

AM06

Notice of approval of administrator's proposals



Companies House

TUESDAY



A12 *A911BBYY* #180
17/03/2020
COMPANIES HOUSE

please
house

1 Company details

Company number 1 0 6 9 3 6 8 3

Company name in full Collateralthought Limited

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

2 Court details

Court name High Court of Justice, Business & Property Courts of Manchester

Insolvency & Companies List (ChD)

Court case number C R 2 0 1 9 M A N 0 0 1 2 7 6

3 Administrator's name

Full forename(s) Alan Brian

Surname Coleman

4 Administrator's address

Building name/number The Copper Room

Street Deva Centre

Trinity Way

Post town Manchester

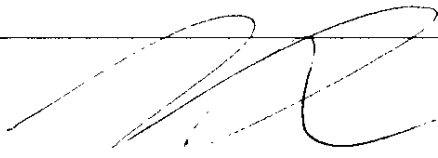
County/Region

Postcode M 3 7 B G

Country

AM06

Notice of approval of administrator's proposals

5	Administrator's name ①		
Full forename(s)	James		① Other administrator Use this section to tell us about another administrator.
Surname	Fish		
6	Administrator's address ②		
Building name/number	The Copper Room		② Other administrator Use this section to tell us about another administrator.
Street	Deva Centre		
	Trinity Way		
Post town	Manchester		
County/Region			
Postcode	M 3 7 B G		
Country			
7	Date administrator(s) appointed		
Date	<div> <div>d</div> <div>0</div> <div>d</div> <div>3</div> <div>m</div> <div>1</div> <div>m</div> <div>2</div> <div>y</div> <div>2</div> <div>y</div> <div>0</div> <div>y</div> <div>1</div> <div>y</div> <div>9</div> </div>		
8	Date statement of proposals delivered to creditors		
Date	<div> <div>d</div> <div>1</div> <div>d</div> <div>0</div> <div>m</div> <div>1</div> <div>m</div> <div>2</div> <div>y</div> <div>2</div> <div>y</div> <div>0</div> <div>y</div> <div>1</div> <div>y</div> <div>9</div> </div>		
9	Date proposals were deemed to be approved		
Date	<div> <div>d</div> <div>1</div> <div>d</div> <div>2</div> <div>m</div> <div>1</div> <div>m</div> <div>2</div> <div>y</div> <div>2</div> <div>y</div> <div>0</div> <div>y</div> <div>1</div> <div>y</div> <div>9</div> </div>		
10	Sign and date		
Administrator's signature	<div> <div>Signature</div> <div>X</div> <div></div> <div>X</div> </div>		
Signature date	<div> <div>d</div> <div>1</div> <div>d</div> <div>6</div> <div>m</div> <div>1</div> <div>m</div> <div>2</div> <div>y</div> <div>2</div> <div>y</div> <div>0</div> <div>y</div> <div>1</div> <div>y</div> <div>9</div> </div>		

AM06

Notice of approval 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	John Fitzgerald
Company name	Royce Peeling Green Limited
Address	The Copper Room
	Deva Centre
	Trinity Way
Post town	Manchester
County/Region	
Postcode	M 3 7 B G
Country	United Kingdom
DX	
Telephone	0161 608 0000



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 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

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

**Collateralthought Limited
In Administration**

9 December 2019

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

CONTENTS

- 1** Introduction and Background
- 2** Administration Strategy and Objective
- 3** Joint Administrators Receipts and Payments
- 4** Financial Position
- 5** Proposals
- 6** Exit Routes
- 7** Pre-administration Costs
- 8** Joint Administrators Remuneration
- 9** Estimated Outcome
- 10** Proposals approval and next report

APPENDICES

- A** Statutory Information
- B** Receipts and Payments Account for the Period from 3 December 2019 to 9 December 2019
- C** Summary of the Estimated Financial Position of the Company as at 9 December 2019
- D** Pre-appointment Time Analysis
- E** *Additional Information in Relation to the Administrators' Fees*
- F** Joint Administrators' Statement on Pre-Packaged Sale

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

1 Introduction and Background

- 1.1 Collateralthought Limited ("**the Company**") is a wholly owned subsidiary of Potting Shed Trading Limited (company registration number 09357235) and is part of a group ("**Potting Shed Group**"). The Company owned a freehold public house situated in Halifax (The Potting Shed Halifax and The Firepit Halifax), the business of which was traded by Potting Shed Trading Limited.
- 1.2 Certain companies within the Potting Shed Group were placed into Administration on 3 December 2019, immediately following which the trading business and assets were sold to Gencomp (No.7) Limited, company registration 12299721 ("**the Purchaser**").
- 1.3 Further information regarding this sale can be found within the Joint Administrators Statement on the pre-packaged sale, attached at Appendix F.
- 1.4 Alan Brian Coleman and James Fish of RPG, The Copper Room, Deva Centre, Trinity Way, Manchester, M3 7BG were appointed Joint Administrators of the Company by Downing LLP on 3 December 2019, under their qualifying floating charge. Alan Brian Coleman and James Fish are licensed to act as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales.
- 1.5 For the purposes of paragraph 100(2) of Schedule B1 the Administrators may exercise any of the powers conferred on them by the IA 1986 jointly or individually.
- 1.6 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.
- 1.7 This report incorporates the Administrators' statement of proposals made under paragraph 49 of Schedule B1, which will be treated as delivered to creditors on 12 December 2019.
- 1.8 This firm's Privacy Notice about the way that we will use, and store personal data can be found at <https://www.rpg.co.uk/insolvency/privacy.pdf>. If you are unable to download this, please contact us and a hard copy will be provided to you.

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 In this case, the Administrators have pursued the second objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up rather than being placed into Administration first. We feel that this has been achieved due to the realisations achieved which have maximised returns to secured creditor and enhanced the Prescribed Part available for unsecured creditors.
- 2.3 It should be noted that it was not possible to achieve the primary objective of rescuing the Company as a going concern due to the significant level of both secured and unsecured liabilities of the Company.
- 2.4 Distributions have also been made to the secured creditor of the Company under their fixed and floating charges which also fulfils a purpose of the Administration under Paragraph 3 of Schedule B1 of the Insolvency Act 1986.

Pre-Packaged Sale

- 2.5 A pre-packaged sale of the Company's business and assets was concluded on 3 December 2019 to the Purchaser.
- 2.6 This sale formed part of a wider transaction involving four companies within The Potting Shed Group. Full information on the sale pursuant to the requirements of Statement of Insolvency

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

Practice 16 can be found at Appendix F and should be read in conjunction with the remainder of this report.

Consideration of Proposals by Creditors

- 2.7 Under Para 52(1) of Schedule B1 to the Insolvency Act 1986, where an Administrator thinks that:
- (a) The Company has sufficient property to enable each creditor of the Company to be paid in full,
 - (b) The Company has insufficient property to enable a distribution to be made to the unsecured creditors other than from the Prescribed Part, or
 - (c) The Company cannot be rescued as a going concern, or a better result as a whole than would be likely if the Company were wound up (without first being in Administration) cannot be achieved
- 2.8 Then the Administrator is not required to seek a decision from the Company's creditors as to whether they approve these Proposals.
- 2.9 In this case, we consider that the Company has insufficient property to enable a distribution to be made to the unsecured creditors other than by virtue of the Prescribed Part. Therefore, I am not required to seek a decision from creditors to approve my Proposals unless the requisite number of creditors request such a decision within the prescribed period. Please see the covering letter which accompanies this Report for further information about this.

Progress Since Appointment

- 2.10 Immediately upon appointment the Administrators concluded a sale of the assets of the Company to the Purchaser and made a distribution to Downing under their security.

Administration (including statutory compliance and reporting)

- 2.11 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.
- 2.12 I have also dealt with a number of statutory formalities which are required of me 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.
- 2.13 Where a pre-packaged sale of the Company's assets and business has taken place, I have prepared and issued the report on the transaction as required by Statement of Insolvency Practice 16 and I have also prepared and issued these proposals to creditors outlining how the purpose of the Administration may be achieved.
- 2.14 Other statutory duties performed are outlined in further detail in the fees estimate/fees information which can be found at Appendix E. 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 The business and assets of the Company were sold as a pre-packaged sale on 3 December 2019. Accordingly, there was no Administration trading period.

Realisation of assets

- 2.16 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.
- 2.17 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.

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

- 2.18 Further information on the estimated outcome of the Administration can be found in Section 9 below.

Creditors

- 2.19 The Administrators have notified creditors of the appointment and issued their proposals to creditors.
- 2.20 Claims of creditors will be dealt with as the case progresses, together with any potential prescribed part distribution.

Investigations

- 2.21 Some of the work the Administrators are 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 ("SIP2") and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Administrators can pursue for the benefit of creditors.
- 2.22 The Administrators are required to submit a report on the conduct of the Directors of the Company to the Department for Business Innovation & Skills under the CDDA 1986. This is a confidential report and the contents will not be disclosed to creditors.
- 2.23 The Administrators will make an initial assessment to decide whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment will take into account information provided by creditors and as a response to our request for the Directors to complete an investigation questionnaire. These investigations may reveal issues requiring further report or any further potential recoveries, which could be pursued for the benefit of creditors.

Sale of Assets to Connected Parties

- 2.24 In accordance with Statement of Insolvency Practice 13, I would advise you that the following assets were sold to a party connected with the Company:

Date of transaction	Assets involved & nature of transaction	Consideration	Sold to
3 December 2019	Freehold property & Fixtures and Fittings	£945,000	Gencomp (No.7) Limited company registration number 12299721
Relationship The director of Gencomp (No.7) Limited, Mr John Stewart Leslie, is a director of other companies within the Potting Shed Group			

- 2.25 Full information on the sale, pursuant to the requirements of Statement of Insolvency Practice 16, can be found at Appendix F.

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 9 December 2019 is attached at Appendix B.

4 Financial Position

- 4.1 A Statement of the Company's Affairs has not yet been received due to the short period of time that the Company has been in Administration. Attached at Appendix C is a summary of the Estimated Financial Position of the Company as at 3 December 2019, together with a list of creditor names and addresses along with details of their debts (including details of any security held by them).
- 4.2 Creditors should note that the estimated financial position is before the costs of the Administration procedure are considered.
- 4.3 Our comments on the material items appearing in the estimated financial position are as follows: -

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

Fixed Charge Assets

Freehold premises

- 4.4 The fixed charge asset of the Company, comprising the freehold Halifax property, was sold to the Purchaser on 3 December 2019.

Floating Charge Assets

Fixtures & Fittings

- 4.5 The fixtures and fittings of the Company were sold to the Purchaser on 3 December 2019. The fixtures and fittings were valued by Lambert Smith Hampton ("LSH") and a fair apportionment was allocated to the floating charge assets as part of the overall transaction.

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: -

Purpose

- 5.2 The Administrators will pursue the second objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company was wound up rather than being placed into Administration first.
- 5.3 The pre-packaged sale, maximising realisations for the Company's assets and minimising costs, has enabled the statutory purpose of Administration to be achieved. This has ensured that the outcome achieved was the best available for creditors as a whole in all the circumstances. In addition, distributions have also been made to the secured creditor of the Company under their fixed and floating charges which also fulfils a purpose of the Administration under Paragraph 3 of Schedule B1 of the Insolvency Act 1986.
- 5.4 In light of the above, it is considered that the purpose of administration has been achieved.
- 5.5 Attached at Appendix F is further information containing a summary of the circumstances relevant to the pre-packaged sale of the Company's business and assets to the Purchaser, in accordance with the provisions of Statement of Insolvency Practice 16.

Exit route(s)

- 5.6 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.
- 5.7 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.
- 5.8 See Section 6 below on **Exit Routes** for further information on the exit routes available from Administration.
- 5.9 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.
- 5.10 If the Administrators consider it necessary to extend the period of the Administration, they will seek the consent of the 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.

Creditors Committee

- 5.11 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.

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

Remuneration and disbursements (inc. pre-appointment costs)

- 5.12 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
- 5.13 In this case, the Administrators are seeking to approve the basis of their remuneration as a set amount of £10,000. Further details about the proposed fee basis can be found in Section 8 below and Appendix E.
- 5.14 Where no Creditors' Committee is appointed, as 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 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.
- 5.15 Where no Creditors' Committee is appointed, in accordance with Statement of Insolvency Practice 9, issued by the Association of Business Recovery Professionals, the Administrators will also seek approval from the secured creditors 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 E.

Discharge from liability

- 5.16 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, we do not believe that an extension to the period of Administration will be necessary, however we will confirm the position to creditors in a subsequent progress report in due course.

Based on information currently available, the information on the exit route(s) we believe may be appropriate in this Administration is/are set out below.

Dissolution of the Company

- 6.3 Based on present information, the Administrator thinks that the Company has insufficient property to permit a distribution to the unsecured creditors (other than by virtue of the Prescribed Part) and that there may only be a distribution available to the secured creditor 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.
- 6.4 The Administrators' appointment will end following the registration of the notice by the Registrar of Companies.

Compulsory Liquidation

- 6.5 If 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.
- 6.6 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.

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

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 Pre-administration costs have had to be incurred by various professionals to enable the sale of the business and assets to be concluded.

7.3 The pre-administration costs can be summarised as follows: -

<u>Professional</u>	<u>Cost</u>
Knights Plc (Solicitors)	£1,600
Christies (agents/valuers)	£1,250
LSH (agents/valuers)	£2,500
Total	£5,350

7.1 Further details of these costs, which were critical in achieving a going concern sale of the business and assets, are as follows: -

Knights Plc

7.2 Legal costs of £1,600 were incurred in respect of the preparation of appointment documentation, drafting, negotiating and agreeing the Sale and Purchase Agreements.

Christies

7.3 Christies prepared a valuation of The Potting Shed Group and undertook a targeted marketing campaign. They were originally engaged by the Company on a success fee, which has not become payable as a sale was not completed to an external purchaser. A fee of £10,000 has been agreed with Christies for their assistance in sharing the marketing advice and valuation, which have assisted in the transaction being concluded in the timeframe available. This fee has been apportioned across The Potting Shed Group, based on the number of sites.

LSH

7.4 Our agent's costs of £20,000 were incurred in respect of attending 8 sites and preparing a valuation of the floating charge assets, together with reviewing the marketing and valuation performed by Christies whilst also providing their recommendations on the eventual sale. This fee has been apportioned across The Potting Shed Group, based on the number of sites.

Disbursements

7.5 Disbursements of £50 were incurred by Knights in relation to Court fees for filing notice of appointment of Administrators.

Approval of pre-appointment costs

7.6 The payment of 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.

8 Joint Administrators' Remuneration

8.1 As Joint Administrators, we are required to provide creditors with details of the work we propose to undertake in the Administration and the expenses we 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 this case, the Administrators are seeking to approve the basis of their remuneration as a set amount of £10,000.

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

- 8.3 Within Appendix E is an estimate of the Joint Administrators remuneration on a time cost basis, which totals £18,930. Accordingly, the Joint Administrators feel that the fixed fee basis will be a fair and reasonable reflection of the work that the Joint Administrators anticipate undertaking.
- 8.4 Details of the basis or bases we are proposing, together with information about the work we consider will be necessary in this case and the expenses we consider will, or are likely to be, incurred on this case can be found at Appendix E. 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 our remuneration will be sought as outlined in Section 5 of this report.
- 8.5 In circumstances where my initial investigations reveal matters for further detailed investigation or previously unknown assets to be realised, we reserve the right to refer back to creditors to establish how we are to be remunerated for such additional work, which may be proposed on a time cost basis. If such work proves necessary, we will revert to creditors with our fees estimate for approval.
- 8.6 We will provide updates on the expenses we consider will be, or are likely to be, incurred during this case with our progress reports in due course.
- 8.7 A copy of "A Creditors' Guide to Administrators' Fees" is available on request or can be downloaded from www.rpg.co.uk/downloads/fees/post20151001/Administrators.pdf.
- 8.8 If you would prefer this to be sent to you in hard copy please contact John Fitzgerald of this office on 0161 608 0000 or jfitzgerald@rpg.co.uk.

9 Estimated Outcome

- 9.1 Based on the Estimated Financial Position of the Company, attached at Appendix C, the sums owed to creditors at the date of appointment are as follows: -

Secured Creditors

Downing £7,744,059

- 9.2 Downing have a cross guarantee indebtedness subject to fixed and floating charges.
- 9.3 Following the Administrators appointment, initial fixed and floating charge distributions were made to Downing
- 9.4 Downing will suffer a significant shortfall on their indebtedness.

Preferential Creditors

- 9.5 Preferential claims relate to employees for arrears of wages, salary and holiday pay.
- 9.6 There are no preferential claims in this matter, as all employees of the Potting Shed Group were transferred to the purchaser under TUPE legislation as part of the sale of business and assets.

Unsecured Creditors

- 9.7 Unsecured claims in this matter relate to monies due to other companies within the Potting Shed Group.
- 9.8 Given the level of secured creditors, we do not envisage any funds being available for distribution to the Company's unsecured creditors, other than by virtue of the Prescribed Part.
- 9.9 As the Company granted floating charges post 15 September 2003, we are required to create a fund out of the Company's net floating charge property for the benefit of unsecured creditors (known as the Prescribed Part).
- 9.10 Attached at Appendix C is a summary of the Estimated Financial Position of the Company as at 3 December 2019, together with a list of creditors names and addresses along with details of their debts.
- 9.11 As per the Estimated Financial Position, we estimate the value of the Company's net floating charge property to be £50,000. Arising from this, the value of the unsecured creditors' fund is estimated to be £13,000.
- 9.12 Creditors should note that the Estimated Financial Position is before the costs of the Administration procedure are considered and, therefore, should be aware that the value of the

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

fund is likely to fluctuate during the course of the Administration. Further updates will be provided in our progress reports in due course.

- 9.13 The Administrators will review and agree the claims of unsecured creditors should a prescribed part distribution become available.

10 Proposals approval and next report

- 10.1 As I think the Company has insufficient property to enable it to make a distribution to its unsecured creditors (other than a potential distribution of the prescribed part fund of any net floating charge property), I am not required to seek a decision from the unsecured creditors on the approval of my Proposals. Approval will be sought from the secured creditors.

- 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
Collateralthought Limited


A B Coleman
Joint Administrator

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

Appendix A

Statutory Information

1 Company information

Company name	Collateralthought Limited
Trading name(s)	The Potting Shed Halifax and The Firepit Halifax
Registered number	10693683
Registered office address	Firepit Bingley Old Fire Station, Market Street, Bingley, BD16 2HP
Former registered office address	The Leeming Building, Ludgate Hill, Leeds, LS2 7HZ
Trading address(s)	4a Fountain Street, Halifax, HX1 1LW
Court details	Business & Property Courts of Manchester
Court reference number	MAN-001276 of 2019

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

Directors	Date appointed	Date resigned	Shares held
Mr John Brian Peers	28/01/2019	N/A	N/A
Secretary	Date appointed	Date resigned	Shares held
N/A			
Shareholder	Number of Shares		Shares held
Potting Shed Trading Limited (In Administration) (company registration number 09357235)	1		1

3 Joint Administrators' Details

Name of Administrators	Alan Brian Coleman	James Fish
Address	The Copper Room Deva Centre Trinity Way Manchester M3 7BG	The Copper Room Deva Centre Trinity Way Manchester M3 7BG
Telephone Number	0161 608 0000	0161 608 0000
Fax Number		
Administrator's IP Number	009402	021390
Authorising Body	Institute of Chartered Accountants in England and Wales	
Date of Appointment	3 December 2019	

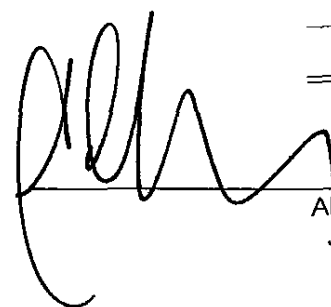
COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

Appendix B

Receipts and Payments Account for the Period from 3 December 2019 to 9 December 2019

Collateralthought Limited
(In Administration)
Joint Administrators' Summary of Receipts & Payments
To 09/12/2019

S of A -		-	
	SECURED ASSETS		
895,000.00	Freehold Land & Property	894,998.00	
	Goodwill	2.00	
			895,000.00
	SECURED CREDITORS		
(7,744,059.00)	Fixed Charge Creditor	890,450.00	
			(890,450.00)
	ASSET REALISATIONS		
50,000.00	Fixtures & Fittings	49,997.00	
	Business Info	1.00	
	Stock	1.00	
	Contracts	1.00	
			50,000.00
	FLOATING CHARGE CREDITORS		
	Floating Charge Creditor	4,550.00	
			(4,550.00)
	UNSECURED CREDITORS		
(2,467,479.00)	Liabilities to Group Companies	NIL	
			NIL
	DISTRIBUTIONS		
(1.00)	Ordinary Shareholders	NIL	
			NIL
(9,266,539.00)			50,000.00
	REPRESENTED BY		
	Funds Held by Solicitors		50,000.00
			50,000.00



Alan Brian Coleman
Joint Administrator

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

Appendix C

Summary of the Estimated Financial Position of the Company as at 3 December 2019

**Collateralthought Limited
In Administration**

Summary of Estimated Financial Position as at 9 December 2019

	Book Value £	Estimated to Realise £	£
ASSETS			
Freehold Land & Properties	895,000.00	895,000.00	
Fixed Charge Creditor		(7,744,059.00)	
		<u>(6,849,059.00)</u>	
Fixtures & Fittings	50,000.00		50,000.00
			<u>50,000.00</u>
LIABILITIES			
Preferential Creditors			NIL
			<u>50,000.00</u>
Debts Secured by Floating Charges pre 15 September 2003			NIL
			<u>50,000.00</u>
Estimated Prescribed Part of Net Property where applicable (to carry forward)			13,000.00
			<u>37,000.00</u>
Debts Secured by Floating Charges post 14 September 2003		(6,849,059.00)	(6,849,059.00)
			<u>(6,812,059.00)</u>
Estimated Prescribed Part of Net Property where applicable (brought down)			13,000.00
			<u>13,000.00</u>
Unsecured Non-Preferential Claims (excluding any shortfall to floating charge holders) Potting Shed Group Companies		(2,467,479.00)	(2,467,479.00)
Estimated Deficiency as Regards Non-Preferential Creditors			(2,454,479.00)
Shortfall in respect of F.C's post 14 September 2003 (brought down)			(6,812,059.00)
			<u>(9,266,538.00)</u>
Issued and Called Up Capital			(1.00)
TOTAL SURPLUS/(DEFICIENCY)			<u><u>(9,266,539.00)</u></u>

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

Appendix D

Pre-appointment Time Analysis

APPENDIX D

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

Time spent by grade in the period from 18 November 2019 to 2 December 2019

	Office Holder £	Manager £	Admin £	Cashier / Support £	Total Hours	Total Cost £	Average Rate £
Statutory & Compliance	1.50	1.50	0.50	3.20	6.70	1,316.00	196.42
Total hours/Cost	1.50	1.50	0.50	3.20	6.70	1,316.00	196.42

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

Appendix E

Additional Information in Relation to Joint Administrators' Fees

1 Fee Basis

- 1.1 The Administrators are seeking to agree the basis of their remuneration in this case as a set amount of £10,000. 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.
- 1.2 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.
- 1.3 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.

2 Expenses

- 2.1 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 £
Agents Fees	Lambert Smith Hampton	Engagement Letter	2,500
Legal Fees	Knights Plc	Engagement Letter	1,600
Legal Disbursements	Knights Plc	Engagement Letter	100
Specific Bond	Marsh Ltd	Fixed Fee	240.00
Statutory Advertising	Courts Advertising Ltd	£84.60 per advert	169.20
Bank Charge	Royal Bank of Scotland	Fixed Fee	75.00
Collection and storage of company records	JPS Chartered Surveyors	Fixed Fee	2,000.00

3 Staff Allocation and the Use of Sub-Contractors

- 3.1 The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.
- 3.2 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.
- 3.3 We are not proposing to utilise the services of any sub-contractors in this case.

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

4 Joint Administrators' Disbursements

- 4.1 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.
- 4.2 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.
- 4.3 Separate approval will be sought for the authorisation of this firm's Category 2 disbursements from creditors.

5 Charge-out Rates

- 5.1 Royce Peeling Green Limited's current charge-out rates effective from 1 January 2019 are detailed below. Please note this firm records its time in minimum units of 6 minutes.

	(Per hour) £
Insolvency Practitioner	300
Senior Administrator	160
Support/Cashier	105

6 Estimated Remuneration on a Time Cost Basis

- 6.1 Below is an estimate of the overall cost of this assignment if undertaken on a time costs basis:

Category	Anticipate d Number of Hours	Blended Charge Out Rate (£)	Anticipated Cost (£)
Administration (inc. statutory compliance & reporting)	33.00	175.45	5,790.00
Statutory Investigations & CDDA Compliance	9.00	191.11	1,720.00
General Realisation of Assets	9.50	153.16	1,455.00
Reporting & Distribution to Secured Creditor	37.00	226.48	6,115.00
General Creditors Dealing	11.50	168.70	1,940.00
Distribution to Creditors	10.00	191.00	1,910.00
	110.00	172.09	18,930.00

- 6.2 Accordingly, the Joint Administrators feel that the fixed fee basis represents fair and reasonable reflection of the work that the Joint Administrators anticipate undertaking.

COLLATERALTHOUGHT LIMITED - IN ADMINISTRATION

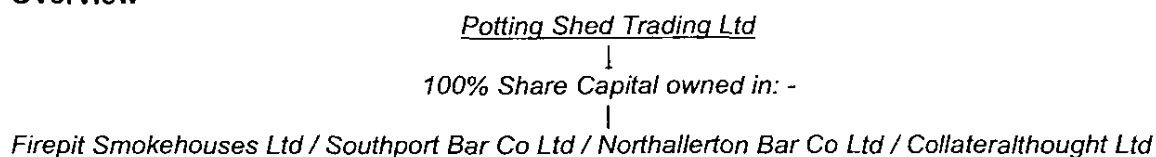
Appendix F

Joint Administrators' Statement on Pre-Packaged Sale

SIP16 disclosure

Potting Shed Trading Limited - In Administration ("the Company")
Firepit Smokehouses Limited - In Administration
Southport Bar Co Limited - In Administration
Northallerton Bar Co Limited - In Administration
Collateralthought Limited - In Administration
(together referred to as the "the Companies" / "the Group")

Overview



Where a sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an Administrator and the Administrator effects the sale immediately on, or shortly after appointment, this is known as a pre-packaged sale.

Prior to the appointment of an Administrator, an insolvency practitioner may act in an advisory capacity to the Company. During this time the insolvency practitioner's role is not to advise the directors personally or any parties connected with any eventual purchaser of the Company's business or assets. It is also possible that a different insolvency practitioner may be the eventual Administrator and not the insolvency practitioner who provided the advice to the Company before any formal appointment was made.

The role of an Administrator once the Company has entered Administration is to perform their functions with the objective of either 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 rather than being placed into Administration first.

If neither of these objectives is reasonably practicable, the third objective of realising property in order to make a distribution to one or more secured or preferential creditors of the Company may be pursued, providing the Administrator avoids unnecessarily harming the interests of the creditors as a whole.

In this case, the Administrators' have pursued the second objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up and have also achieved the third objective of a distribution to a secured creditor. Accordingly, we consider that the pre-packaged sale enables the statutory purpose of Administration to be achieved and that the outcome achieved was the best available for creditors as a whole in all the circumstances.

The benefits to creditors include the following: -

- Best price received for the business and assets following extensive period of marketing
- Realisations achieved for both the fixed and floating charge assets
- 241 full time jobs saved (avoiding redundancy & notice claims)
- Ongoing work for temporary workers
- Employment entitlements transferred to the purchaser (avoiding preferential claims for any wage arrears and holiday pay)
- Novation of finance agreements (avoiding termination charges)
- New tenant for landlord of Beverley Firepit (minimising claim against Firepit Smokehouses Ltd)
- Payments to key suppliers, estimated at £165k, will be made by the purchaser (reducing claims)
- Deposits paid on events, estimated at £50k, will be honoured by purchaser (reducing claims)
- Ongoing customer for both food and beverage suppliers
- Less disruption to ongoing legal claim (Administrators can continue the action)

Set out below is further information containing a summary of the circumstances relevant to the pre-packaged sale of the Group's business and assets to Gencomp (No.7) Limited ("Gencomp"), in accordance with the provisions of Statement of Insolvency Practice 16 (SIP16). We have produced one SIP16 disclosure to cover all 5 Administrations, given that the 4 subsidiaries have no external creditors.

Background

Structure

Potting Shed Trading Limited ("the Company") is part of a group (Potting Shed Group) and traded the businesses of eight public houses.

Four of these pubs were owned by the Company (Freehold) with the other four pubs being owned by four separate wholly owned subsidiaries (3 x Freehold and 1 x Leasehold). The pubs owned by these four subsidiaries were leased to, and operated by, Potting Shed Trading Limited who were responsible for the management of all sites and the employment of all staff.

These four subsidiaries, being Firepit Smokehouses Limited, Southport Bar Co Limited, Northallerton Bar Co Limited and Collateralthought Limited have also entered Administration and form part of this SIP16 disclosure.

The Company also owns 100% of the share capital of a further three subsidiaries, two of which are dormant whilst one further subsidiary, Macclesfield Bar Co Limited, owns a development property which will be sold once a planning application has been achieved.

Problems

The Company was the subject of a number of suspicious transactions whilst being operated by its original management team and has incurred considerable legal costs seeking to recover the loss caused.

The Company experienced poor trading results following the former director's management of the Group and had fallen behind with liabilities owing to HM Revenue & Customs (HMRC), the Performing Rights Society and trade suppliers.

In response, Downing LLP (Downing) in their capacity as a fund manager of the secured creditor, installed a turnaround team to assist with the turnaround of the business. This included John Peers joining the Board as a turnaround specialist.

The board identified that it was unable to pay historic creditors going forward and looked at raising additional working capital. The future trading of the Company was uncertain, with future losses being forecast which made it difficult to raise sufficient funds to pay the demands of historic creditors.

As a result, in August 2019 the Company held initial discussions with Christie & Co. (Christies), a national firm of specialist business property advisers in the hotels, pubs & restaurants, leisure and care sectors, with a view to a potential sale of the pubs with a view to discharging historic and current creditors.

This included a valuation of all sites by Christies and it was clear that if the higher end valuation could be achieved, the Company would have been capable of repaying all creditors in full with a distribution back to the shareholders.

However, it was acknowledged that if only offers at the lower end of the valuation were achievable, this would become a distressed sale in an Insolvency scenario, which would result in a shortfall to all classes of creditors and shareholders.

The Company subsequently engaged Christies on 10 September 2019 to market the business and assets for sale, with an agreed targeted marketing campaign. Target buyers were contacted and issued with marketing literature and non-disclosure agreements.

As part of this process, RPG were introduced by Downing to assist the Company in agreeing a Time to Pay arrangement (TTP) with HMRC. The TTP proposal was considered necessary, in parallel to the sale strategy, in order to allow the business to be sold without being discounted for being a distressed sale (i.e. a sale by Administrators or worse case a closure by a Liquidator – both of which would result in additional costs that would reduce the return to creditors).

To assist with cash flow and reduce creditor pressure on the Company, the Board refinanced the Company's secured debt, with Downing managed funds replacing the main lender (Metro Bank) in its entirety. This enabled £90,000 to be introduced to the company as working capital and paid over to HMRC as part of the request for a TTP.

The refinance was necessary as the loan with Metro Bank was in default and there was a risk that Metro Bank may appoint Administrators at any time, which would have damaged any value achieved for the sale of the business and assets.

A data room was set up by Christies to allow all interested parties access to full information surrounding this opportunity.

The deadline for best and final offers was set for 23 October 2019 (accelerated sales process) with a view that completion took place pre-Christmas. The deadline for offers was ultimately extended until noon on 13 November 2019, at which point the Company was in receipt of the following offers for the 8 pubs: -

Offer 1 = £7m (completion January 2020)

Offer 2 = £6.5m (including additional development site in Macclesfield)

Offer 3 = £7m (initial £5.5m with deferred payment of £1.5m payable over 5 years)

These offers were all insufficient to enable creditors to be repaid in full and it was therefore concluded that insolvency was inevitable.

Furthermore, during October and November 2019 the performance of the Group declined even further and the Board engaged RPG to start the process of placing certain group companies into Administration.

Initial introduction

The Administrators were introduced to the Company by Downing LLP, the fund manager of the secured creditor of the Company.

RPG were engaged by the Company on 20 September 2019 to assist with a TTP proposal to HMRC. A fee of £4,500 + VAT was received for this work.

Following the outcome of the marketing conducted by Christies, one of the Directors within the Group, with the support of Downing, expressed an interest in acquiring the pubs and the Board engaged RPG on 18 November 2019 to review the marketing of the business and assets, obtain valuations of the *floating charge assets and to assist them in placing the Company into Administration, with a view to concluding a pre-packaged sale of the business and assets immediately upon appointment as Administrators.*

The Administrators do not believe that the work undertaken prior to their formal appointment represents a significant personal or professional relationship between the Company or its directors and Royce Peeling Green Limited and have carried out the appropriate conflict review procedures prior to accepting this appointment.

Pre-appointment considerations

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

Time To Pay Arrangement (TTP)

A proposal was submitted and approved. However, with the decline in turnover of the Group, coupled with disappointing offers that were received and not capable of completion pre-Christmas 2019, additional working capital would have been required until completion of any other third party offers and these funds were not available.

CVA

Based upon the work performed by RPG as part of the TTP, it was apparent that the Company would need to generate substantial cash from future trading (and/or a loan from the Shareholders) in order to provide unsecured creditors with a better outcome compared to Liquidation.

Based upon the cash flow forecasts reviewed by RPG, it was highly uncertain whether the Company could achieve sufficient surplus cash from future trading to pay into any CVA and enable a sufficient return to unsecured creditors consisting of trade suppliers (c£500k), Performing Rights Society (c£270k) and HMRC (c£267k).

Accordingly, there was no proposal to be made to creditors to repay debts over time in order to rescue the Company as a going concern.

Liquidation

The value of the main assets, being the Land & Buildings, was always likely to have a higher selling value as a going concern (i.e. being sold as trading businesses as opposed to bricks and mortar).

It was concluded that Administration, with a pre-packaged sale of the business and assets as a going concern, would be much more preferable to a Liquidation.

Accordingly, Liquidation was immediately dismissed as an option as this would result in the pubs being closed down and the premises sold at forced sale valuations, with all employees being made redundant.

Trading the business

It was not possible for the Administrators to trade the business and seek a purchaser due to a lack of funding to trade post appointment.

The business and assets had already been marketed heavily by Christie & Co, resulting in several offers being received for the business and assets. Accordingly, it was highly unlikely that by trading the Group in Administration the Administrators would find a purchaser at a higher level, given that the opportunity would have become distressed as a result of the Administration/Insolvency. Accordingly, any offers would likely be lower to reflect the distressed situation.

In addition, the additional level of professional costs that trading in Administration would bring would be significant, reducing the net realisations achieved. These costs would be enhanced given that there were 8 different trading sites spread over different geographic areas, whilst the nature of the business and the operating hours would significantly increase the costs associated with any period of trading in Administration.

By selling the business and assets as a going concern immediately upon appointment, we believe that this has minimised costs and maximised asset realisations.

Other alternative courses of action

The directors, shareholders and largest secured lenders were asked whether they were willing to inject further cash into the business to facilitate ongoing trading. Given the funds already invested, no additional funding could be provided.

Comparative outcome

The following table provides a comparative outcome with a sale of the Group's 8 pubs in liquidation or through a restricted marketing period post Administration as against the outcome obtained via the pre-packaged sale:

Details of Assets	Liquidation/ Restricted Marketing £	Pre-packaged sale in Administration			
		£			
		Property	Goodwill	Fixtures & Fittings	Total
Potting Shed Trading Limited					
1 = Beverley Potting Shed	815,000	1,049,999.50	0.50	40,000	1,090,000
2 = Bingley Potting Shed	600,000	1,074,999.50	0.50	40,000	1,115,000
3 = Bingley Firepit	350,000	409,999.50	0.50	20,000	430,000
4 = Guiseley Potting Shed	645,000	869,999.50	0.50	40,000	910,000
Total					
Firepit Smokehouses Limited					
5 = Beverley Firepit (long leasehold)	0	24,998	2	25,000	50,000
Southport Bar Co. Limited					
6 = Southport Potting Shed & Firepit	585,000	774,998	2	45,000	820,000
Northallerton Bar Co. Limited					
7 = Northallerton Potting Shed	800,000	1,099,998	2	40,000	1,140,000
Collateralthought Limited					
8 = Halifax Potting Shed & Firepit	670,000	894,998	2	50,000	945,000
TOTAL	4,465,000	6,199,990	10	300,000	6,500,000

The sale of the long leasehold in Firepit Smokehouses Limited is subject to the Landlord consenting to an assignment of the lease. Accordingly, this element of the transaction has yet to be completed, albeit we expect to conclude this within the next two months. The Administrators' have granted a licence to occupy the premises to the purchaser in order to facilitate this assignment and have secured two months' rent to cover this period of licence, which will be paid over to the Landlord.

The Administrators engaged Lambert Smith Hampton, RICS registered valuers, to review the offer to ensure that a fair apportionment of the overall consideration, split between fixed and floating charge assets, could be confirmed. LSH advised that in a shutdown scenario, the realisations achieved in this matter would be significantly less than the going concern realisations that have been achieved.

Accordingly, the Directors and Downing (the secured creditor with an indebtedness of £7,744,059) were in full support of the strategy and sale.

The following charges are registered at Companies House: -

Charge in favour of	Date of Creation	Company
Downing LLP (Fixed and Floating Charges)	15 October 2019	Potting Shed Trading Ltd
Downing LLP (Fixed and Floating Charges)	15 October 2019	Firepit Smokehouses Ltd
Downing LLP (Fixed and Floating Charges)	15 October 2019	Southport Bar Co Ltd
Downing LLP (Fixed and Floating Charges)	15 October 2019	Northallerton Bar Co Ltd
Downing LLP (Fixed and Floating Charges)	15 October 2019	Collateralthought Ltd

Downing's security includes cross guarantees across all group companies.

Marketing of the business and assets

Marketing a business is an important element in ensuring that the best available consideration is obtained for it in the interests of the Company's creditors as a whole. The Administrator advised the Company prior to his appointment, that any marketing should conform to the marketing essentials set out in SIP16 which includes the following key considerations:

- The business should be marketed as widely as possible, proportionate to its nature and size in the time available using whatever media or other sources that are likely to achieve this outcome;
- Previous marketing of the business prior to the Administrator's involvement may not provide justification to avoid further marketing. The Administrator must be satisfied as to the adequacy and independence of any prior marketing undertaken by the Company;
- Marketing should have been undertaken for an appropriate length of time to satisfy the Administrator that the best outcome for creditors as a whole has been achieved;
- Any marketing attempts must by default, include the use of the internet.

As explained above, *Christies* marketed the business and assets for sale and secured offers ranging from £6.5m - £7m. This work entailed marketing literature and an Information Memorandum being issued to a list of 33 targeted buyers, who had signed non-disclosure agreements.

Due to the financial position of the Group, offers were originally required by close of business on 23 October 2019. Given the level of interest the deadline was ultimately extended until 13 November 2019.

At 13 November 2019, 3 offers were received, however, the highest offer of £7m was not capable of completion until January 2020.

Due to the financial position of Potting Shed Trading Limited, with additional sums falling due to HMRC, the performing rights society and trade suppliers who could not be paid within terms, the preferred offer of £7m could not be progressed as the Group did not have the luxury of time required to enable completion in January 2020, due to a lack of working capital.

In light of the above, Gencomp made an offer of £6.5m for the business and assets of the Group, plus a payment for the cash on sites at date of completion. Their offer was apportioned as fixed charge realisations of £6.2m (properties and Goodwill) and floating charge realisations of £300k (fixtures and fittings). The offer was accepted upon the recommendation of LSH.

Knights Plc (Solicitors engaged by RPG) were instructed to draft Sale and Purchase Agreements ("SPAs").

The offer from Gencomp was progressed and the draft SPAs were issued to them on 27 November 2019, with completion planned by Gencomp for Friday 29 November 2019.

The Administrators staff attended all 8 sites on Friday 29 November 2019 to physically count the cash held at each site. Cash floats totalled £35,331 at that point in time, which was accepted as the effective date of completion of this transaction.

Unfortunately, at close of business on Friday 29 November 2019 the transaction was not capable of completing as the sale contracts had not all been agreed and the funds required for completion were not in place. As a result, completion had to be delayed and progressed on Monday 2 December 2019.

The delay in completion meant that Gencomp took the benefit of the trading over that weekend, however, they also took the risk and liability of payroll and other costs for this period. Whilst it was not considered cost effective for the Administrators to again attend all eight sites and conduct a further cash count, as the time costs incurred would likely exceed any additional funds identified, due to the delay in completion of the transaction Gencomp made it a condition of completion that they received the benefit of the trade over that weekend.

With the sales contracts finally agreed, the Group was placed into Administration on 3 December 2019, with the sales of the business and assets completed immediately following these appointments.

Valuation of the business and assets

The Group's assets were valued on 3 September 2019 by Christies, RICS registered valuers. For the reasons set out in this report, RPG chose to adopt the valuation and marketing of the business undertaken by Christies prior to the Administrators' engagement.

Christies prepared valuations in a range of scenarios, as follows: -

1. Fully equipped and operational;
2. Fully equipped and operational but accounts or records of trade unavailable;
3. Business closure (vacant possession)
4. Business closure (vacant possession – 180 day marketing period in which to sell)

A summary of the Christies valuation of the properties is presented in the table below, together with a comparison of the realisations achieved via the pre-packaged sale.

Premises	Value 1 £	Value 2 £	Value 3 £	Value 4 £	Pre-pack £
Northallerton Potting Shed	1,630,000	1,400,000	1,000,000	800,000	1,140,000
Beverley Potting Shed	1,570,000	1,340,000	1,020,000	815,000	1,090,000
Firepit Beverley (long leasehold)	130,000	65,000	0	0	50,000
Bingley Potting Shed	1,810,000	1,400,000	800,000	600,000	1,115,000
Bingley Firepit	760,000	550,000	390,000	350,000	430,000
Guiselley Potting Shed	1,560,000	1,150,000	715,000	645,000	910,000
Halifax Firepit & Potting Shed	1,875,000	1,320,000	840,000	670,000	945,000
Southport Potting Shed & Firepit	1,160,000	1,070,000	730,000	585,000	820,000
Total	10,495,000	8,295,000	5,495,000	4,465,000	6,500,000

The Administrators also engaged Lambert Smith Hampton, RICS registered valuers, to value the stock and fixtures & fittings at each trading premises to ensure that a fair apportionment of the overall consideration, split between fixed and floating charge assets, could be confirmed.

The stock was confirmed to have no value given that the suppliers had not been paid and the supplier agreements showed that title to the goods had not passed to the Company.

LSH provided a formal valuation of the fixtures and fittings on a Market Value In-Situ basis, with a total of £349k, whilst confirming that the value of these assets would be considerably lower if the business closed and the assets were offered for sale for removal from the premises Ex-Situ. This is because the costs attributable to conducting and overseeing a sale of those assets for removal across the 8 sites would be significant in relation to the sale realisations, reducing the net realisable amount.

In LSH professional opinion, on a net basis (after cost of uplift and sale) the realisations would be less than half the In-Situ valuation. A summary of these valuations and a comparison to the pre-packaged sale is as follows: -

Fixtures & Fittings	In-Situ £	Ex-Situ £	Pre-pack £
Northallerton Potting Shed	48,000	24,000	40,000
Beverley Potting Shed	42,000	21,000	40,000
Firepit Beverley (long leasehold)	42,000	21,000	25,000
Bingley Potting Shed	43,000	21,500	40,000
Bingley Firepit	37,000	18,500	20,000
Guiselley Potting Shed	41,000	20,500	40,000
Halifax Firepit & Potting Shed	42,000	21,000	50,000
Southport Potting Shed & Firepit	54,000	27,000	45,000
Total	349,000	174,500	300,000

LSH were also instructed to review the marketing advice and valuations prepared by Christies to confirm that this was performed appropriately. LSH reviewed the marketing work and the offers that were received by Christies, the highest of which was £7m from Punch.

LSH commented that whilst this offer exceeded that of Gencomp, it was conditional upon due diligence, the likely result of which would be a price reduction to take account of the adoption of certain liabilities (NOTE: Gencomp offer included the adoption of liabilities for food and beverage suppliers, honouring deposits for future events and obligations to staff under TUPE).

Furthermore, the Punch offer was also unable to complete until January 2020. The Group had significant cash flow problems which would prevent trading in December and without an immediate sale of the assets as a whole the Group would be forced to cease trading. This would negatively impact upon any offers, with any interested parties wanting to reduce their offers to reflect the distressed condition in such a scenario.

In light of the above, LSH advised that Gencomp's offer for the whole assets represented the optimum financial outcome of all submitted offers. Furthermore LSH confirmed that, whilst the apportionment between fixed and floating charge assets in the Gencomp offer was slightly below their In Situ valuation of the floating charge Fixture & Fittings (being a difference of £49k), when appraising the overall asset sale and having considered the continued employment (TUPE) and trading relationships with suppliers, this marginal difference in apportionment was not material.

LSH commented that the apportionment of the offer from Gencomp for the Fixture & Fittings was certainly substantially higher in comparison to potential sale realisations were the business to close and the assets be sold on a removal basis. Accordingly, LSH professionally recommended acceptance of Gencomp's offer and have confirmed their independence and provided evidence that they carry adequate professional indemnity insurance.

The sale has ensured that significant realisations have been received for all assets, whilst avoiding the costs of a piecemeal disposal, including the costs of collection of the floating charge assets and the selling costs associated with the property sales. The costs that have been avoided would have reduced the net realisations of assets considerably.

It should be stressed that the offer accepted from Gencomp was in line with the best offers received following an extensive period of marketing, whilst also being the only offer that was capable of being immediately completed.

Details of the assets sold and the nature of the transaction

The SPA was negotiated and agreed and a sale of the business and assets was concluded immediately upon the appointment of Administrators on 3 December 2019.

The sale was to Gencomp (No.7) Limited (Company Number: 12299721). The sale of the Group is not part of any wider transaction and there are no options, buy-back arrangements or similar conditions attached to the contract of sale. We are not aware of any personal guarantees being provided to creditors by the Directors.

The sale has been treated as a connected party transaction as the purchaser was connected to the Company (as defined in section 249 of the Insolvency Act 1986). John Leslie (Group Director) is the Director and Shareholder of Gencomp, the purchasing Company.

Assets

The assets sold per the Sale and Purchase Agreements comprised of land and buildings (£6,199,990), Goodwill (£10) and Fixtures & Fittings (£300,000). The transaction also included £35,331 for the cash held at the premises upon effective completion (Friday 29 November 2019).

The Fixtures & Fittings at each pub were valued by LSH and a fair apportionment of the overall consideration has been made between the fixed and the floating charge realisations to reflect the value of the Fixtures & Fittings.

Goodwill includes Intellectual Property Rights and was sold for £2 per company (£10 overall).

In the sales contracts, the sum of £1 from the floating charge realisations for Fixtures & Fittings was apportioned to Business Information, Contracts and Stock as part of each transaction (£3 per company = total £15 overall).

The sale of the business and assets is considered to be a transfer as a going concern.

Sale consideration

The total consideration for the sale was £6.5m plus £35,331 for cash on site, resulting in a total of £6,535,331. The sum of £335,331 was paid in cash on completion leaving a balance of £6.2m.

Given that Downing are funding Gencomp and are a secured creditor of the Group in excess of £7m, it was agreed that £6,175,002 of the total consideration could be paid by way of a funds flow – with Gencomp sending funds directly to Downing on behalf of the Company and Downing, therefore, immediately receiving £6,175,002 from the administrators of the individual Group companies, by way of a fixed charge distribution of £6,115,102 and a floating charge distribution of £59,900.

This leaves a balance of £24,998, which will be paid upon completion of the sale of the leasehold of Beverley Firepit. Once this matter has concluded, this £24,998 will also be distributed to Downing by the Administrators of Firepit Smokehouses Limited (£20,448 under the fixed charge and £4,550 under the floating charge), taking overall distributions to Downing to £6.2m.

Our agents recommended that the offer be accepted, given that it was the only offer capable of being completed in the time available, whilst it also by far exceeded the forced sale valuation of the assets and avoided the considerable costs and issues associated with a business closure and piecemeal disposal, providing certainty of the realisations achieved in the Administration.

Pre-administration costs

Pre-administration costs have had to be incurred by various professionals to enable this transaction to be completed, which as can be seen from the information presented in this report, has resulted in the best possible outcome for creditors.

Payment of unpaid pre-administration costs as an expense of the Administration is subject to the approval of creditors.

The pre-administration costs that we are seeking to be approved can be summarised as follows: -

Professional	Cost
RPG (Administrators)	£30,000
Knights Plc (Solicitors)	£31,400
Christies (agents/valuers)	£10,000
Lambert Smith Hampton (agents/valuers)	£20,000
Total	£91,400

RPG as administrators are seeking approval to pre-appointment remuneration totalling £30,000 from creditors of Potting Shed Trading Limited only, together with disbursements of £400 which were incurred by the Administrators in relation to mileage claims and expenses.

We are not seeking to recover any additional pre-appointment time costs that were incurred in respect of any of the subsidiaries and as a result such time will be written off in full.

Administrators' time costs in respect of Potting Shed Trading Limited amounted to £31,383, which was incurred in reviewing the marketing of the business and assets, negotiating the transaction and completing the eventual sale. This figure includes £1,080 of time incurred by RPG's tax team in order to secure critical initial advice on the options to tax in place on the properties and the likelihood of any Capital Gains Tax becoming payable by the Group as a result of the overall transaction.

Solicitors have had to review the security of the secured creditors, prepare the appointment documentation, draft, negotiate and agree the Sale and Purchase Agreements. Disbursements of £350 were incurred by Knights in relation to land registry fees and Court fees for filing notice of appointment of Administrators.

Christies prepared a valuation and undertook a targeted marketing campaign. They were engaged by the Company on a success fee, which has not become payable due to the eventual sale being taken in house by Downing. A fee of £10,000 has been agreed with Christies for their assistance in sharing the marketing advice and valuation, which have assisted in the transaction being concluded in the timeframe available.

Lambert Smith Hampton attended sites and prepared a valuation of the floating charge assets, together with reviewing the marketing and valuation performed by Christies whilst also providing their recommendations on the eventual sale. Disbursements of £400 were incurred by Lambert Smith Hampton in relation to mileage claims and expenses.

The realisations and allocation of pre-appointment costs within each individual entity can be summarised in the table below: -

Assets Realisations	PSTL	FSL	SBCL	NBCL	CTL	Total
Properties	3,404,998	24,998	774,998	1,099,998	894,998	6,199,990
Goodwill	2	2	2	2	2	10
Fixtures & Fittings (inc. contracts, info & stock)	140,000	25,000	45,000	40,000	50,000	300,000
Cash Float	35,331	0	0	0	0	35,331
	3,580,331	50,000	820,000	1,140,000	945,000	6,535,331
Pre-Appointment Costs	PSTL	FSL	SBCL	NBCL	CTL	Total
Administrator fees (pre)	(30,000)	0	0	0	0	(30,000)
Legal fees	(25,000)	(1,600)	(1,600)	(1,600)	(1,600)	(31,400)
Agents fees - Lambert Smith Hampton (£20k/8)	(10,000)	(2,500)	(2,500)	(2,500)	(2,500)	(20,000)
Agents fees - Christies (£10k/8)	(5,000)	(1,250)	(1,250)	(1,250)	(1,250)	(10,000)
	(70,000)	(5,350)	(5,350)	(5,350)	(5,350)	(91,400)
Disbursements - Administrators	(400)	0	0	0	0	(400)
Disbursements - Legal	(150)	(50)	(50)	(50)	(50)	(350)
Disbursements - Agents	(400)	0	0	0	0	(400)
	(950)	(50)	(50)	(50)	(50)	(1,150)
Net realisations to the Estates	3,509,381	44,600	814,600	1,134,600	939,600	6,442,781

Connected Party transactions

Where there are connections between an insolvent company and the purchasing entity, the purchaser meets the definition of a "connected party" and following recommendations made to the Department for Business, Energy & Industrial Strategy about pre-packaged sales to connected parties, it was felt that some of the concerns expressed about such transactions in the context of insolvency, may be overcome by having an independent party review the proposed sale and offer an opinion on the appropriateness of the grounds for the sale. This may provide reassurance to creditors that an independent person has considered the reasonableness of the proposed transaction.

As the transaction meets the definition of a connected party sale, the transaction is eligible for review by the Pre-Pack Pool (**the Pool**). The pool is an independent body of experienced business people and has been set up in response to a series of recommendations contained in an independent review of pre-packaged sales in administrations. A Pool member will offer an opinion on the purchase of a business and/or its assets by a party connected to a company where a pre-packaged sale is proposed by an Administrator. The Pool, through its members, operates only to review and opine on applications made voluntarily by connected parties. Further information on the work of the Pool can be found in the 'Questions and Answers about the Pre-Pack Pool' document on the Pool's website at www.prepackpool.co.uk.

At the beginning of our marketing, the Board of Directors were made aware that if they expressed an interest in acquiring the business and assets then they had the ability to approach the Pool and the potential for enhanced stakeholder confidence from the connected party approaching the Pool and preparing a viability statement for the purchasing entity. Given the tight timeframes for completion, the Pool has not been approached by the connected party and a viability statement has not been provided to the Administrators.