

AM03

Notice of administrator's proposals



Companies House

MONDAY



A8KYANS9

A25

23/12/2019

#478

COMPANIES HOUSE

1 Company details

Company number 09184608
Company name in full XQ Digital Resilience Limited

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

2 Administrator's name

Full forename(s) Paul
Surname Appleton

3 Administrator's address

Building name/number 1st Floor
Street
Post town 26 - 28 Bedford Row
County/Region London
Postcode WC1R4HE
Country

4 Administrator's name

Full forename(s) Paul
Surname Cooper

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


5 Administrator's address

Building name/number 1st Floor
Street
Post town 26 - 28 Bedford Row
County/Region London
Postcode WC1R4HE
Country

❷ 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	<div>Signature ✕ </div>	✕	
Signature date	<div><div>^d1^d8</div><div>^m1^m2</div><div>^y2^y0^y1^y9</div></div>		

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	Glyn Middleton
Company name	David Rubin & Partners
Address	26 - 28 Bedford Row
Post town	London
County/Region	
Postcode	W C 1 R 4 H E
Country	
DX	London/Chancery Lane
Telephone	020 7400 7900



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

IN THE HIGH COURT OF JUSTICE

NUMBER CR-007152-2019

IN THE MATTER OF

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

AND

THE INSOLVENCY ACT 1986

**THE JOINT ADMINISTRATORS' REPORT AND
STATEMENT OF FORMAL PROPOSALS AS REQUIRED BY
PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986
AND RULE 3.35 OF THE INSOLVENCY (ENGLAND AND WALES) RULES 2016**

XQ DIGITAL RESILIENCE LIMITED – IN ADMINISTRATION

JOINT ADMINISTRATORS' REPORT AND PROPOSALS - PARA 49

CONTENTS

1. Introduction
2. Statutory information
3. Brief Trading history and results
4. Background to the appointment of Administrators
5. Purpose of the Administration Order
6. Conduct of the Administration
7. Receipts and Payments Account.
8. Statement of Affairs
9. Creditors, Prescribed Part, and dividend prospects
10. Investigation by the Joint Administrators
11. *Creditors' Decisions by correspondence*
12. Ending of Administration
13. Joint Administrators' Remuneration
14. Pre-Appointment time costs
15. EC Regulation on insolvency proceedings
16. Joint Administrators' Formal Proposals

APPENDICES

1. Statutory information
2. Receipts and payments account
3. Joint Administrators' fee and expenses estimates explanations
- 3A. Estimate of time costs matrix
4. Joint Administrators' time costs and expenses explanations.
- 4A. Joint Administrators' Pre and Post Appointment time matrices
5. Statement of Affairs and List of Creditors

**XQ DIGITAL RESILIENCE LIMITED – IN ADMINISTRATION
STATEMENT OF FORMAL PROPOSALS AND REPORT
OF THE JOINT ADMINISTRATORS AS REQUIRED BY
PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986**

1. INTRODUCTION

- 1.1 Paul Cooper and Paul Appleton, both of David Rubin & Partners, 26 - 28 Bedford Row, London, WC1R 4HE, were appointed Joint Administrators of XQ Digital Resilience Limited ("the Company") on 25 October 2019. The appointment was made by the Directors, pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986 (**the ACT**).
- 1.2 The Joint Administrators act jointly and severally in the exercising of any and all functions exercisable by an administrator appointed under the provisions of Schedule B1 of the Act.

2. STATUTORY INFORMATION

The Company's statutory information is set out in Appendix 1 of this report.

3. BRIEF TRADING HISTORY AND RESULTS

- 3.1 The Company was incorporated on 21 August 2014 and its principal activity was that of Providers of Cyber Security Services. It started trading shortly after incorporation, and its trading activities were carried out from leasehold premises at 17 Miller Court Severn Drive, Tewkesbury Business Park, Tewkesbury, GL20 8DN. The lease is for a term of ten years commencing on 24 January 2019, with an annual rent of £85,400 plus VAT, payable quarterly.
- 3.2 Extracts from the Company's Financial Statements are as detailed below:

	Year ended 31 December 2018 (Statutory) £	Year ended 31 December 2017 (Statutory) £
Turnover	314,283	320,260
Gross Profit	297,615	312,334
Operating Loss	(1,463,028)	(812,262)
Dividends	Nil	Nil
Losses for Year	(1,323,549)	(620,919)
Retained Losses	(2,015,913)	(692,364)
Called Up Capital	711	579
Share Premium Account	2,638,795	1,063,641
Shareholders' funds	623,593	371,856

3. BRIEF TRADING HISTORY AND RESULTS (continued)

- 3.3 The business was founded in 2014, and its principal activity was that of a provider of cyber security solutions to corporate clients.

During the first year or so, the Company's efforts were concentrated on building the right team and providing the necessary infrastructure to allow its solutions to be put out to market.

This work required a considerable amount of time and financing, and, as with all 'tech' business models, a great deal of investment would be needed.

Over the following years, the Company succeeded in securing considerable investment, but all with the knowledge and expectation that further funds would be provided during 2019.

Unfortunately, whilst further finance was awaited, the Company fell into arrears with its monthly PAYE/NIC obligations, which culminated in HM Revenue & Customs seeking a Controlled Goods Agreement ("CGA"), which allowed for the arrears to be discharged on a monthly basis.

On 11 October 2019, it was clear that the additional funding being sought would not be forthcoming in time to honour its obligations under the terms of the CGA. This, coupled with increasing pressure from a number of other creditors, resulted in the Board seeking independent professional advice from David Rubin & Partners.

4. BACKGROUND TO THE APPOINTMENT OF ADMINISTRATORS

- 4.1 As a result, it appeared that an insolvency procedure could be appropriate in the circumstances. This was especially pertinent given the delays in securing the additional investment required to move the Company forward.

Various procedures were explained to the Board in order that they were fully informed of the options available.

1. As a Board, they could appoint Administrators pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986 ("the Act");
2. The Directors could propose a Company Voluntary Arrangement ("CVA") to the creditors of the Company;
3. The Directors could resolve to convene the relevant meetings of Shareholders and Creditors with a view to placing the Company into Creditors' Voluntary Liquidation ("CVL"); or
4. A creditor could issue a Winding-Up Petition against the Company in respect of an unsecured liability with a view to it being placed into Compulsory Liquidation. The creditor could also petition to place the Company into Administration pursuant to Paragraph 12 of Schedule B1 to the Act.

Having considered the position, it was deemed that option 2 was not feasible in the circumstances due to the lack of regular income from which contributions could be made, and the uncertainty of when, or even if, the additional investment was received.

4. BACKGROUND TO THE APPOINTMENT OF ADMINISTRATORS (continued)

Option 3 was also deemed inappropriate due to the length of time it would take to have the Company placed into that process and the stigma associated with that process given the high-profile nature of the business. Likewise, option 4 could have the effect of irrecoverably damaging the business. Accordingly, an Administration via option 1 was deemed the best option as the appointment could be secured relatively quickly with a view to safeguarding the value of the business and assets.

5. PURPOSE OF THE ADMINISTRATION ORDER

5.1 Paragraph 3(1) of Schedule B1 of the Act states that Administrators must 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.

5.2 It was clear from the outset that purpose (a) would not be achievable as the Company was insolvent, and attempts at raising fresh capital had failed.

5.3 It was apparent prior to our appointment that the Company had a potentially viable business that could be sold on a going concern basis, which may achieve a better result for creditors, as a whole, than would likely be obtained in a liquidation process. Notwithstanding this, the Joint Administrators have conducted their strategy, both prior to, and after appointment, with a view to achieving objective C.

6. SALE OF BUSINESS AND ASSETS

6.1 Immediately following the appointment of the Joint Administrators, Agents were instructed to conduct a short marketing campaign, offering the Company's business and assets to potentially interested parties within the sector.

6.2 That campaign identified a number of interested parties, which culminated in a preferred bidder being chosen. Solicitors have been instructed to finalise the documentation pertaining to the sale, and completion is anticipated to take place imminently.

7. CONDUCT OF THE ADMINISTRATION

7.1 As required by Schedule B1 to the Insolvency Act 1986, we have filed notice of our appointment with the Registrar of Companies, served formal notice on the Company and advertised our appointment in the London Gazette.

7. CONDUCT OF THE ADMINISTRATION (continued)

- 7.2 We were required as soon as reasonably practicable after our appointment to write to all creditors of the Company, notifying them of our appointment. We obtained details of the Company's creditors from the Finance Director and, on 1 November 2019, we sent formal notice to all known creditors notifying them of our appointment as Administrators.
- 7.3 In addition to the work of developing the strategy for the Administration, including liaising with the Directors, evaluating the business and progressing the sale of the business as explained above, the Joint Administrators and their staff have undertaken, inter alia, the following tasks:-
- a) Corresponding with the Company's Bank to freeze all accounts;
 - b) Opening a designated bank account and dealing with the movement of funds;
 - c) Applying for the Joint Administrators' Bond, as required by the Insolvency Practitioners Regulations 2005;
 - d) Publishing the necessary statutory advertisement in respect of the Administration proceedings in the London Gazette;
 - e) Completing various searches at Companies House to obtain statutory information on the Company;
 - f) Submitting a VAT 769 notifying HMRC that the Company is now in Administration and requested that the Company be deregistered for VAT;
 - g) Acknowledging creditors' claims, answering telephone enquiries and correspondence therewith;
 - h) Obtaining a case reference and submitting the relevant forms to the Redundancy Payments Office;
 - i) Dealing with employees' queries and concerns.

8. RECEIPTS AND PAYMENTS ACCOUNT

- 8.1 A copy of the Joint Administrators' receipts and payments account for the period from 25 October 2019 to 16 December 2019 is attached at Appendix 2. I would comment on the account as follows:-

8.2 RECEIPTS

8.2.1 Cash at Bank

Whilst not currently shown on the receipts and payments, the Company's bank account has been closed and the funds held therein have been forwarded to the Joint Administrators. However, the cheque, which the Bank advised was sent on 2 December 2019, has yet to be received and the Joint Administrators have requested that it be cancelled and that a replacement be issued.

8. RECEIPTS AND PAYMENTS ACCOUNT (continued)

8.3 PAYMENTS

There have been no payments made from the estate.

9. STATEMENT OF AFFAIRS

9.1 The Directors were requested to prepare a Statement of Affairs pursuant to Paragraph 47 of the Schedule. The Directors' Estimated Statement of Affairs as at the date of Administration is attached at Appendix 3.

9.2 The creditors' claims are based on the last known position from the Company's records. Creditors, if they have not already done so, are requested to submit a formal proof of debt in order that the final position may be ascertained, although it is not the responsibility of the Joint Administrators to formally agree claims.

10. CREDITORS, PRESCRIBED PART AND DIVIDEND PROSPECTS

10.1 Secured Creditors

The Company has no Secured Creditors.

10.2 Preferential Creditors

There will be preferential claims for those employees, who are owed unpaid wages and holiday pay. Pursuant to the provisions of Schedule 6 of the Act, any amounts outstanding to employees in respect of unpaid wages (up to a maximum of £800) and outstanding annual leave entitlements are afforded priority over the claims of floating charge creditors and ordinary unsecured creditors.

It is likely that a significant element of the preferential claim will be claims, which are subrogated to the Secretary of State, following payment to the employees by the Redundancy Payments Office.

Although the Joint Administrators are yet to receive notification of the preferential creditors' claims, on current information, it is expected that the preferential claims in respect of arrears of pay and holiday pay, including the claim that will be made by the RPO, will be substantial.

It is envisaged that there will be sufficient funds available to enable a distribution to be paid to preferential creditors.

10.3 Prescribed Part

Pursuant to section 176A of the Act, where a floating charge is created after 14 September 2003, a prescribed part of the Company's net property shall be made available to unsecured non-preferential creditors. However, the Prescribed Part provision does not apply because there are no secured creditors.

10. CREDITORS, PRESCRIBED PART AND DIVIDEND PROSPECTS (continued)

10.4 Non-Preferential Unsecured Creditors

In addition to the Company's liabilities to the Preferential Creditors, there are also trade and expense creditors, and Crown liabilities as set out in the list of creditors attached to the Statement of Affairs at Appendix 3.

The ex-employees' Unsecured claims in respect of arrears of wages, lieu of notice, and statutory redundancies and enhanced redundancy are also expected to be substantial.

10.5 Dividend Prospects

Preferential creditors are expected to be paid a distribution. However, it is too early to provide a meaningful estimate of the likely level of distribution, if any, to the unsecured non-preferential creditors.

11. INVESTIGATION BY THE JOINT ADMINISTRATORS

The Joint Administrators will investigate and, if appropriate, pursue any claims that the Company may have under the Companies Acts 1985 and 2006 or the Act. The Joint Administrators are required, within three months of their appointment, to submit a return on the conduct of all persons, who have acted as either Directors or shadow directors of the Company during the period of three years ending on the date of the Joint Administrators' appointment. To facilitate the preparation of that return and our enquiries into the Company's affairs, the Joint Administrators have already invited creditors to provide them with information on any matters of concern to the creditors.

12. CREDITORS' DECISION

Under Paragraph 51(1) of Schedule B1 to the Act, the Administrators are required to seek a decision of creditors on the approval of the Administrators' proposals. Accordingly, I have enclosed with my letter to creditors Notice of a Decision Procedure by Correspondence and a voting form.

13. ENDING OF ADMINISTRATION

13.1 The options available to the Joint Administrators for the exit from the Administration are as follows:

- Compulsory Winding Up
- Creditors' Voluntary Liquidation
- Company Voluntary Arrangement
- Return of control to the Director
- Dissolution of Company (i.e. striking off the Companies House register)

13.2 The Joint Administrators recommend that the Company should move from Administration to Creditors' Voluntary Liquidation, in accordance with the provisions of paragraph 83 of the Act, so that the Liquidators may adjudicate creditors' claims and pay a dividend to the unsecured creditors, if, indeed, funds become available for such creditors

13. ENDING OF ADMINISTRATION (continued)

- 13.3 In the event that there are insufficient realisations to permit a distribution to the Unsecured Creditors, the Joint Administrators recommend that the Company be dissolved once all outstanding matters have been satisfactorily completed by giving notice to the Registrar of Companies, pursuant to paragraph 84 of the Insolvency Act 1986, to the effect that the Company has no further property to realise which might permit a distribution to the Unsecured Creditors at which time the Administration will cease.

14. JOINT ADMINISTRATORS' REMUNERATION

- 14.1 As Administrator, under the provisions of R18.16 of the Rules, 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 are likely to be, incurred in dealing with the Company's affairs, prior to determining the basis upon which my remuneration is to be fixed.
- 13.2 In addition to this, where an Administrator seeks to pass a resolution to agree the basis of his remuneration by reference to the time properly spent by him and his 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.
- 13.3 In this case, I am seeking to agree that my remuneration be based on the time properly spent by us and our staff in dealing with the affairs of the Company. Our fees estimate and details of the work we propose to undertake can be found in Appendices 3 and 3A to this report. Please note that where appropriate, the fees estimate may be to a particular stage of the case only and if we consider the estimate will be exceeded during the Administration, we are obliged to seek further approval for any increase in our remuneration
- 13.4 We will provide updates on the expenses we consider will be, or are likely to be, incurred during this case with my progress reports in due course.
- 13.5 We have now reviewed our time costs both for the period prior to our appointment and for the period in Administration from 25 October 2019 to 16 December 2019. A detailed report of our time costs is attached at Appendix 3.

14. PRE-APPOINTMENT COSTS

As stated in Appendix 4, the Joint Administrators are not seeking authorisation to draw any pre-appointment costs

15. EC REGULATION ON INSOLVENCY PROCEEDINGS

It is considered that the EC regulation applies and that these proceedings are main proceedings as defined in Article 3 of the EC Regulation as the Company was incorporated in England and the centre of main interest of the Company is in England and Wales within the United Kingdom.

16. JOINT ADMINISTRATORS' FORMAL PROPOSALS

The Joint Administrators hereby make the following proposals, in accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986, for the achievement of the purpose of the Administration, and creditors are asked to consider and cast their votes thereon, or put forward any modifications they wish using the voting form sent to them by post:-

- i) The Joint Administrators will continue to manage the Company's affairs in accordance with the statutory purpose until such time as the Administration ceases to have effect.
- iii) A creditors' committee may be formed if a creditors' meeting resolves to do so provided that three or more creditors are willing to serve on it. If the Administration moves to Creditors' Voluntary Liquidation, any creditors' committee, which is in existence immediately before the Company ceases to be in Administration, shall continue in existence after that time as if appointed as a liquidation committee under Section 101. If a committee is formed, the Administrators and the Joint Liquidators (when appointed), will consult with it from time to time on the conduct of the Administration and Liquidation proceedings. Where it is considered appropriate, the committee's sanction will be sought to proposed action instead of convening a meeting of all the creditors.
- iv) Should a creditors' committee be formed and the Joint Administrators consider that an extension beyond an administration's statutory duration of one year would be advantageous, the Joint Administrators will consult with the committee prior to taking the necessary steps. If a creditors' committee is not appointed, the Joint Administrators shall either apply to the Court or seek a Decision of the appropriate classes of creditors for the consent to an extension.
- v) That the basis of the Joint Administrators' fees will be fixed and their Category 2 disbursements will be agreed by the creditors' committee. If no creditors committee is formed, it is proposed that under Rule 18.16 (2)(b) of the Rules, the remuneration of the Joint Administrators shall be fixed by reference to the time given by the Joint Administrators and the various grades of their staff according to their firm's usual charge out rates in attending to matters arising in the Administration, and that the Joint Administrators be authorised to draw category 2 disbursements in accordance with their firm's published tariff and they be entitled to draw sums on account of their remuneration and disbursements as and when funds permit.
- vii) That without prejudice to the provisions of Paragraphs 59 to 72 of Schedule B1 of the Act, the Joint Administrators may carry out all other acts that they consider to be incidental to the proposals above to assist in their achievement of the overriding purpose of the administration.
- vii) The Joint Administrators take whatever other actions they deem appropriate in the interest of creditors. This includes placing the Company into liquidation if it appears that this would be in the best interests of the general body of creditors. In these circumstances, it is proposed that the Joint Administrators shall become the Joint Liquidators and any act required or authorised under any enactment to be done by the Joint Liquidators may be done by either or both persons from time to time holding office. Creditors are advised that, pursuant to Paragraph 83(7)(a) and Rule 3.60(6), they may appoint different persons as the proposed Joint Liquidators, provided the nomination is made after the receipt of these proposals and before these proposals are approved.

16. JOINT ADMINISTRATORS' FORMAL PROPOSALS (continued)

- ix) That the Joint Administrators' liability, in respect of any action of theirs as Joint Administrators, shall be discharged in accordance with Paragraph 98 of Schedule B1, immediately upon the appointment ceasing to have effect.



.....
PAUL APPLETON – JOINT ADMINISTRATOR

DATE: 18 DECEMBER 2019

APPENDIX 1

STATUTORY INFORMATION

Date of incorporation:	21 August 2014																
Registered number:	09184608																
Registered Office:	1st Floor 26 - 28 Bedford Row London WC1R 4HE																
Former Registered Office:	17 Miller Court Severn Drive Tewkesbury Business Park Tewkesbury GL20 8DN																
Trading Address:	17 Miller Court Severn Drive Tewkesbury Business Park Tewkesbury GL20 8DN																
Trading Name:	Cyberscore																
Authorised Share Capital:	71,122 Ordinary Shares of £0.01 each																
Issued Share Capital:	71,122 Ordinary Shares of £0.01 each - fully paid																
Shareholders:	<table><tr><td>Richard Bach</td><td>9,900</td></tr><tr><td>David Carroll</td><td>9,900</td></tr><tr><td>Matthew Blades</td><td>9,900</td></tr><tr><td>Andrew Rees</td><td>9,900</td></tr><tr><td>Graham Wilde</td><td>400</td></tr><tr><td>Jeffrey Thomas</td><td>19,260</td></tr><tr><td>Neil Donovan</td><td>6,892</td></tr><tr><td>Piers Slater</td><td>4,970</td></tr></table>	Richard Bach	9,900	David Carroll	9,900	Matthew Blades	9,900	Andrew Rees	9,900	Graham Wilde	400	Jeffrey Thomas	19,260	Neil Donovan	6,892	Piers Slater	4,970
Richard Bach	9,900																
David Carroll	9,900																
Matthew Blades	9,900																
Andrew Rees	9,900																
Graham Wilde	400																
Jeffrey Thomas	19,260																
Neil Donovan	6,892																
Piers Slater	4,970																
Directors:	Richard Bach David Carroll Matthew Blades Jeffrey Thomas Tarquin Folliss																

APPENDIX 2

RECEIPTS AND PAYMENTS ACCOUNT

XQ Digital Resilience Limited
(In Administration)

Income and Expenditure Account
25 October 2019 to 17 December 2019

INCOME

Total (£)

0.00

EXPENDITURE

0.00

Balance

0.00

MADE UP AS FOLLOWS

0.00

APPENDIX 3

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

JOINT ADMINISTRATORS' ESTIMATE OF THE COSTS FOR THE ADMINISTRATION

Creditors should be aware all Insolvency Practitioners in the UK have to comply with Statutory Regulations and best practice directives issued by the Joint Insolvency Committee and they are monitored by the Office Holders' Regulatory Body. The best practice directives are mostly set out in a series of *Statements of Insolvency Practice*, better known as SIPs and also in the Insolvency Code of Ethics which is detailed at www.icaew.com/membershandbook. You will find copies of all the SIPs on R3's website:

<https://www.r3.org.uk/what-we-do/publications/professional/statements-of-insolvency-practice>

R3 (also known as the Association of Business Recovery Professionals) is the trade body for the UK insolvency profession. You may also like to visit the following site launched by R3 specifically to guide creditors through the insolvency process: <http://www.creditorinsolvencyguide.co.uk>

Proposed Fee Basis

As Joint Administrators, we are seeking to agree the basis of our remuneration in respect of this case on the time properly spent by us and our staff in dealing with the affairs of the Company. I have set out in Appendix 3 our firm's time cost in respect of the work carried out from appointment to 16 December 2019. I attach, at Appendix 3A, estimates of the further work, which we consider will be necessary in the conduct of the Administration. These estimates are provided to creditors in accordance with the requirements set out in Rule 18.16(4) of the Rules. However, please note that the Administrators' actual fees will be charged by reference to time properly spent by the Administrators and their staff in managing the Administration. If the actual time taken is less than the estimates, then only the time actually incurred will be billed and drawn.

In Appendix 3A, I have set out against each task the additional time I estimate to be necessary to complete each particular task properly, analysed by different grades of staff. The estimate is intended to be viewed on a total basis and not on the basis of the individual tasks, which have been provided as a guide only. It is inevitable that provisions for some tasks will be overestimated whilst others will be underestimated and, therefore, the guide should be taken as a whole. In addition, the estimate, together with the time already spent of £79,681, as shown in Appendix 3, is a ceiling that is initially binding on us as Joint Administrators, but we have the right to refer back to creditors in circumstances where we consider that the time cost fees estimate will be exceeded.

If I consider that the current time, plus the estimate, which totals £172,033 plus VAT, is likely to be exceeded, and doing so would result in better prospects of recovery for the creditors, I will seek sanction from creditors for a revised estimate and explain why I perceive there to be a benefit to the creditors of approving any increase in fees.

My firm's general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the task and case. The constitution of the case team will usually consist of a Partner, Manager, Senior Administrator and two Administrators. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and additional staff may be allocated to meet the demands of the case.

My firm's current hourly charge-out rates applicable to this appointment, which are charged in units of 6 minutes exclusive of VAT, are as follows:

	£
Senior / Managing Partners	550
Partners/Office holders	495
Managers / Senior Managers	350 - 395
Senior Administrators	220 - 295
Administrators	160 - 200
Cashiers and Assistants	150 - 295

Charge-out rates are normally reviewed annually in November, when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance.

Explanations of the Estimates

The majority of the tasks listed in Appendix 3 are self-explanatory and I do not therefore propose to elaborate on these. Creditors who require further details should feel free to contact my office. However, creditors may get a better understanding of the work and cost involved if I list out, in broad term, the various tasks, which Administrators are required to complete in order to comply with statutory requirements and Best Practice protocols as set out in Statements of Insolvency Practice ("SIPs") issued by the Joint Insolvency Committee, as follows:-

Administration (including statutory compliance & reporting)

Under insolvency legislation the Administrator must comply with certain statutory compliance requirements which may not bring any direct financial benefit to the creditors of the Company. These tasks, as applicable, consist of:

- Notifying creditors of the Administrator's appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House.
- Opening, maintaining and managing the Administration estate cashbook, bank account(s).
- IPS set-up - Creation and update of case files on the firm's insolvency software which include company information, creditors, debtors and employees details.
- Securing the Company's books and records.
- Complying with statutory duties in respect of the Administrator's specific penalty bond.
- Trading as appropriate.
- Instructing valuers and agents and overseeing the sale of the business.
- Redirection of the Company's mail to the Administrator's office
- Pension regulatory reporting, auto-enrolling whilst trading and auto-enrolment cancellation
- Completion and filing of the notice of the Company's insolvency to HMRC
- Dealing with former 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
- Dealing with all post-appointment VAT and corporation tax compliance
- Liaison with secured creditors, obtaining charge documents and validating the security
- 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 liquidation
- Filing a statutory return to the Department for Business, Energy & Industrial Strategy under the CDDA
- Preparing a paragraph 49 Report and formulating the Joint Administrators' Proposal
- Preparing and issuing half yearly progress reports to members and creditors

- Lodging periodic returns with the Registrar of Companies for the Administration
- Establishing and holding periodic meetings of the Creditors' Committee and associated filing formalities (if a committee is appointed)
- Periodic case progression reviews (typically at the end of Month 1 and every 6 months thereafter). Although these reviews are not a legal requirement, Regulatory Bodies who monitor the work of the Administrator see this task as a best practice requirement with which the Office Holder is required to comply.

Investigations

As Administrators, we are required by the Company Directors Disqualification Act 1986 to review the conduct of the Directors of the Company and transactions entered into prior to the Company's insolvency. The time estimated for this work is the minimum that is considered necessary in order to carry out any meaningful investigation.

SIP2 also requires that I review the Company's financial affairs in order to make an initial assessment 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 information provided by creditors either at the initial meeting or as a response to my request to complete an investigation questionnaire

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

Realisation of assets

The business and assets of the Company are likely to be sold imminently. The sales consideration is expected to be payable over a period of a number of months, and we will be monitoring receipts of the payments.

The Joint Administrators will seek to realise all of the Company's assets that were excluded from the sale, such as the outstanding debtor ledger balances

Creditors (claims and distributions)

The Administrators have been dealing with all Preferential and Unsecured Creditors' correspondence and claims as received, including any claims of creditors under retention of title.

The Company has 65 employees and the Administrators are dealing with queries from the employees and in respect of arrears of wages, accrued holiday pay, notice and, where appropriate redundancy pay.

Based on current information, it appears unlikely that there will be a dividend payable to unsecured creditors. Accordingly, I have provided an estimate for dealing with creditors queries and acknowledging creditors' claims only.

EXPENSES AND DISBURSEMENTS

Direct expenses (“Category 1 disbursements”)

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case, will be charged to the estate at cost, with no uplift. These include, but are not limited to, such items as case advertising, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case.

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

Expense	Provider	Basis of fee arrangement	Cost to date
Agent’s costs in dealing with property/chattel asset sales	Peter Davies & Sons	Time costs	Nil
Solicitor’s costs in dealing with sale of property/ antecedent transactions	Teacher Stern	Time costs	Nil
Statutory advertising	Courts Advertising	At cost	Nil
Administrator’s bond	AXA Insurance UK plc	At cost	Nil

Indirect expenses (“Category 2 disbursements”)

It is our normal practice to also charge the following indirect disbursements (“Category 2 disbursements” as defined by SIP 9) to the case, where appropriate:

Headed paper	25p per sheet
Photocopying	6p per sheet
Envelopes	25p each
Postage	Actual cost
Meeting room facility	£150

Storage and Archiving Charges

We use a commercial archiving company for storage facilities for companies’ records and papers. This is recharged to the estate at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of maintaining the archiving database and retrieval of documents. We also use our own personnel and vehicle for collection of books and records for which we charge £60 per hour.

Travel

Mileage incurred as a result of any necessary travelling is charged to the estate at HM Revenue & Customs approved rate, currently 45p per mile.

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

JOINT ADMINISTRATORS' TIME COSTS							
FOR THE PERIOD 25 OCTOBER 2019 TO 16 DECEMBER 2019							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
Statutory compliance, admin and planning							
IPS set up & maintenance	00:00	00:00	04:06	00:00	04:06	492.00	120.00
Statutory filings, circulars, notices, etc	01:00	04:00	25:42	00:00	30:42	6,221.50	202.65
Case planning, strategy & control	01:00	08:12	13:30	00:00	22:42	6,026.00	265.46
Accounting & Cashiering	00:00	00:00	00:12	00:12	00:24	103.00	257.50
Case reviews & Diary maintenance	00:00	00:00	00:18	00:00	00:18	53.50	178.33
Statutory reporting and compliance	00:00	14:00	05:24	00:00	19:24	6,914.00	356.39
Investigations							
CDDA preparation & reporting	00:00	02:06	00:00	00:00	02:06	829.50	395.00
SIP2 assessment and financial review	01:00	00:00	03:48	00:00	04:48	1,671.00	348.13
Realisation of assets							
Intangible assets	00:00	04:00	00:12	00:00	04:12	1,639.00	390.24
Book debts collection	00:00	00:00	00:24	00:00	00:24	59.00	147.50
Tangible assets	34:30	28:00	05:30	00:00	68:00	31,465.00	462.72
Creditors							
Unsec'd Creditors correspondence & claims	10:00	05:48	12:42	00:00	28:30	11,369.00	398.91
Preferential creditors & employees	09:30	05:30	30:42	00:00	45:42	12,838.50	280.93
Total hours and costs	57:00	71:36	102:30	00:12	231:18	79,681.00	344.49

The above headings include *inter alia*:

Administration and Planning

case planning
appointment notification
maintenance of records
statutory reporting and compliance
tax and VAT

Realisation of Assets

identifying and securing assets
debt collection
property, business and asset sales

Investigations

SIP2 review
reports pursuant to Company Directors Disqualification Act 1986
investigating antecedent transactions

Creditors

communications with creditors
creditors claims (including secured creditors, employees and preferential creditors)

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

JOINT ADMINISTRATORS' ESTIMATE OF TIME COSTS							
FOR THE PERIOD 17 DECEMBER 2019 TO CLOSURE							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
Statutory compliance, admin and planning							
IPS set up & maintenance	00:00	00:30	04:00	00:00	04:30	797.50	177.22
Statutory filings, circulars, notices, etc.	02:00	16:00	20:00	00:00	38:00	12,420.00	326.84
Case planning, strategy & control	01:00	00:00	00:00	00:00	01:00	550.00	550.00
Taxation: PAYE, C/Tax & VAT	02:00	05:00	15:00	00:00	22:00	5,925.00	269.32
Accounting & Cashiering	02:00	05:00	04:00	07:00	18:00	4,845.00	269.17
Case reviews & Diary maintenance	05:00	05:00	20:00	00:00	30:00	8,725.00	290.83
Statutory reporting and compliance	05:00	20:00	15:00	00:00	40:00	13,650.00	341.25
Investigations							
CDDA preparation & reporting	01:00	05:00	02:00	00:00	08:00	3,025.00	378.13
SIP2 assessment and financial review	05:00	05:00	20:00	00:00	30:00	9,725.00	324.17
Realisation of assets							
Intangible assets	05:00	10:00	10:00	00:00	25:00	8,700.00	348.00
Tangible assets	00:00	05:00	10:00	00:00	15:00	3,975.00	265.00
Book debts collection	05:00	10:00	20:00	00:00	35:00	11,700.00	334.29
Creditors & distributions							
Unsec'd Creditors: correspondence & claims	00:00	02:00	05:00	00:00	07:00	2,040.00	291.43
Preferential creditors & employees	01:00	05:00	15:00	00:00	21:00	6,275.00	298.81
Total hours and costs	34:00	93:30	160:00	07:00	294:30	92,352.50	313.59

APPENDIX 4

JOINT ADMINISTRATORS' TIME COSTS AND EXPENSES

PRE-APPOINTMENT COSTS

The Joint Administrators are not seeking the approval to discharge any unpaid pre appointment costs from the Administration Estate.

POST-APPOINTMENT COSTS

The time costs we have incurred from the date of our appointment to 16 December 2019 amount to £79,681 plus VAT for a total of 231 hours. This represents an average hourly charge out rate of £344 per hour. We have not drawn any fees on account and this entire sum is outstanding. An analysis of the time spent is also provided at Appendix 3.

Case overview

This Administration has required a substantial amount of time to be spent on the attempts that have been made, thus far, to finalise a sale of the business assets, as well as dealing with the claims of the Company's former employees, consisting of 65 full time members of staff.

Issues affecting costs

The eventual and successful sale of assets will only be achieved after intense periods of negotiations with interested parties and the eventual purchaser.

As such, a high level of Partner and Senior Manager involvement will, undoubtedly, be required with this part of the assignment.

The volume of former employees has, and will continue, to result in a substantial level of enquiries directed at this office from the Redundancy Payments Service and the employees themselves.

To view an explanatory note concerning Administrators' remuneration approved by the Joint Insolvency Committee, please visit the Publications folder on our website www.drpartners.com/cases, using the following log-on details:

USERNAME: X711@drco.co.uk

PASSWORD: 117Xgm*!

Alternatively, please contact this office to arrange for a copy to be sent to you.

Provision of further information

Within 21 days of receipt of this progress report, creditors may request the Administrators to provide further information about the remuneration and expenses (other than pre-administration costs) set out in the report. Further details are set out at paragraph 9.2 and 9.3 of the Creditors' Guide to Administrators' Fees by following the URL link provided above.

APPENDIX 5

STATEMENT OF AFFAIRS AND LIST OF CREDITORS

STATEMENT OF AFFAIRS

Name of Company
XQ Digital Resilience Limited

Company Number
09184608

In the
High Court of Justice, Companies Court

Court case number
CR-007152-2019

Statement as to the affairs of

XQ Digital Resilience Limited

1st Floor

26 - 28 Bedford Row

London

WC1R 4HE

on the 25 October 2019, the date that the company entered administration.

Statement of Truth

I believe the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named company as at 25 October 2019 the date that the company entered administration.

Full Name _____

Signed _____

Dated _____

XQ Digital Resilience Limited
Statement Of Affairs as at 25 October 2019

A - Summary of Assets

Assets	Book Value £	Estimated to Realise £
Assets subject to fixed charge:		
Assets subject to floating charge:		
Uncharged assets:		
Computer Equipment	65,810.00	25,000.00
Fixtures & Fittings (Count=0)	25,114.00	5,000.00
Domain Names	2,714.00	2,000.00
Book Debts	45,234.00	30,000.00
Website	11,915.00	Uncertain
Intellectual Property / Goodwill	645,599.00	200,000.00
VAT Refund	26,885.00	NIL
Cash at Bank	42,374.00	42,374.00
Rent Deposit	42,700.00	NIL
Directors' Loan Accounts	49,094.00	Uncertain
Other Debtors	16,401.00	Uncertain
Prepayments & Accrued Income	87,523.00	NIL
Estimated total assets available for preferential creditors		304,374.00

Signature _____ Date _____

XQ Digital Resilience Limited
Statement Of Affairs as at 25 October 2019

A1 - Summary of Liabilities

	Estimated to Realise £
Estimated total assets available for preferential creditors (Carried from Page A)	304,374.00
Liabilities	
Preferential Creditors:-	
Arrears of Wages & Accrued Holiday Pay	Uncertain
Employee Arrears/Hol Pay	Uncertain
	NIL
Estimated deficiency/surplus as regards preferential creditors	304,374.00
Debts secured by floating charges pre 15 September 2003	
Other Pre 15 September 2003 Floating Charge Creditors	NIL
	304,374.00
Estimated prescribed part of net property where applicable (to carry forward)	NIL
Estimated total assets available for floating charge holders	304,374.00
Debts secured by floating charges post 14 September 2003	
	NIL
Estimated deficiency/surplus of assets after floating charges	304,374.00
Estimated prescribed part of net property where applicable (brought down)	NIL
Total assets available to unsecured creditors	304,374.00
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	
Trade & Expense	501,068.00
Redundancy & Notice Pay	Uncertain
Directors' Loans	17,600.00
Investor Loan - Jeff Thomas	2,382,254.00
HM Revenue & Customs - PAYE	568,551.00
Pension Contributions	8,954.00
Finance	13,661.00
Landlord	Uncertain
Deferred Income & Accruals	79,954.00
	3,572,042.00
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F.C's post 14 September 2003)	(3,267,668.00)
Estimated deficiency/surplus as regards creditors	(3,267,668.00)
Issued and called up capital	
Share Premium	2,638,794.00
Ordinary Shareholders	711.00
	2,639,505.00
Estimated total deficiency/surplus as regards members	(5,907,173.00)

Signature _____ Date _____

XQ Digital Resilience Limited

B - Company Creditors

Key	Name	£
CA00	Amazon	890.14
CA01	APM Fire & Security	5,193.91
CB00	Beechleigh Promotions Limited	270.00
CB02	Big Green	507.20
CC00	Candidate Vetting	4,225.00
CC01	CCS Media	10,912.20
CC02	Certes Computing Ltd	26,220.00
CC03	Cloudshift Group	2,400.96
CC04	Confection Affection	5,953.87
CC07	Cotteswold Dairy	53.94
CC08	Cybsafe	358.56
CD00	Digital Jersey	441.00
CE00	Exacta Technologies	274.74
CE01	Exercise3	5,159.40
CF01	Forrest Brown	24,131.52
CF02	Focus	5,813.48
CH00	Hartham Park Investment Ltd	42,000.00
CH01	Homeworkers	608.21
CH02	HM Revenue & Customs	473,649.00
CH03	HKW Risk Management	1,468.44
CI00	@its (search & selection) Limited	24,720.00
CI01	Information Risk Management	2,040.00
CL00	Logmeln	8,429.26
CL01	Lead Forensics	190.80
CL02	London & Scottish Property Asset Mgmt	26,337.00
CM02	Muckle LLP	14,115.00
CM03	MDS Technologies Ltd	5,832.92
CN02	Notepad Studio	11,850.72
CN04	J P Noble	12,318.00
CN05	National Cyber Security Centre	10,038.00
CN06	Netsells Ltd	95,800.00
CP00	Penelope	73.80

Signature _____

XQ Digital Resilience Limited
B - Company Creditors

Key	Name	Address	£
CP02	Purple Lime Accountancy Ltd		10,516.96
CP03	PHK Services		1,649.00
CQ00	QG Business Solutions		480.00
CR00	Roberts Express		300.00
CS01	Scottish Power		2,192.55
CS03	Sofomo		36,479.17
CS04	Salesforce		9,595.00
CS05	Sequitur		7,500.00
CS06	Smiths (Gloucester)		96.90
CS07	Softcat		1,200.00
CT00	Tait Walker LLP		5,646.00
CT03	Thames 360		32,600.00
CT04	The Kiln Coworking CIC		400.00
CT05	The Point Company International		5,400.00
CT07	Jeff Thomas		2,382,254.00
CT08	Tian Digital Security		15,086.51
CT09	Tewkesbury Printing Company		263.00
CU00	UK Cloud Ltd		13,425.66
CV00	Vysilion Ltd		9,804.00
CW00	Whitehall Printing Company		288.00
CZ00	Zen Internet Ltd		98.40

53 Entries Totalling 3,357,552.22

Signature _____

XQ Digital Resilience Limited

C - Shareholders

Key	Name	Type	Nominal Value	No. Of Shares	Called Up per share	Total Amt. Called Up
HB00	Richard Mark Bach	Ordinary	0.01	9,900	0.01	99.00
HB01	Matthew Paul Blades	Ordinary	0.01	9,900	0.01	99.00
HC00	David James Carroll	Ordinary	0.01	9,900	0.01	99.00
HD00	Neil Donovan	Ordinary	0.01	6,892	0.01	68.92
HR00	Andrew Rees	Ordinary	0.01	9,900	0.01	99.00
HS00	Piers Slater	Ordinary	0.01	6,095	0.01	60.95
HT00	Jeffrey Paul Thomas	Ordinary	0.01	18,135	0.01	181.35
HW00	Graham Wilde	Ordinary	0.01	400	0.01	4.00
8 Ordinary Entries Totalling						71,122

Signature _____