicitor. The Floating Charge Holders did not agree with the terms of the prepack sale, primarily due to the consideration of £1 being offered in relation to the fixed charged assets. In accordance with Schedule B1 Paragraph 26 1(b) of the Insolvency Act 1986, the Floating Charge Holder did not consent to the appointment of Andrew Stevens of Smith Cooper Limited as Administrator and sought to appoint their own Administrators of the Company.
- 1.16 As a result, Christopher Purkiss and Ian Robert of Kingston Smith & Partners LLP, Devonshire House, 60 Goswell Road, London, EC1M 7AD were appointed Joint Administrators of the Company by the Qualifying Floating Charge Holder on 30 May 2018.
- 1.17 Christopher Purkiss and Ian Robert are licensed to act as insolvency practitioners in the UK by the ICAEW.
- 1.18 This firm's Privacy Notice about the way that we will use, and store personal data can be found at <https://www.kingstonsmith.co.uk/kspllp-gdpr/>. If you are unable to download this, please contact us and a hard copy will be provided to you.
- 1.19 I can confirm that as this Administration is a joint appointment, the Administrators act jointly and severally.
- 1.20 The EU Regulation on Insolvency Proceedings 2000 applies to the Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.
- 1.21 This report incorporates the Administrator's statement of proposals made under paragraph 49 of Schedule B1, which will be treated as delivered to creditors on 25 July 2018.

2 Administration Strategy and Objective

- 2.1 The Administrators must perform their functions with the purpose of achieving one of the following objectives:
- *Rescuing the Company as a going concern; or*
 - *Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or*
 - *Realising property in order to make a distribution to one or more secured or preferential creditors.*
- 2.2 It was not possible to rescue the Company as a going concern in its current guise as the Company had no cash reserves or funding available to facilitate trading in Administration or through a Company Voluntary Arrangement ("CVA").
- 2.3 The Administrators' functions are being carried out with the objective of achieving a better realisation for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in liquidation). The Administrators believe this will result in realisations being available to the secured creditors of the Company which also fulfils a purpose of the Administration under Paragraph 3 of Schedule B1 of the Insolvency Act 1986.

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Progress Since Appointment

- 2.4 The involvement pre-appointment was purely to provide the Floating Charge Holder with general insolvency advice and the options available. Following our appointment, contact was initiated with Smith Cooper Limited to obtain contact information for the directors and the proposed purchasers and ascertain the terms of the proposed pre-pack.
- 2.5 Following my appointment, I attended the offices of the Company and met with the directors in order to obtain a background into the Company, employee details and financial information including management accounts and a schedule of assets and liabilities etc.
- 2.6 As there were no cash reserves held and no possibility of third party funding, I had not alternative but to cease trading the Company and to terminate all employee contracts.
- 2.7 I have taken steps to acquire and safeguard Company assets from the software platform utilised by the Company (such as customer database etc.) and attended The Chapar's warehouse with my agents to ascertain the level of Company stock being held at the premises to confirm my interest in the stock so that no further items were utilised to fulfil The Chapar sales whilst negotiations with The Chapar were ongoing.
- 2.8 My Agent, John Pye, were instructed to attend (along with myself or my staff) the Company's main office in London and also The Chapar's Warehouse in order to identify and value the assets of the Company and provided the following estimates which have been incorporated into the estimated Statement of Affairs pending completion of the proposed sale:-

| | Market Value as a whole for use in its working place | Market Value as individual items for removal from the premises | Market Value – with Special Assumptions |
|------------------------------|--|--|---|
| | UNENCUMBERED ASSETS | | |
| Office Furniture & Equipment | £3,500 | £2,175 | £1,190 |
| Stock | £49,400 | £8,200 | £3,900 |
| Intellectual Property | £10,000 | £0 | £0 |
| Unencumbered Total | £62,900 | £10,375 | £5,090 |

- 2.9 A meeting was held with one of the Directors of The Chapar to discuss their current interest in acquiring the Company assets. The Chapar were requested to submit a revised (increased) offer to the Administrators for consideration.
- 2.10 Over a period of 6 weeks, I've been involved in the continuous negotiations with The Chapar and Fixed Chargeholders. In accordance with Schedule B1 Para 71 of The Insolvency Act 1986, the Administrator cannot dispose of assets subject to a fixed charge, including intellectual property, without the consent of the Chargeholders or the Court.
- 2.11 The Chapar subsequently submitted a revised offer for consideration which my Agents have recommended I accept. Further details on the asset sale are provided in the Realisation of Assets section below.

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Administration (including statutory compliance and reporting)

- 2.12 Following my appointment, the strategy for the Administration was carefully assessed to ensure that a coherent planned process for the case could be achieved. This work will, where appropriate, have included liaison with solicitors to deal with any legal considerations surrounding the Company's insolvency (such as assessing the validity of any 3rd party security in relation to the assets) and liaising with valuation agents about the most appropriate means of realising the value in the Company's business and assets.
- 2.13 I have also dealt with a number of statutory formalities which are required under related legislation. Typically, this includes issuing and filing all appointment notices with creditors and the Registrar of Companies and also advertising my appointment in the London Gazette.
- 2.14 Other statutory duties performed are outlined in further detail in the fees information which can be found at Appendix D. Please note that much of this work will have been performed to comply with statutory requirements and as such may not necessarily add any value to the insolvent estate.

Trading

- 2.15 There has been no trading post appointment. Upon appointment on 30 May 2018 I ascertained that all employees had been paid up to and including 31 May 2018.
- 2.16 I can confirm that trading did not continue after 30 May 2018 and all employee contracts were terminated from 31 May 2018. From the date of my appointment to the 31 May 2018, employees did not instigate any new business or sales, they were designated the task to try and finalise any returns due from their customers.

Realisation of assets

Sale of Business Assets

- 2.17 Upon appointment as Joint Administrator, I contacted and instructed Agents John Pye Business Assets ("John Pye"), as John Pye had been acting for Smith Cooper Limited prior to appointment. I obtained full details of the previous valuations and marketing strategies carried out in consideration for the pre-pack sale proposed by Smith Cooper Limited.
- 2.18 I held discussions with The Chapar to ascertain whether they were still interested in acquiring the assets of the Company. I also contacted other potentially interested parties to facilitate dialogue with the Directors in order to utilise their knowledge of the industry and contacts, and to ensure interested parties were made aware of the assets available.
- 2.19 The Chapar submitted a revised/improved offer to the Joint Administrators on 22 June 2018 and under the advisement of my Agents, I accepted.
- 2.20 Under the terms of the sale, the Fixed Chargeholders were to consent to a release of their Fixed Charge upon receipt of the fixed charge asset realisations. I received the final confirmation required on 18 July 2018 and expect the sale to complete shortly. The assets included in the sale (excluding Cash at bank and Debtors) are as follows:-

Intellectual Property

- 2.21 This asset is subject to the Fixed Charge and includes Goodwill, Business Name, Trademark, Domain Name, Business Intellectual Property Rights and Seller's Records (such as customer database etc).
- 2.22 Our agents advised that this asset would not be realisable ex situ.
- 2.23 The proposed consideration offered by The Chapar is £38,000 plus VAT.

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Stock

- 2.24 Although the stock held at The Chapar's warehouse on behalf of the Company has a cost value of £49,400. Upon attending the warehouse, it was evident a majority of the Company stock held was comprised of plus sizes and winter stock.
- 2.25 John Pye estimated that the Market Value for the stock ex-situ would be approximately £8,200.
- 2.26 The proposed consideration offered by The Chapar is £10,000 plus VAT. This was deemed an acceptable offer as the costs of removal and sale by auction would result in significantly lower realisations.

Office Furniture and Equipment (Chattel Assets)

- 2.27 The Company's Chattel assets as per John Pye's assessment have an ex-situ value of £2,175. The assets consist of desks, chairs, laptops etc.
- 2.28 The proposed consideration offered by The Chapar is £2,000 plus VAT.

Cash at Bank

- 2.29 On the day of our appointment the Company had cash at bank of £3,983. Upon the closure and transfer of the balance, some credits had been applied to the account. The total sum received from the bank was £11,363.
- 2.30 I also contacted Evalon Merchant Services ("Evalon"), who provided card payment facilities to the Company, to enquire whether a balance was due to be paid to the Company. It transpired that no Company funds were held by Evalon and on the information provided, it appeared Evalon have a balance outstanding and are an unsecured creditor of the Company.

Debtors

- 2.31 The Directors have provided me with a list of outstanding Debtors since the Company commenced trading.
- 2.32 Another spreadsheet was provided detailing all of the bad debts which need to be applied to the above mentioned Debtor list.
- 2.33 I am in the process of extracting the necessary information in order to ascertain the level of Debt that requires collection. Until the information is finalised, I am unable to comment on the expected realisations from this asset.
- 2.34 The work undertaken by the Administrator and his staff to date in realising the Company's assets has been necessary in order to maximise the likelihood of a return to creditors being made. Where assets remain to be realised, these will be dealt with as the Administration progresses and further updates will be provided to creditors in my progress reports.
- 2.35 Further information on the estimated outcome of the Administration can be found in section 9 below.

Creditors

Secured Creditors

- 2.36 John Baillye, James Davis and Lee-Anne Warwick hold a fixed and floating charge created on 4 September 2017. The amount outstanding at the date of Administration was £266,756.

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- 2.37 Under the proposed Asset Sale Agreement (which has not yet completed), the Chargeholders have agreed to release their security upon receipt of funds under their secured charge. Further information is outlined above asset realisation section.

Preferential Creditors

- 2.38 The Company's employees may have some preferential claims for outstanding holiday pay. The relevant forms were provided to the staff, who have all be made redundant as at 31 May 2018, and their claims are being dealt with by the Redundancy Payments Service ("RPS").
- 2.39 I expect to receive a subrogated claim for this element from the RPS in due course.

Unsecured

- 2.40 The Company has circa 60 unsecured creditors and suppliers (including employees and the Directors Loan Accounts) with debts totalling £689,597.
- 2.41 I will lodge claims from these creditors as they are received. Adjudication will follow on at a later stage, if appropriate.

Investigations

- 2.42 The Joint Administrators are required to comply with legislation such as Company Directors' Disqualification Act 1986 ("CDDA") and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent Liquidations. Work in this area may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Joint Administrators or subsequently appointed Joint Liquidators can pursue for the benefit of the creditors.
- 2.43 I can confirm that I will shortly submit a report on the conduct of the Directors of the Company to the Department for Business, Energy and Industrial Strategy under the CDDA 1986. As this is a confidential report, I am unable to disclose the contents.
- 2.44 Shortly after our appointment, an initial assessment was made of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account any information provided by creditors. Our investigations to date have not revealed any issues requiring further report or any other potential recoveries which could be pursued for the benefit of creditors.

Case Specific Matters

- 2.45 In accordance with Rule 3.55(4), I received notice from Smith Cooper Limited requiring the Joint Administrators to seek a decision from creditors in relation to the pre-appointment fees and expenses incurred by Smith Cooper Limited and their appointed Agents, in contemplation of their appointment as Administrators.
- 2.46 In accordance with the request, creditors of the Company were asked by Kingston Smith & Partners LLP to consider the following decisions by correspondence on 3 July 2018:-
1. Smith Cooper Limited agreed, with the Directors on behalf of the Company, a set pre-appointment fee of £7,500 plus VAT plus expenses. It is proposed that Smith Cooper Limited outstanding pre-appointment costs of £3,333.33 plus VAT be approved.
 2. That the unpaid pre-administration costs due to Smith Partnership Solicitors of £2,612.50 plus VAT in relation to time spent in dealing with the aborted Sale and Purchase Agreement be approved.

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3. That the unpaid pre-administration costs due to Seth Lovis & Co Solicitors of £2,050.00 plus VAT in relation to time spent in dealing with filing and preparing the Notice of Intention to Appoint an Administrator, be approved.
 4. Whether a creditors' committee should be established if sufficient creditors are willing to be members of a committee and if so, who the creditors' wish to nominate for membership of the committee.
- 2.47 Creditors voted in favour of Decisions No.1, 2 and 3 above and as such these decisions were duly approved.
- 2.48 Creditors did not wish to establish a creditors' committee and accordingly no committee was formed.

Sale of Assets to Connected Parties

- 2.49 The assets of the Company were not sold to a connected party. The Chapar, albeit considering a merger with the Company and housing its stock prior to becoming aware of the level of liabilities owed by the Company, has no connection or association to the Company as defined in S.239 and S.435 of the Insolvency Act 1986.

3 Joint Administrators' Receipts and Payments

- 3.1 A summary of receipts and payments for the Administration period from the date of my appointment to 23 July 2018 is attached at Appendix B.
- 3.2 Please note that the Company asset sale has not yet completed and therefore I am not yet in a position to account for the anticipated funds to be received into the Administration account.

4 Financial Position

- 4.1 A completed Statement of the Company's Affairs has been received from one of the Directors which I attached at Appendix C (although the Company creditor schedules have not been signed). I also attach a summary of the Estimated Financial Position of the Company as at 23 July 2018 prepared by the Joint Administrators, together with a list of creditors' names and addresses and details of their debts (including details of any security held by them). Creditors should note that the estimated financial position is before the costs of the Administration procedure are considered.
- 4.2 I have the following observations to make in relation to the Director's Statement of Affairs and my Estimated Financial Position of the Company:-
- i. In the Director's Statement of Affairs the figure provided as 'Estimated Total Assets Available for preferential creditors' is in deficit. The deficit figure for the Fixed Chargeholder should have been carried down and not applied to the floating charge assets.
 - ii. In my Estimated Financial Position, the estimated to realise figures are based on the ex-situ figures provided by my Agents, John Pye. I have been prudent and utilised these figures as the sale to The Chapar has not yet completed.

5 Proposals

- 5.1 It is proposed that the Administrators will continue to manage the affairs of the Company in order to achieve the objective of the Administration. In the circumstances it is proposed that:

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- 5.2 If having realised the assets of the Company, the Administrators think that a distribution will be made to the unsecured creditors from the fund created out of the Company's net floating charge property (known as the **Prescribed Part**) by virtue of section 176A(2)(a), this will be distributed by the Administrators in the Administration and the Company will thereafter proceed to dissolution.
- 5.3 If, however, having realised the assets of the Company the Administrators think that a distribution will be made to the unsecured creditors other than by virtue of section 176A(2)(a) as noted above, they propose filing a notice with the Registrar of Companies which will have the effect of bringing the appointment of the Administrators to an end and will move the Company automatically into Creditors' Voluntary Liquidation ("CVL") in order that the distribution can be made. In these circumstances, it is proposed that the Administrators in office at the date of conversion to CVL will become the Joint Liquidators in the CVL. The acts of the Joint Liquidators may be undertaken by either or both of them].
- 5.4 Court approval is not required to enable the Administrators to make a distribution to the unsecured creditors of the Prescribed Part. If however, a distribution to unsecured creditors not limited to the Prescribed Part is anticipated, the Administrators may consider making an application to Court to seek permission to distribute this in the Administration. If permission is granted, the Company will exit into dissolution once the distribution has been made and the Administration is concluded.
- 5.5 If the Administrators think that the Company has no property which might permit a distribution to its creditors, they will file a notice with the Court and the Registrar of Companies for the dissolution of the Company.
- 5.6 See Section 6 below on **Exit Routes** for further information on the exit routes available from Administration.
- 5.7 The Administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986, as he considers desirable or expedient to achieve the statutory purpose of the Administration.
- 5.8 If the Administrators consider it necessary to extend the period of the Administration, they will seek the consent of creditors or the approval of the Court to the extension. Creditors may consent to an extension for a period of up to one year and the Court can order that the Administrators' term of office be extended for a specified period determined by it.
- 5.9 The creditors consider establishing a Creditors' Committee and that if any such Committee is formed they be authorised to sanction the basis of the Administrators' remuneration and disbursements and any proposed act on the part of the Administrators without the need to report back to creditors generally, to include any decision regarding the most appropriate exit route from the Administration.
- 5.10 The basis of the Administrators' remuneration may be fixed as one or more of the following bases and different bases may be fixed in respect of different things done by them:
- As a percentage of the value of the assets they have to deal with, or
 - By reference to time properly spent by the Administrators and their staff managing the Administration, or
 - As a set amount
- 5.11 In accordance with Statement of Insolvency Practice 9, issued by the Association of Business Recovery Professionals, the Administrators be authorised to draw Category 2 disbursements as and when funds are available, in accordance with their firm's published tariff. Details of Category 2 disbursements charged by the firm can be found at Appendix D.

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- 5.12 Where no Creditors' Committee is appointed the remuneration and disbursements of the Administrators shall be fixed by a decision of creditors or where the Administrators think that the Company has insufficient property to enable a distribution to be made to the unsecured creditors (other than via the Prescribed Part), approval will be sought from the secured and (if necessary) the preferential creditors in accordance with insolvency legislation. The Administrators will also seek approval for any unpaid pre-administration costs detailed in this report and their discharge from liability in the same manner.
- 5.13 In this case, the Administrators are seeking to approve the basis of their remuneration on a combination basis as follows:

- As a set amount; and
- As a percentage of the value of the assets with which the Administrators have to deal with

Further details about the proposed fee basis can be found in Section 8 below and Appendix E.

- 5.14 The Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Administrators ceasing to have effect.

6 Exit Routes

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

Creditors Voluntary Liquidation

- 6.4 Based on present information, the Administrators think a dividend to the unsecured creditors is unlikely even by virtue of the Prescribed Part. Should the Administrators unexpectedly be in a position to make a distribution to unsecured creditors outside of the Prescribed Part, the 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") to facilitate this distribution. It is proposed that the Administrators in office at the date of conversion to CVL will become the Joint Liquidators of the CVL.
- 6.5 It is proposed that the Joint Liquidators will be authorised to act jointly and severally in the subsequent liquidation.
- 6.6 Creditors have the right to nominate an alternative liquidator of their choice. To do this, creditors must make their nomination in writing to the Administrators prior to these proposals being approved. Where this occurs, the Administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the Administrators will automatically become the Joint Liquidators of the subsequent CVL.

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Dissolution of the Company

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

Compulsory Liquidation

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

7 Pre-administration Costs

- 7.1 Pre-administration costs are defined as:

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

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

- 7.2 Below is information on the pre-administration costs incurred in this case, together with details of any amounts which remain unpaid, where applicable.
- 7.3 Pre-appointment fees charged and expenses incurred by the Administrators are as follows:

| Charged by | Brief description of services provided | Total amount charged £ | Amount paid £ | Who payments made by | Amount unpaid £ |
|---------------------------|--|------------------------|---------------|----------------------|-----------------|
| Kingston Smith & Partners | Advising the floating charge holder and statutory duties pending appointment as Administrators | 1,603.33 | 0 | n/a | 1,603.33 |

- 7.4 Pre-appointment fees charged and expenses incurred by Smith Cooper Limited are provided in full detail in Clause 2.44 to 2.46. These fees and expenses were approved by creditors on 3 July 2018:
- 7.5 The payment of the unpaid pre-administration costs set out above as an expense of the Administration is subject to the approval of creditors, separately to the approval of the Administrators' proposals. This approval will be the responsibility of the Creditors' Committee if one is appointed or alternatively by a decision of the creditors where there is no Committee.

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8 Joint Administrators' Remuneration

- 8.1 As Joint Administrator, I am required to provide creditors with details of the work I propose to undertake in the Administration and the expenses I consider will be, or is likely to be, incurred in dealing with the Company's affairs, prior to determining the basis upon which my remuneration will be fixed.
- 8.2 In addition to this, where Administrators seek agreement to the basis of their remuneration by reference to time properly spent by them and their staff in attending to matters arising in the Administration, a fees estimate outlining the time and estimated cost of the work to be done must also be provided.
- 8.3 In this case, I am not seeking to determine the basis of the Joint Administrators' remuneration as time properly spent by us and our staff in dealing with the affairs of the Company and I am therefore not required to provide a fees estimate to creditors. Details of the basis or bases we are proposing, together with information about the work I consider will be necessary in this case and the expenses I consider will, or are likely to be, incurred on this case can be found at Appendix D. Further information on the work done since our appointment to the date of this report, can be found in section 2. Appropriate approval to the basis of the Joint Administrators' remuneration will be sought as outlined in section 5 of this report.
- 8.4 In circumstances where my initial investigations reveal matters for further detailed investigation or previously unknown assets to be realised, I reserve the right to refer back to creditors to establish how I am to be remunerated for such additional work, which may be proposed on a time cost basis. If such work proves necessary, I will revert to creditors with the fees estimate for approval.
- 8.5 I will provide updates on the expenses I consider will be, or are likely to be, incurred during this case with our progress reports in due course.
- 8.6 Administrators may include details of the remuneration they anticipate will be charged and the expenses they anticipate will be incurred if they become the Joint Liquidators in the subsequent CVL. This can be done when seeking approval to the basis of their remuneration as Administrators, or alternatively their fees estimate for the CVL can be provided once the Company has moved into CVL. Please refer to Appendix D to this report for further information.
- 8.7 A copy of "A Creditors' Guide to Administrators' Fees" is available on request or can be downloaded from www.ks.co.uk/creditors-guides-fees/. If you would prefer this to be sent to you in hard copy please contact Carly Blackburn of this office on 0207 566 4020.

9 Estimated Outcome

- 9.1 An estimate of the outcome of the Administration as at 23 July 2018 is attached as Appendix E. This indicates that there will be sufficient asset realisations to enable a distribution to the Fixed Chargeholders and possibly the Preferential Creditors of the Company. However, there will be insufficient funds to enable a distribution to the unsecured creditors.
- 9.2 Based on the Estimated Financial Position of the Company the estimated value of the preferential creditors is £3,926 and the unsecured creditors is £689,597.22.
- 9.3 I am not yet able to determine whether there will be a dividend to preferential creditors.
- 9.4 Due to insufficient funds, I do not anticipate a dividend to the unsecured creditors based on the information I have available.

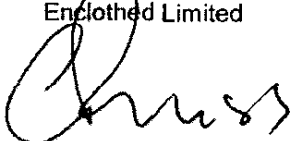
ENCLOTHED LIMITED - IN ADMINISTRATION

- 9.5 The Company granted a floating charge to John Bailye, Lee-Anne Warwick and James Davis on 4 September 2017. However, due to the low level of floating charge realisations and the associated costs of Administration, I do not believe on the current information available that there will be sufficient realisations to require the Joint Administrators to create a fund out of the Company's net floating charge property for the benefit of unsecured creditors (known as the **Prescribed Part**), or enable a dividend to be paid.

10 Proposals approval and next report

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

For and on behalf of
Enclothed Limited



CHRISTOPHER PURKISS
Joint Administrator

Enc

ENCLOTHED LIMITED - IN ADMINISTRATION

Appendix A

Statutory Information

11 Company information

| Company name | Enclothed Limited |
|----------------------------------|--|
| Trading name(s) | None |
| Registered number | 08251865 |
| Registered office address | Devonshire House 60 Goswell Road London EC1M 7AD |
| Former registered office address | 176A High Street, Barnet, Hertfordshire EN5 5SZ |
| Trading address(s) | Business Design Centre, Suite 223, 52 Upper Street, Islington, London, N1 0QH |
| Court details | High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies |
| Court reference number | 4475 of 2018 |

12 Details of the Company's Directors, Secretary and Shareholdings

| | Date appointed | Date resigned | Shares held |
|---------------------------|-----------------|---------------|------------------------------|
| Director(s) | | | |
| Dana Zingher | 12 October 2012 | - | 17,256,923 A Ordinary Shares |
| Levi Young | 12 October 2012 | - | 5,000,000 A Ordinary Shares |
| | | | |
| Secretary – Not Appointed | | | |

13 Joint Administrators' Details

| Name of Administrators | Christopher Purkiss | Ian Robert |
|---------------------------|---|---|
| Address | Devonshire House 60 Goswell Road London EC1M 7AD | Devonshire House 60 Goswell Road London EC1M 7AD |
| Telephone Number | 020 7566 4020 | 020 7566 4020 |
| Fax Number | 020 7566 4021 | 020 7566 4021 |
| Administrator's IP Number | 009654 | 008706 |
| Authorising Body | ICAEW | ICAEW |
| Date of Appointment | 30 May 2018 | 30 May 2018 |

ENCLOTHED LIMITED - IN ADMINISTRATION

Appendix B

Receipts and Payments Account for the Period from 30 May 2018 to 23 July 2018

**Enclothed Limited
(In Administration)**

**Joint Administrators' Summary of Receipts and Payments
To 23 July 2018**

| RECEIPTS | Statement of Affairs (£) | Total (£) |
|----------------------------------|-------------------------------------|------------------|
| Intellectual Property & Goodwill | Uncertain | 0.00 |
| Office Furniture & Equipment | 2,175.00 | 0.00 |
| Stock | 8,200.00 | 0.00 |
| Debtors | Uncertain | 0.00 |
| Cash at Bank | 11,363.00 | 11,363.36 |
| Bank Interest Gross | | 0.62 |
| | | <hr/> |
| | | 11,363.98 |
| | | <hr/> |
| PAYMENTS | | |
| Chargeholder (1) | (266,756.00) | 0.00 |
| Employee Arrears/Hol Pay | (3,926.04) | 0.00 |
| Trade & Expense Creditors | (295,952.63) | 0.00 |
| Employees | (16,148.99) | 0.00 |
| Directors Loan Account (Levi) | (379.00) | 0.00 |
| Directors Loan Account (Dana) | (297,280.00) | 0.00 |
| HM Revenue & Customs (PAYE) | (71,705.00) | 0.00 |
| HM Revenue & Customs (VAT) | (3,000.00) | 0.00 |
| Landlord | (4,289.00) | 0.00 |
| Consumer Creditors | (842.60) | 0.00 |
| Ordinary A Shareholders | (1,798,877.00) | 0.00 |
| B Investments | (127,590.00) | 0.00 |
| | | <hr/> |
| | | 0.00 |
| | | <hr/> |
| Net Receipts/(Payments) | | 11,363.98 |
| | | <hr/> |

MADE UP AS FOLLOWS

| | |
|-----------------------------|-----------|
| Bank 1 Current - Metro Bank | 11,363.98 |
| | <hr/> |
| | 11,363.98 |
| | <hr/> |

ENCLOTHED LIMITED - IN ADMINISTRATION

Appendix C

Director's Statement of Affairs as at 30 May 2018 and Joint Administrators the Estimated Financial Position of the Company as at 23 July 2018

A – Summary of Assets
Enclothed Limited – in Administration

Assets

| | Book Value £ | Estimated to Realise £ |
|---|--------------------|------------------------------|
| Assets subject to fixed charge: | | |
| Goodwill (Trademark, Database, Intellectual Property etc.) | 10,000 | 10,000 |
| Less: Monies due under Fixed Charge Holder | <u>(265,000)</u> | <u>(265,000)</u> |
| Deficit carried down to Floating Charge Holder | (255,000) | (255,000) |
| Assets subject to floating charge: | | |
| Office Furniture & Equipment | 3,500 | 0 |
| Stock | 49,400 | 5,000 |
| Cash at Bank | 3,983 | 3,983 |
| Debtors | | 0 |
| Estimated total assets available for preferential creditors | | (246,071) |

Signature



Date 18/07/2018

A1 – Summary of Liabilities Enclothed Limited – in Administration

| | | Estimated to realise £ |
|--|---------------|------------------------------|
| Estimated total assets available for preferential creditors (carried from page A) | | (246,017) |
| Liabilities | £ | |
| Preferential creditors:- | | |
| Employees (unpaid holiday pay) | (3,827) | (3,827) |
| Estimated deficiency/surplus as regards preferential creditors | £ | (249,844) |
| Estimated prescribed part of net property where applicable (to carry forward) | | 0 |
| Estimated total assets available for floating charge holders | £ | (249,844) |
| Debts secured by floating charges – c/d | | 0 |
| Estimated deficiency/surplus of assets after floating charges | £ | (249,844) |
| Estimated prescribed part of net property where applicable (brought down) | | 0 |
| Total assets available to unsecured creditors | £ | (249,844) |
| Unsecured non-preferential claims | | |
| HMRC (VAT) | 0 | |
| HMRC (PAYE/Ni) | 73,000 | |
| HMRC (Corporation Tax) | 0 | |
| Landlord | 4,289 | 0 |
| Directors Loan Account (DZ) | 297,280 | (670,900) |
| Directors Loan Account (LY) | 379 | |
| Trade/Expense Creditors | 295,953 | |
| Consumer Creditors | 0 | |
| Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders) | £ | (920,744) |
| Shortfall to floating charge holders (brought down) | £ | 0 |
| Estimated deficiency/surplus as regards creditors | £ | (249,844) |
| Issued and called up capital | | |
| Ordinary A Shares | £ 1798,877 | |
| Ordinary B Shares | | |
| | 127,590 | 0 |
| Estimated total deficiency/surplus as regards members | £ | (2,847,211) |

Signature



Date 18/072018

Kingston Smith & Partners LLP
Enclothed Limited
B - Company Creditors

| Key | Name | Address | £ |
|--------|--|---|------------|
| CA0001 | Altea | Via Andrea Maffei, 14-20135, Milano, Italy | 5,134.50 |
| CA0002 | Armedange's | Social Fashion Company, GmbH, Thebaerstraße 17, 50823, Köln | 775.89 |
| CB0001 | Bidewolf International Ltd | Third Floor, 47 Mark Lane, London, EC3R 7QQ | 3,000.00 |
| CB0002 | Business Design Centre Limited | Business Design Centre, 52 Upper Street, London, N1 0QH | 4,287.00 |
| CCCC02 | Clicksit app Limited | 86-90 Paul Street, London, EC2A 4NE | 4,514.40 |
| CCCC03 | CM Delta Limited | Unit 1.14, Grand Union Studios, 332 Ladbroke Grove, London, W10 5AD | 1,015.58 |
| CCCC04 | Collect Plus | 12 Atlantic Pavillion, Albert Dock, Liverpool, Merseyside, L3 4AE | 243.12 |
| CCCC05 | Cornerstone Brands Limited | Attn: Charles Jing, 86-90 Paul Street, London, EC2A 4NE | 750.29 |
| CD0001 | Darlingtons Solicitors LLP | 7 Spring Villa Park, Edgware, Middlesex, HA8 7EB | 1,320.00 |
| CD0002 | Digital Growth Hackers | 32 Broadlands Way, Ipswich, Suffolk, IP4 5SU | 3,352.40 |
| CD0003 | DK Company | c/o Godley & Co, 14 Lyon Road, Harrow, HA1 2EN | 781.42 |
| CD0004 | Drop and Collect Limited t/a Collect Plus | Atlantic Pavillion, Albert Dock, Liverpool, Merseyside, L3 4AE | 651.04 |
| CD05 | Miss D Zingher | | 207,280.00 |
| CE0001 | Eden Park France | Triple H, 139 Essex Road, London, N1 2SN | 4,448.00 |
| CE0002 | ETON | Eton AB, Box 15002, SE-507, 15 Ganghøst, Sweden | 20,462.00 |
| CE0003 | Euro DataCom Limited | Avoca House, 6 Kinetic Crescent, Innova Business Park, Enfield, Middlesex, EN3 7XH | 107.94 |
| CFC002 | Freedom Recruitment | 22 Stukeley Street, London, WC2B 5LR | 6,750.00 |
| CG0001 | GSL Gustafsson Sports and Leisure Clothing | Fjölbergsgatan 17, 431 37 Mölndal, Sweden | 1,551.00 |
| CG0002 | Group JAJ | 40-48 Rue Beaumarchais, 93104 Montreuil, Sous Bois, France | 1,520.00 |
| CH00 | HM Revenue & Customs | Debt Management, Ty Glas, Llanishen, Cardiff, CF14 5ZP | 73,000.00 |
| CIC01 | Ignition Financial | 23-31 Great Titchfield Street, (Floor 1), London, W1W 7PA | 507.00 |
| CJ0001 | John White Shoes | Units F&G, Bury Close, Higham Business Park, Higham Ferrers, Northants, NN10 8HG | 3,600.00 |
| CL0001 | Levi Strauss & Co Europe | 40 Great Marlborough Street, London, W1F 7JQ | 15,188.00 |
| CM0001 | Mention Me | Kennington Park, 1-3 Brixton Road, London, SW9 6DE | 6,240.00 |
| CM0002 | Midi Factoring als t/a Suit | L'indoff Danmark A/S, Thistegade 10, St th 2630, Taastrup | 1,809.21 |
| CM0003 | Mr Black Garment Essentials Ply Limited | Suite 3.02, Building 5, 658 Church Street, Richmond 3121, Melbourne, Australia | 1,359.60 |
| CP0001 | Peregrine | 1 Montpelier Central Trading Estate, Station Road, Bristol, BS6 5EE | 4,255.60 |
| CP0002 | Perry Ellis Europe Limited | Crittall Road, Witham, Essex, CM8 3DJ | 4,346.50 |
| CP0003 | Portuguese Flannel | Contribuinte No: PT510956378, Rua Cidade N Dola 17, Nevogilde, 4150-241 Porto, Portugal | 1,651.00 |

Signature _____

Date 1/1/2

Insolvency Act 1986

Enclothed Limited
Estimated Statement Of Affairs as at 23 July 2018

| | Book Value £ | Estimated to Realise £ | £ |
|---|-----------------|---------------------------|--------------|
| ASSETS | | | |
| Intellectual Property & Goodwill | 10,000.00 | Uncertain | |
| | | NIL | NIL |
| Chargeholder (1) | | (266,756.00) | |
| Deficiency c/d | | (266,756.00) | |
| Office Furniture & Equipment | 3,500.00 | | 2,175.00 |
| Stock | 49,400.00 | | 8,200.00 |
| Debtors | Uncertain | | Uncertain |
| Cash at Bank | 3,983.00 | | 11,363.00 |
| | | | 21,738.00 |
| LIABILITIES | | | |
| PREFERENTIAL CREDITORS:- | | | |
| Employee Arrears/Hol Pay | | 3,926.04 | |
| | | | 3,926.04 |
| | | | 17,811.96 |
| DEBTS SECURED BY FLOATING CHARGES PRE 15 SEPTEMBER 2003 | | | |
| OTHER PRE 15 SEPTEMBER 2003 FLOATING CHARGE CREDITORS | | | |
| | | | NIL |
| | | | 17,811.96 |
| Estimated prescribed part of net property where applicable (to carry forward) | | | NIL |
| | | | 17,811.96 |
| DEBTS SECURED BY FLOATING CHARGES POST 14 SEPTEMBER 2003 | | | |
| Deficiency b/d | | 266,756.00 | |
| | | | 266,756.00 |
| | | | (248,944.04) |
| Estimated prescribed part of net property where applicable (brought down) | | | NIL |
| | | | NIL |
| Unsecured non-preferential claims (excluding any shortfall to floating charge holders) | | | |
| Trade & Expense Creditors | | 295,952.63 | |
| Employees | | 16,148.99 | |
| Directors Loan Account (Levi) | | 379.00 | |
| Directors Loan Account (Dana) | | 297,280.00 | |
| HM Revenue & Customs (PAYE) | | 71,705.00 | |
| HM Revenue & Customs (VAT) | | 3,000.00 | |
| Landlord | | 4,289.00 | |
| Consumer Creditors | | 842.60 | |
| | | | 689,597.22 |

Insolvency Act 1986

Enclotted Limited
Estimated Statement Of Affairs as at 23 July 2018

| | Book Value £ | Estimated to Realise £ |
|--|-----------------|----------------------------|
| Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F.C's post 14 September 2003) | | (689,597.22) |
| Shortfall in respect of F.C's post 14 September 2003 (brought down) | | 248,944.04 (938,541.26) |
| Issued and called up capital | | |
| Ordinary A Shareholders | 1,798,877.00 | |
| B Investments | 127,590.00 | |
| | | 1,926,467.00 |
| TOTAL SURPLUS/(DEFICIENCY) | | (2,865,008.26) |

Kingston Smith & Partners LLP
Enclothed Limited
B - Company Creditors

| Key | Name | Address | £ |
|--------|---|--|------------|
| CA0001 | Altea | Via Andrea Maffei, 14-20135, Milano, Italy | 5,134.50 |
| CA0002 | Arnedangels | Social Fashion Company, GmbH, Thebaerstraße 17, 50823, Köln | 775.89 |
| CB0001 | Bluewolf International Ltd | Third Floor, 47 Mark Lane, London, EC3R 7QQ | 3,600.00 |
| CB0002 | Business Design Centre Limited | Business Design Centre, 52 Upper Street, London, N1 0QH | 4,289.00 |
| CCCC02 | Clicksit app Limited | 86-90 Paul Street, London, EC2A 4NE | 4,514.40 |
| CCCC03 | CM Delta Limited | Unit 1.14, Grand Union Studios, 332 Ladbroke Grove, London, W10 5AD | 1,615.68 |
| CCCC04 | Collect Plus | 12 Atlantic Pavillion, Albert Dock, Liverpool, Merseyside, L3 4AE | 243.12 |
| CCCC05 | Cornerstone Brands Limited | Attn: Charles Jing, 86-90 Paul Street, London, EC2A 4NE | 768.29 |
| CD0001 | Darlington Solicitors LLP | 7 Spring Villa Park, Edgware, Middlesex, HA8 7EB | 7,320.00 |
| CD0002 | Digital Growth Hackers | 32 Broadlands Way, Ipswich, Suffolk, IP4 5SU | 3,358.40 |
| CD0003 | DK Company | c/o Godley & Co, 14 Lyon Road, Harrow, HA1 2EN | 781.42 |
| CD0004 | Drop and Collect Limited t/a Collect Plus | Atlantic Pavillion, Albert Dock, Liverpool, Merseyside, L3 4AE | 651.05 |
| CE0001 | Eden Park France | Triple H, 139 Essex Road, London, N1 2SN | 4,448.00 |
| CE0002 | ETON | Eton AB, Box 15002, SE-507, 15 Ganghester, Sweden | 20,462.00 |
| CE0003 | Euro DataCom Limited | Avoca House, 6 Kinetic Crescent, Innova Business Park, Enfield, Middlesex, EN3 7XH | 107.99 |
| CFCF02 | Freedom Recruitment | 22 Stukeley Street, London, WC2B 5LR | 6,750.00 |
| CG0002 | Group JAJ | 40-48 Rue Beaumarchais, 93104 Montreuil, Sous Bois, France | 1,320.00 |
| CG0001 | GSL Gustafsson Sports and Leisure Clothing | Flojelbergsgatan 17, 431 37 Molndal, Sweden | 3,251.00 |
| CH00 | HM Revenue & Customs | Debt Management, Ty Glas, Llanishen, Cardiff, CF14 5ZP | 73,000.00 |
| CICI01 | Ignition Financial | 23-31 G4eat Titchfield Street, (Floor 1), London, W1W 7PA | 900.00 |
| CP0001 | J.G. Glover & Company Ltd T/A Peregrine | 1 Montpelier Central Trading Estate, Station Road, Bristol, BS6 5EE | 4,455.60 |
| CS03 | John Baillye, James Davis and Lee-Anne Warwic | Stags Gate House, 63/64 The Avenue, Southampton, Hampshire, SO17 1XS | 266,756.00 |
| | | Security Given: Fixed and Floating; Date Given: 04/09/2017; Amount: 265000 | |
| CJ0001 | John White Shoes | Units F&G, Bury Close, Higham Business Park, Higham Ferrers, Northants, NN10 8HQ | 3,896.80 |
| CL0001 | Levi Strauss & Co Europe | 40 Great Marlborough Street, London, W1F 7JQ | 15,188.90 |
| CM0001 | Mention Me | Unit 3, 46 Canterbury Court, Kennington Park, 103 Brixton Road, London, SW9 6DE | 6,246.00 |
| CM0002 | Midt Factoring a/s t/a Suit | Lindorff Danmark A/S, Thistegade 10, St th 2630, Taastrup | 1,009.33 |
| CD05 | Miss D Zingher | | 297,280.00 |
| CY00 | Miss L Young | | 379.00 |
| CM0003 | Mr Black Garment Essentials Pty Limited | Suite 3.02, Building 5, 658 Church Street, Richmond 3121, Melbourne, Australia | 1,089.60 |

Signature _____

Kingston Smith & Partners LLP
Enclothed Limited
B - Company Creditors

| Key | Name | Address | £ |
|-----------------------------|---|---|-------------------|
| CP0002 | Perry Ellis Europe Limited | Crittall Road, Witham, Essex, CM8 3DJ | 4,346.40 |
| CP0003 | Portuguese Flannel | Contribuinte No: PT510956378, Rua Cidade N Dola 17, Nevoglide, 4150-241 Porto, Portugal | 1,660.35 |
| CS0001 | Salesforce | Floor 26 Salesforce Tower, 110 Bishopsgate, London, EC2N 4AY | 7,668.09 |
| CS0002 | Savills | The Queensmere Observatory Centre, High Street, Slough, SL1 1LN | 6,592.39 |
| CT0001 | Teamwork (UK) Limited | Albany House, Shute End, Wokingham, Berkshire, RG40 1BJ | 487.50 |
| CT0002 | The British Belt Company | Arnold Wills & Co, 10 Station Road, Uppingham, LE15 9TZ | 325.10 |
| CT0003 | The Chapar Limited | 55 Maid Marian Way, 4th Floor, Nottingham, NG1 6GE | 131,010.65 |
| CT0004 | Tommy Hilfiger | PVH 67 Brompton Road, Knightsbridge, London, SW3 1DB | 30,000.00 |
| CT0005 | Toyota & Lexus Fleet Financial Services | PO Box 557, Portsmouth, PO6 4WL | 967.74 |
| CV0001 | Velour By Nostalgi AB | Arch 210, Newnham Terrace, Hercules Road, London, SE1 7DR | 3,145.04 |
| CW0001 | Woodway UK | Unit 8, Trident Way, International Trading Estate, Brent Road, Middlesex, UB2 5LF | 6,861.40 |
| CZ0001 | Zone Two (UK) Limited | Pegaso Showrooms, 26 Westland Place, London, N1 7JH | 5,000.00 |
| 41 Entries Totalling | | | 937,656.63 |

Signature _____

ENCLOTHED LIMITED - IN ADMINISTRATION

Appendix D

Additional Information in Relation to Joint Administrators' Fees

14 Fee Basis

- 14.1 The Administrators are seeking to agree the basis of their remuneration in this case on a combination basis of a set amount of £30,000 and also as a percentage of 20% of the net asset realisations. Attached to this appendix are details of the work the Administrator proposes to undertake and the expenses the Administrators consider will be, or are likely to be, incurred. Information about the work done to date can be found in the body of the Administrators Report and Statement of Proposals at Section 2.
- 14.2 The fees estimate is based on information about the Company's affairs available to the Administrators at the present time. Should any matters arise which impact on this estimate, such as additional investigatory matters or potential realisable assets, further time or cost will be incurred and it may be necessary to revise the Administrators' estimate of fees.
- 14.3 In this case, we do not anticipate that it will be necessary to seek further approval to increase the level of the fees estimate if the time incurred is in excess of the fees estimate enclosed with this report.

15 Expenses

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

| Expense | Provider | Basis of fee arrangement | Cost to date £ |
|--|--|---|-------------------|
| Book debt | TBC | Percentage of asset realisations | Nil |
| Agent's costs in dealing with property/chattel asset sales | John Pye | Standard fee and 10% commission of asset realisations | 1,275 |
| Statutory advertising | TMP | Cost = £ | 67 |
| Administrator's bond | Marsh | Cost = £ | 80 |
| Staff related travel expenses | Direct cost of Administrator & his staff | Cost = £ | 134.67 |
| Postage | | | 44.89 |

16 Staff Allocation and the Use of Sub-Contractors

- 16.1 The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.
- 16.2 The constitution of the case team will usually consist of a Partner, a Manager, and an Administrator or Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. Where the basis of the Administrators' remuneration is being proposed on a time cost basis, details of our current charge-out rates can be found below.
- 16.3 We are not proposing to utilise the services of any sub-contractors in this case.

ENCLOTHED LIMITED - IN ADMINISTRATION

17 Joint Administrators' Disbursements

- 17.1 Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case. Any Category 1 disbursements we anticipate being incurred in this case are included in the table of expenses above.
- 17.2 Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.
- 17.3 We would advise that the following Category 2 disbursements are currently charged by this firm:

| Type and purpose | £ |
|------------------|----|
| IPS License | 90 |

- 17.4 Separate approval will be sought for the authorisation of this firm's Category 2 disbursements from creditors.

Enclothed Limited (“the Company”)

Fees Information in accordance with The Insolvency (England and Wales) Rules 2016 and Statement of Insolvency Practice 9

Fees Overview

Prior to an insolvency practitioner agreeing the basis of their remuneration as Joint Administrators, details of the work proposed to be done and the expenses it is considered will be, or are likely to be, incurred in dealing with a company's affairs must be provided to creditors.

In addition, where the Joint Administrators propose to take all or any part of this remuneration based on the time they and their staff will spend dealing with the affairs of the insolvent company, a **fees estimate** must also be provided. This will outline the anticipated cost of that work, how long it is anticipated the work will take and whether any further approvals may be needed from creditors in due course.

In this case, I am not proposing to agree the basis of our remuneration as Joint Administrators based on time spent dealing with the Company's affairs, therefore am not required to provide creditors with a **fees estimate**. I am required to confirm the basis or bases I am seeking in the alternative and details of the work proposed to be done in this case, which can be found below.

Work anticipated and the likely return to creditors

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

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

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

Proposed Fee Basis/Bases

In this case, I am proposing the following basis or bases for our remuneration as Joint Administrators:

- On a combination of a set amount of £30,000 plus VAT in relation to Statutory matters such as Compliance, Administration and Planning, Creditors and Statutory Investigations; and
- As a percentage of net asset realisations, being 20% plus VAT

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

Outline of work to be done by the Joint Administrators

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

Administration (including statutory compliance & reporting)

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

This work includes:

- Notifying creditors of the Joint Administrators' appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House
- Preparing and issuing the Joint Administrators' statement of proposals for achieving the purpose of the Administration and thereafter providing periodic progress reports to members and creditors (typically every 6 months)
- Lodging periodic returns with the Registrar of Companies for the Administration
- Complying with statutory duties in respect of the Joint Administrators' specific penalty bond
- Creation and update of case files on the firm's insolvency software
- Redirection of the Company's mail to the Joint Administrators' office where necessary
- Establishing and holding periodic meetings of the creditors' committee and associated filing formalities (if a committee is appointed)
- Securing the Company's books and records
- Pension regulatory reporting and auto-enrolment cancellation
- Completion and filing of the notice of the Company's insolvency to HMRC
- Initial assessment required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 (CDDA) including the review of the Company's books and records and the identification of potential further asset realisations which may be pursued in the Administration
- Submitting a statutory report to the Insolvency Service under the CDDA
- Periodic case progression reviews (typically at the end of Month 1 and every 6 months thereafter)
- Opening, maintaining and managing the Administration estate cashbook and bank account(s)
- Dealing with all post-appointment VAT and corporation tax compliance
- Liaison with secured creditors, obtaining charge documents and validating the security
- Dealing with employees to provide support and assistance in lodging any claims they may be entitled to make for unpaid wages, holiday pay and other statutory entitlements from the National Insurance Fund and the Company. Liaising with (or appointing) union representatives and payroll providers and reviewing employment contracts as necessary

Realisation of assets

As outlined in the Joint Administrators' proposals, since my appointment, I would comment on the known assets of the Administration as follows:-

Sale of Business Assets

I instructed John Pye to provide information on previous marketing activities and confirmation on those who had expressed interest.

Attempts were made to ascertain whether The Chapar was still interested in purchasing Company assets as well as enquiring whether other third parties may wish to submit an offer.

Following weeks of negotiations, The Chapar submitted a revised offer to the Joint Administrators on 22 June 2018 which, under the advisement of my Agents, has been accepted. Additional time has passed whilst trying to discuss and secure the consent of the Fixed Chargeholders.

Once the original documentation relating to the Sales Agreement and Shareholder Consent have been received, the sale can complete.

Intellectual Property

In the proposed sales agreement, the consideration offered by The Chapar is £38,000 plus VAT.

As this is a fixed charge asset, the surplus funds will be paid to the fixed Chargeholders.

Stock

Having attended The Chapar's warehouse, I was satisfied that the Company's stock was clearly separated from the stock of the Chapar so that it could not be utilised to fulfil The Chapar's orders by mistake whilst I took steps to secure a purchaser.

Should the Asset Sale Agreement to The Chapar not complete, I will take steps to seize and secure the stock immediately and instruct my agents to market all items for sale.

Office Furniture and Equipment (Chattel Assets)

Shortly after my appointment, I instructed my agents to attend the Company main business address to seize and secure the office furniture and equipment.

Upon the completion of the asset sale, all items will be passed to the purchaser. Failing completion, the items will most likely be sold in bulk by private treaty.

Cash at Bank

Upon appointment, I immediately contacted the bank to inform them of the Joint Administrators' appointment and obtained details to send formal notification to.

To date, £11,363 has been realised and no other funds are anticipated.

Debtors

I am currently reviewing the Debtors schedule and comparing it to the bad debts/write offs schedule provided by the Directors.

Depending on the level of Debts outstanding once the comparison has been finalised, I will consider whether it will be more cost effective to collect the debts in house or pass to a solicitor or collection agency.

Work done by the Joint Administrators, their staff and any third parties engaged to assist the Joint Administrators in realising the Company's assets will, it is anticipated, provide a financial benefit to creditors. This may involve realising assets to facilitate a distribution to secured creditors of the Company only (from which a Prescribed Part fund may be derived for the benefit of unsecured creditors) or may, depending on realisations and the extent of any 3rd party security, result in a distribution to the preferential and unsecured creditors of the Company. Further information on the likely outcome of the Administration process will be provided in the Joint Administrators's subsequent progress reports.

Creditors (claims and distributions)

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

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

Investigations

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

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

Joint Administrators' Expenses

As also noted, I am required to provide creditors with details of the expenses I consider will be, or are likely to be, incurred in the Administration. These may include expenses such as agent's costs for assisting in the disposal and realisation of the company's physical assets or other routine expenses associated with an insolvency case such as statutory advertising costs or the office holder's specific penalty bond.

Below is a summary of the expenses I consider will be, or are likely to be, incurred in this case. I will provide a further update to creditors in our subsequent progress reports.

| Expense | Estimated cost £ |
|--|-----------------------------|
| <i>Agents' costs for sale of the assets subject to a floating charge</i> | 2,475 |
| <i>Solicitors/ collection agents costs for collecting in outstanding Debts</i> | TBC |
| <i>Statutory advertising</i> | 134 |
| <i>Specific penalty bond</i> | 80 |
| <i>Case related travel & subsistence</i> | 134.30 |
| <i>Postage</i> | 134.67 |
| Category 2 disbursements charged by the firm: | |
| <i>IPS License</i> | 90.00 |

Kingston Smith & Partners LLP's Category 2 disbursements policy

Attached are details of our firm's Category 2 disbursements policy.

Category 2 disbursements require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage. Any Category 2 disbursements which this firm proposes to charge in this case are reflected in the table of expenses above. Approval to charge these will be sought from creditors when the basis of our remuneration as Joint Administrators is fixed.

ENCLOTHED LIMITED - IN ADMINISTRATION

Appendix E

Estimated Outcome Statement as at 23 July 2018

| | £000 |
|--|-----------|
| Assets subject to Fixed Charge | |
| Intellectual Property (Goodwill, Customer Database etc) | 38,000 |
| | 38,000 |
| Less: | |
| Cost of Administration | (9,120) |
| | |
| Available to Secured Charge Holder | 28,880 |
| Amount due to Secured Charge Holder | (266,756) |
| Surplus / (deficit) to Secured Charge Holder | (237,876) |
| Assets Subject to Floating Charge | |
| Stock | 10,000 |
| Office Equipment | 2,000 |
| Cash at Bank | 11,363 |
| Debtors | Uncertain |
| | 23,363 |
| Less: | |
| Smith Cooper Limited's costs and expenses as approved by creditors on 03/07/2018 | (7,996) |
| Costs of Administration | (37,229) |
| Preferential creditors | (3,827) |
| Surplus / (deficit) due to Secured Charge Holder under floating charge | (25,734) |

Note: The above is based on the assumption that the sale of the Company's assets to The Chapar will complete.

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 **Christopher Purkiss**

Company name **Kingston Smith & Partners LLP**

Address **Devonshire House**

60 Goswell Road

Post town **London**

County/Region

Postcode **E C 1 M 7 A D**

Country

DX

Telephone **020 7566 4020 / 020 7566 4021**



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