

AM10

Notice of administrator's progress report



Companies House

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15/05/2020

#335

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 WC1R 4HE
Country

4 Administrator's name ①

Full forename(s) Paul
Surname Cooper

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


5 Administrator's address ②

Building name/number 1st Floor
Street
Post town 26 - 28 Bedford Row
County/Region London
Postcode WC1R 4HE
Country

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

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Notice of administrator's progress report

6	Period of progress report											
From date	^d	^d	^m	^m	^y	^y	^y	^y				
	2	5	1	0	2	0	1	9				
To date	^d	^d	^m	^m	^y	^y	^y	^y				
	2	4	0	4	2	0	2	0				
7	Progress report											
<input checked="" type="checkbox"/> I attach a copy of the progress report												
8	Sign and date											
Administrator's signature	Signature 											
Signature date	^d	^d	^m	^m	^y	^y	^y	^y				
	1	5	0	5	2	0	2	0				

AM10

Notice of administrator's progress report



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 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 OF 2019

IN THE MATTER OF

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

AND

THE INSOLVENCY ACT 1986

THE JOINT ADMINISTRATORS' FIRST PROGRESS REPORT

PURSUANT TO

PART 18 OF THE INSOLVENCY (ENGLAND AND WALES) RULES 2016

FOR THE PERIOD 25 OCTOBER 2019 TO 24 APRIL 2020

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XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

Sixth Months Progress Report pursuant to part 18 of the Insolvency (England and Wales) Rules 2016

(a) Introduction

I refer to the appointment of Paul Cooper and myself as Joint Administrators of XQ Digital Resilience Limited on 25 October 2019, pursuant to an appointment made by the Directors and filed at the High Court of Justice, Chancery Division. As the first six month anniversary has recently passed, I am pleased to provide creditors with my first Progress Report, as required by Rule 18.2 of the Insolvency (England and Wales) Rules 2016. This Report should be read in conjunction with our earlier report to creditors, which outlined our Proposals for the Administration.

Rule 18.3: Progress Report

(b) Statutory Information

- | | |
|---------------------------|--|
| (i) Court: | High Court of Justice, Chancery Division, Companies Court |
| Reference Number: | CR-007152-2019 of 2019 |
| (ii) Company Name: | XQ Digital Resilience Limited |
| Company Number: | 09184608 |
| Registered Office: | 1st Floor, 26 - 28 Bedford Row, London, WC1R 4HE |
| Trading Address: | 17 Miller Court Severn Drive
Tewkesbury Business Park
Tewkesbury
GL20 8DN |

(c) Joint Administrators' Names and Address:

Paul Appleton and Paul Cooper, both of David Rubin & Partners, 26-28 Bedford Row, London, WC1R 4HE, were appointed Joint Administrators of the Company on 25 October 2019. This appointment was made by the the Directors of the Company, pursuant to paragraph 22 of Schedule B1 to the Insolvency Act 1986.

The Joint Administrators act jointly and severally in the exercise of any and all functions exercisable by an administrator appointed, pursuant to the provisions of Schedule B1 of the Insolvency Act 1986.

(d) Any changes in the Office Holder

We were appointed Joint Administrators of the Company on 25 October 2019. There has not been a change in the Office Holder since the original appointment date or an extension to the initial period of appointment.

(e) Details of progress during the period and summary account of Receipts and Payments under review and cumulatively:

Creditors will recall that when I last updated them a sale of the business and assets had been agreed and I was awaiting engrossment of the Sale Agreement and associated documents.

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

Sixth Months Progress Report pursuant to part 18 of the Insolvency (England and Wales) Rules 2016

(e) Details of progress during the period and summary account of Receipts and Payments under review and cumulatively (continued):

Unfortunately, after a considerable amount of time and effort had been expended in attempting to finalise that deal, the sale fell through for reasons only known to the preferred bidder.

As a result, the Joint Administrators, and their professional advisors, were forced into re-marketing the business and assets, and made fresh contact with those parties, who had been involved in the initial bid process, together with some additional parties, who had expressed interest independently.

The re-marketing proved a great success, with a new preferred bidder being identified, and a greatly improved offer being made, which was subsequently accepted. I am pleased to report that a sale of the Company's business and assets was finally completed on 13 February 2020. The sale was to an unconnected third party entity, and the sale consideration was £300,000.

Since finalisation of the sale process, the Joint Administrators have focused their attention on the other statutory tasks required of them, such as conducting investigations into the affairs of the Company, in addition to the conduct of the Directors.

Once these matters have been completed, it is the intention of the Joint Administrators to convert the Administration to Liquidation, in accordance with the approved Proposals, at which time consideration can be given to effecting distributions to the Company's Preferential and Unsecured Creditors.

Attached, at Appendix C, is a time analysis outlining the time spent by the Administrators and their staff during the Period. My fee estimate was originally provided to creditors when the basis of my remuneration was approved and was based on information available to me at that time. More details explaining the work undertaken by the Joint Administrators in the period are set out in Appendix A.

A receipts and payments account is attached, at Appendix B, which is further explained below.

1. Receipts

1.1 Cash at Bank

The Company operated its banking facilities with HSBC Bank plc ("HSBC"). Shortly after my appointment, I wrote to HSBC advising it of the Company's Administration, and requested that all accounts in the Company's name be frozen. I also requested that the balance held in all accounts be transferred to the Administration estate account.

On 21 January 2020, amounts totalling £46,501 were received from HSBC, together with closing statements and other information requested. It became apparent that certain of the Company's book debts had been credited to the bank accounts in the weeks between my initial letter to HSBC and its closure of the account. As such, the amount of £33,240 has been attributed to book debts on my Receipts and Payments Account, which now reflects the correct position in respect of cash at bank also, in the sum of £13,261.

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

Sixth Months Progress Report pursuant to part 18 of the Insolvency (England and Wales) Rules 2016

(e) Details of progress during the period and summary account of Receipts and Payments under review and cumulatively (continued):

1.2 Book Debts

In addition to the amounts totalling £33,240 mentioned in 1.1 above, additional debtor recoveries have been made totalling £7,560. The total amount recovered from the Company's Sales Ledger debtor is, therefore, £40,800.

I am continuing to chase the two remaining debtors with outstanding invoices totalling £24,144, but at this time, it is not known whether these will be realised, or not.

1.3 Intellectual Property/Goodwill

As outlined in (e) above, the Company's business and assets was marketed and a sale of its intellectual property and goodwill was completed on 13 February 2020. The breakdown of the values achieved for those assets is as follows:

Intellectual Property	£1
Goodwill/Database	£299,999

The sale did not include the Company's office furniture and equipment, which are currently being offered for sale by my Agents, but any likely realisation in this respect is expected to be minimal.

2. Payments

2.1 Statutory Advertising

This represents the costs for the publishing of statutory advertising in the London Gazette in respect of the Joint Administrators' appointment.

2.2 Legal Fees

The amount of £10,085 was paid to Teacher Stern LLP ("TSL") in respect of services it provided during the sale process, including liaising with the original preferred bidder's Solicitors, preparing a draft sale contract, in addition to the services for the eventual sale to the purchaser. There are no amounts outstanding to TSL.

TSL has specialist Commercial and Insolvency Departments and it was chosen on that basis after taking into account the size and complexity of the legal issues. TSL charge their fees on a time costs basis and it has provided me with an analysis of the time it has spent.

2.3 Expenses incurred but, as yet, unpaid

In accordance with Rule 18.4(d) of the Insolvency (England and Wales) Rules 2016, I am required to provide a summary of the expenses that have been incurred during the course of the Administration, but have yet to be paid. These are as follows:

Specific Bond	£189
Storage & Archiving	£65

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

Sixth Months Progress Report pursuant to part 18 of the Insolvency (England and Wales) Rules 2016

(f) Joint Administrators' Remuneration and Expenses

- i) The Joint Administrators' remuneration is fixed by reference to time spent in attending to matters arising in the Administration. A statement of remuneration charged and description of work undertaken are provided at Appendix 1.
- ii) Expenses incurred in the Administration are explained at (e) above in my comments on the Receipts and Payments Accounts

(g) Creditors and Distributions

(i) (a) Secured Creditors

There are no Secured Creditors.

(b) Prescribed Part

Section 176A of the Insolvency Act 1986 provides for a prescribed part of the Company's net property to be retained from distribution to the floating charge holder, where the debenture was created on or after 15 September 2003 and made available for the satisfaction of unsecured debts.

This regulation does not apply as there are no Secured Creditors.

(ii) Preferential Creditors

I have received a preferential claim from the Redundancy Payments Office in respect of the payments advanced to former employees of the Company in the amount of £60,764. There are also likely to be preferential claims from certain employees, who are owed the balance of their holiday pay. These claims will be calculated shortly, but they are expected to be substantial.

Notwithstanding the eventual level of these claims, the Preferential Creditors are expected to receive a substantial distribution, but it is not currently known whether they will be discharged in full.

(iii) Unsecured Creditors

The claims of the Unsecured Creditors have been noted when received.

The Joint Administrators will only know what, if any, funds are likely to be made available to the Unsecured Creditors after the level of the Preferential Creditors has finally been determined. Notwithstanding this, the Joint Administrators have been requesting that creditors submit their claims so that they can be established, in principle, for subsequent adjudication by any Liquidators. As at the date of this report, the claims of 40 creditors, with a total value of £1,063,081, have been received. The claims of a further 96 creditors, with an estimated total value in excess of £2m, have yet to be received.

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

Sixth Months Progress Report pursuant to part 18 of the Insolvency (England and Wales) Rules 2016

(h) Details of what remains to be done

As Joint Administrator, I am required to conduct a certain amount of investigatory work, both in relation to the Company's trading affairs, and to the conduct of the Directors, as outlined more in (i) below. This work is continuing and is likely to continue when the Administration moves to Liquidation.

(i) Other information of relevance to Creditors:

Investigations

Some of the work the Administrator is required to undertake is to comply with legislation such as the Company Directors' Disqualification Act 1986 (CDDA 1986) and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent Liquidations, and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Administrator can pursue for the benefit of creditors.

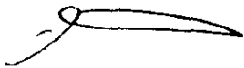
In accordance with the Company Directors Disqualification Act 1986, I have submitted a report on the conduct of the Directors of the Company to the Department for Business, Energy & Industrial Strategy (BEIS). As this is a confidential report, we are not able to disclose the contents.

Shortly after our appointment, we made 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. My examinations, thus far, have not revealed any issues requiring further investigation. However, as mentioned in (h) above, these investigations have not yet been finalised.

(j) Next Report

We are required to provide a Progress Report within one month of the end of the next six months of the Administration, or earlier, if the Administration has been finalised.

I trust you will find this report adequate for your purposes, but should you require any further information, please do not hesitate to contact my Senior Manager, Glyn Middleton, or one of the members of his Team, at gm-team@drpartners.com



PAUL APPLETON – JOINT ADMINISTRATOR

DATE: 15 MAY 2020

APPENDIX A

JOINT ADMINISTRATORS' REMUNERATION AND EXPENSES

1. Joint Administrators' Remuneration

I have now reviewed my firm's time costs, and would advise that from the date of appointment to 24 April 2020, the total time costs amount to £137,230 for 361 hours, which equates to an average cost of £379 per hour. A breakdown of these time charges is set out in Appendix C.

To date, £65,000 has been drawn on account of these time costs.

1.1 *Staff allocation and the use of Subcontractors*

My general approach to resourcing my assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The constitution of the case team will usually consist of a Partner, 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.

I have not utilised the services of any subcontractors in this case.

1.2 *Basis of Joint Administrators' Remuneration*

An Administrator is not only required to deal with correspondence and claims from Unsecured Creditors (which may include retention of title claims), but also those of any Secured and Preferential Creditors of the Company. This may involve separate reporting to any Secured Creditor and dealing with distributions from asset realisations caught under their security, most typically a debenture.

Claims from Preferential Creditors typically involve employee claims and payments made on behalf of the Company by the Redundancy Payments Service following dismissal.

The above work will not necessarily bring any financial benefit to creditors generally. However, an Administrator is required by statute to undertake this work. Similarly, if a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Administrator in dealing with those claims.

Creditors may recall from the contents of the Joint Administrators' Proposals that a resolution was passed to fix the Joint Administrators' remuneration 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. Further, the Joint Administrators were authorised to draw category 2 disbursements and be entitled to draw sums on account of their remuneration and disbursements as and when funds permit.

In accordance with these resolutions, the Joint Administrators have drawn fees totalling £65,000 plus VAT and I would confirm that our fee estimate for the Administration remains unchanged.

2. Chargeout Rates

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.

3. Case Overview

The work undertaken during the period of my appointment in this matter has been outlined previously, and also in this Progress Report.

Notwithstanding this, I have scheduled in (4) below the main tasks undertaken in this matter, to date.

4. Other Issues affecting Costs

The eventual and successful sale of assets was only achieved after intense periods of negotiations with interested parties and the eventual purchaser. Due to the crucial nature of these negotiations, a high level of Partner and Senior Manager involvement was required with this part of the assignment. The Company was also subject to an aborted sale, when the original preferred bidder became unable to perform. The associated costs of sale are, as a result, higher than they would have ordinarily been.

Work undertaken, to date, is as follows:

- Extensive discussions with Solicitors and Agents in connection with the marketing and eventual sale of the Company's business and assets, including negotiating the terms of the sale and finalising the Sale and Purchase Agreement.
- Dealing with creditors' claims to retention of title and, where appropriate, obtaining legal advice on matters in this regard.
- Preparation and circulation of notice of appointment and subsequent the proposals to creditors pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986.
- Dealing with the claims of 63 former employees, liaising with the Redundancy Payments Office, and providing information sufficient to enable employees to claim against the Redundancy Fund for arrears of wages, accrued holiday pay, notice pay, and, where appropriate, redundancy pay.

- Obtaining and acknowledging the claims of Unsecured Creditors, and dealing with any correspondence therein, including employee claims and correspondence with the Redundancy Payments Service.
- Arranging the Insolvency Practitioner's bond and submission of the bordereau as required by section 390 of the Insolvency Act 1986.
- Correspondence with HM Revenue and Customs both as regards PAYE/NIC and VAT. Preparing the relevant VAT returns for the claiming of VAT inputs.
- Assisting the Directors with their preparation of the Directors' estimated Statement of Affairs as at the date of Administration.
- Preparation and submission of the Joint Administrators' Report on the conduct of the directors pursuant to the requirements of the Company Directors Disqualification Act 1986.

To view an explanatory note concerning Administrators' remuneration issued 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.

5. Creditors' Rights

Within 21 days of the receipt of this report, in accordance with Rule 18.9, a Secured Creditor, or an Unsecured Creditor (with the concurrence of at least 5% in value of the unsecured creditors), may request, in writing that the Administrator provide further information about his remuneration or expenses (other than pre-administration costs), which have been itemised in this progress report.

Under Rule 18.34, any Secured Creditor, or an Unsecured Creditor (with the concurrence of at least 10% in value of the unsecured creditors), may, within 8 weeks of receipt of this progress report, make an application to Court on the grounds that, in all the circumstances, the basis fixed for the Administrator's remuneration is inappropriate, and/or the remuneration charged or the expenses incurred by the Administrator, as set out in this progress report, are excessive.

6. Policy as regards 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.

Indirect Expenses (“Category 2 Disbursements”)

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

Postage and stationery: circulars to creditors

Headed paper	25p per sheet	Envelopes	25p each
Photocopying	6p per sheet	Postage	Actual cost

Meeting Costs: Use of Meeting Room is charged at £150 per session

Storage and Archiving

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 £65 per hour

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

APPENDIX B

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

FROM 25 OCTOBER 2019 TO 24 APRIL 2020

	<u>Realised</u> <u>to-date</u> £	<u>P/E</u> <u>24-Apr-20</u> £
<u>Receipts</u>		
Cash at Bank	13,261.70	13,261.70
Book Debts	40,800.00	40,800.00
Intellectual Property/Goodwill	300,000.00	300,000.00
	<u>354,061.70</u>	<u>354,061.70</u>
<u>Payments</u>		
Joint Administrators' Remuneration	65,000.00	65,000.00
Statutory Advertising	87.48	87.48
Legal Fees	10,085.00	10,085.00
	<u>75,172.48</u>	<u>75,172.48</u>
Receipts less Payments	<u><u>278,889.22</u></u>	<u><u>278,889.22</u></u>
Represented by:-		
Balance at Bank		323,854.72
VAT Recoverable		15,034.50
VAT Payable		<u>(60,000.00)</u>
		<u><u>278,889.22</u></u>

XQ DIGITAL RESILIENCE LIMITED - IN ADMINISTRATION

JOINT ADMINISTRATORS' TIME COSTS FOR THE PERIOD 25 OCTOBER TO 24 APRIL 2020 SIP 9 TIME SUMMARY							
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	02:30	25:42	00:00	29:12	5,629.00	192.77
Case planning, strategy & control	00:00	15:06	10:12	00:00	25:18	7,775.50	307.33
Accounting & Cashiering	00:00	00:00	01:12	02:54	04:06	985.00	240.24
Case reviews & Diary maintenance	00:00	02:00	03:18	00:00	05:18	1,335.50	251.98
Statutory reporting and compliance	03:00	17:18	09:06	00:00	29:24	10,607.50	360.80
Investigations							
CDDA preparation & reporting	02:00	08:18	00:00	00:00	10:18	4,378.50	425.10
Realisation of assets							
Tangible assets	66:00	46:12	17:36	00:00	129:48	58,877.50	453.60
Creditors							
Secured creditors	00:00	00:00	00:06	00:00	00:06	29.50	295.00
Unsec'd Creditors: correspondence & claims	26:00	07:06	17:24	00:00	50:30	23,570.00	466.73
Trading	01:00	00:00	00:24	00:00	01:24	668.00	477.14
Total hours and costs	112:30	117:24	128:48	02:54	361:36	137,230.00	379.51