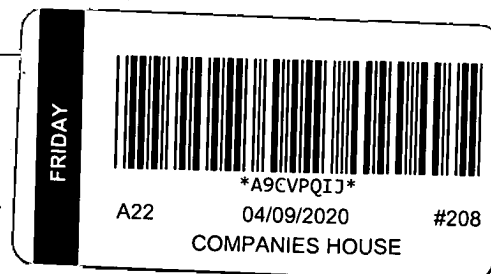


AM03

Notice of administrator's proposals



Companies House



1 Company details

Company number 1 1 4 2 5 1 5 5

Company name in full Foodwell Manchester Limited

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

2 Administrator's name

Full forename(s) Mike

Surname Dillon

3 Administrator's address

Building name/number Leonard Curtis

Street Riverside House

Irwell Street

Post town Manchester

County/Region

Postcode M 3 5 E N

Country

4 Administrator's name ①

Full forename(s) Katy

Surname McAndrew

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

5 Administrator's address ②

Building name/number Leonard Curtis

Street Riverside House

Irwell Street

Post town Manchester

County/Region




Postcode M 3 5 E N

Country

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

AM03
Notice of Administrator's Proposals

6	Statement of proposals	
	<input checked="" type="checkbox"/> I attach a copy of the statement of proposals	

7	Sign and date	
Administrator's Signature	<div>Signature</div> <div></div> <div></div> <div></div>	
Signature date	<div><div><div>d</div><div>0</div><div>d</div><div>4</div></div><div><div>m</div><div>0</div><div>m</div><div>9</div></div><div><div>y</div><div>2</div><div>y</div><div>0</div><div>y</div><div>2</div><div>y</div><div>0</div></div></div>	

AM03

Notice of Administrator's Proposals



Presenter information

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

Contact name	Fay Dugmore
Company name	Leonard Curtis
Address	Riverside House
	Irwell Street
	Manchester
Post town	
County/Region	
Postcode	M 3 5 E N
Country	
DX	
Telephone	0161 831 9999



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



Important information

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



Where to send

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

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



Further information

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

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



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**FOODWELL MANCHESTER LIMITED
(IN ADMINISTRATION)**

Registered Number: 11425155

Court Ref: CR-2020-MAN-000769

High Court of Justice Business and Property Courts in Manchester - Company & Insolvency List
(CHD)

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

Report date: 4 September 2020

Date report deemed to be delivered to creditors: 8 September 2020

Decision date: 23 September 2020

Leonard Curtis contact details:

Riverside House, Irwell Street,
Manchester M3 5EN

Tel: 0161 831 9999 Fax: 0161 831 9090

General email: recovery@leonardcurtis.co.uk

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

Ref: M/56/FD/F569K/1040

CONTENTS

- 1 Introduction
- 2 Statutory Information
- 3 Historical Background and Events Leading Up To Administration
- 4 Recent Trading Results and Current Financial Position
- 5 Events Following the Joint Administrators' Appointment
- 6 Achieving the Purpose of Administration
- 7 Joint Administrators' Proposals and Exit Route
- 8 Extension of Administration
- 9 Pre-Administration Costs
- 10 Joint Administrators' Remuneration and Disbursements
- 11 Estimated Outcome for Creditors
- 12 Release of Administrators from Liability
- 13 Voting Procedure and Conclusion

APPENDICES

- A Joint Administrators' Statement of Proposals
- B Estimated Financial Position as at 25 August 2020, accompanying Notes and List of Creditors
- C Summary of Joint Administrators' Receipts and Payments from 25 August 2020 to 4 September 2020
- D Summary of Joint Administrators' Pre-Administration Costs
- E Joint Administrators' Fees Estimate incorporating time incurred to 28 August 2020
- F Joint Administrators' Statement of Likely Expenses
- G Estimated Outcome Statement
- H Leonard Curtis Policy regarding Fees, Expenses and Disbursements
- I Notice of a Decision Procedure by Correspondence
- J Voting Form for Creditors
- K Proof of Debt Form
- L Information in relation to the pre-packaged sale of the business and assets in accordance with the provisions of Statement of Insolvency Practice 16
- M Notice of an Invitation to Creditors to Form a Creditors' Committee

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

1 INTRODUCTION

General information

- 1.1 I refer to the appointment of Katy McAndrew and I as Joint Administrators ("the Joint Administrators") of Foodwell Manchester Limited ("the Company") on 25 August 2020 and now write to present the Joint Administrators' proposals ("the Proposals") (Appendix A) for the Company pursuant to the Insolvency Act 1986 ("the Act").
- 1.2 Para 3 of Schedule B1 to the Act requires the administrators to perform their functions with the objective of:
- 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.
- 1.3 Para 51(1) of Schedule B1 to the Act ordinarily requires the administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. However, this does not apply where the administrators state that they think:
- That the company has sufficient property to enable each creditor of the company to be paid in full; or
 - That the company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of a distribution of the prescribed part fund; or
 - That neither of the objectives specified in 1.2(a) and 1.2(b) above can be achieved.
- 1.4 I can confirm that in this case the administrators are of the opinion that the Company has insufficient property to enable a distribution to be made to unsecured creditors and accordingly neither of the objectives specified in 1.2(a) and 1.2(b) above can be achieved. A dividend is, however, expected to be paid to the secured creditor. As a result, there is no requirement to seek a decision from the Company's general body of creditors as to whether they approve the Proposals.
- 1.5 Creditors whose debts amount to at least 10% of the total debts of the Company may however request the administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. Such a request must be delivered to the administrators within 8 business days of the date on which this report was delivered and comprise the following:
- A statement of the purpose of the proposed decision; and EITHER
 - A statement of the requesting creditor's claim, together with:
 - A list of the creditors concurring with the request and the amount of their respective claims or values; and
 - Confirmation of concurrence from each creditor concurring. OR
 - A statement of the requesting creditor's debt and that that alone is sufficient without the concurrence of other creditors.

The deemed date of delivery of this report is given on the front page of this report. Please note that security must be given for the costs of convening the requisitioned decision.

- 1.6 In the event that no such request is received, the Proposals will be deemed to have been approved in accordance with Rule 3.38(4) of the Insolvency (England and Wales) Rules 2016 ("the Rules"). Where this is the case,

notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the expiry of the period for requisitioning a decision referred to in 1.5 above.

- 1.7 The Administrators are required to seek a decision from the Company's creditors to determine, amongst other things, the basis upon which the Joint Administrators will draw their remuneration and Category 2 disbursements. It is our intention to seek these decisions by correspondence as provided for by the Act and Rules. Formal Notice of this Decision Procedure is attached at Appendix I. A voting form is attached at Appendix J. This form should be completed and returned to this office by 23:59 on the Decision Date, being 23 September 2020, with a completed proof of debt form (attached at Appendix K) or your vote will be disregarded, as will any forms returned after the decision date.
- 1.8 Creditors meeting the following minimum criteria may request in writing that the decisions be made at a creditors' meeting, rather than by correspondence:
- a) 10% in value of the creditors; or
 - b) 10% in number of the creditors; or
 - c) 10 creditors
- Such a request must be made not later than five business days after the date on which these Proposals were delivered. The deemed date of delivery of this report is given on the front page. Requests should ideally be made to Manchester.meetingreq@leonardcurtis.co.uk.
- 1.9 In the event that no such request is received, the Joint Administrators will, as soon as reasonably practicable after the Decision Date specified at 1.7 above, report to creditors on the decisions taken.

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

- 1.10 Creditors are entitled to decide whether a creditors' committee should be established if sufficient creditors are willing to be members of that committee.
- 1.11 Attached at Appendix M is Notice of an Invitation to Form a Creditors' Committee. Any nominations must be delivered to the Joint Administrators by the Decision Date shown on the front of this report and can only be accepted if the Administrators are satisfied as to the creditors' eligibility under Rule 17.4 of the Rules.
- 1.12 In order to assist creditors in making an informed decision on whether they wish to be nominated to serve on a committee, creditors are encouraged to access the document below, which provides information on the rights, duties and functions of creditors' committees.

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

2 STATUTORY INFORMATION

- 2.1 The Administration proceedings are under the jurisdiction of the High Court of Justice Business and Property Courts in Manchester - Company & Insolvency List (CHD) under Court reference CR-2020-MAN-000769.
- 2.2 During the period in which the Administration Order is in force, any act or function required or authorised to be done by the Joint Administrators may be exercised by both or either of them.
- 2.3 The Company's registered office was previously 2, Ground Floor One, New Bailey, Stanley Street, Salford, M3 5JL. On 28 August 2020, the Company's registered office was changed to 10-12 Mezzanine floor, Royal Liver Building, Pier Head, Liverpool, L3 1HU, which has been requested to be changed to Riverside House, Irwell Street, Manchester, M3 5EN. The registered number is 11425155. The Company traded as Foodwell and Firefly.
- 2.4 The Company operated from leasehold premises at Suite 2, Ground Floor One New Bailey, Stanley Street, Salford, M3 5JL.

2.5 The Company's directors are:

Name	Role	Appointed
Christian Coates	Director	20 June 2018
Daniel Drinkwater	Director	20 June 2018

2.6 The Company's authorised share capital is £200. The issued share capital comprises of 200 Ordinary £1 shares, the shares being owned as follows:

Name	Class of Share	No. of Shares	% of Total Owned
Daniel Drinkwater	Ordinary	140	70
Christian Coates	Ordinary	40	20
Janine O'Sullivan	Ordinary	20	10
		200	100

2.7 According to the information registered at Companies House, the Company has the following registered charges:

Charger	Description	Date Created	Amount Secured and Assets Charged
JLO Consulting Services Ltd ("JLO")	Debenture	21 October 2019	All monies and all assets

2.8 The EC Regulation on Insolvency Proceedings 2015 applies to this Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.**3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION****3.1 The Company was incorporated on 20 June 2018 and commenced trading in late 2018.****3.2 The Company operated as a licensed restaurant. The Company had 25 employees. The Company traded from leasehold premises at Suite 2, Ground Floor, One New Bailey, Stanley Street, Salford, M3 5JL. The lease period runs to 2029 with an annual rent of £115,253 plus utilities and service charge. The lease has been personally guaranteed by one of the directors.****3.3 JLO provided funding to the Company by way of a loan facility, with the current balance owed to JLO being c£172,000. JLO holds security by way of a Debenture, incorporating a Fixed and Floating Charge over all assets, created on 21 October 2019.****3.4 The Company also received funding by way of an asset finance agreement with Asset Advantage Limited ("AAL"), which previously held security by way of a Debenture incorporating Fixed and Floating Charges, created on 23 January 2019. The asset finance agreement related to the majority of the fixtures and fittings in the restaurant. The security was satisfied shortly prior to our appointment as the agreement was novated to Firefly Holdings (Manchester) Limited, a connected company, and Companies House has been updated accordingly. It should be noted that Firefly Holdings (Manchester) Limited confirmed that the financed assets would be available for any proposed purchaser as part of any sale of the business and assets.****3.5 In addition, unsecured funding was provided by the director, Christian Coates, for the sum of c£57k. Additionally, the director, Daniel Drinkwater, introduced funding totalling £781k, via personal funds and a connected company. Further unsecured funding was provided by way of an overdraft facility with HSBC Bank Plc ("HSBC"), and we understand that a sum of £20k is due to HSBC.****3.6 In the Company's accounts for the year ended 30 June 2019, the Company recorded a turnover of c£361k and incurred a loss of c£1m.**

- 3.7 The Directors initially approached Leonard Curtis Recovery ("LCR") for general advice in February 2020, as the Company had no further funding available from JLO and had fallen behind with its obligations to HM Revenue & Customs ("HMRC"), trade creditors, the landlord and the council in respect of business rates.
- 3.8 However, the Directors advised that there was an outstanding R&D tax claim due from HMRC. The Research and Development ("R&D") tax claim had initially been estimated between the sum of £200k to £300k, but was later submitted at c£122k.
- 3.9 The directors originally contacted LCR directly for general advice in February 2020. A meeting was held on 13 February 2020 with the Directors, where they advised that JLO, the Company's secured creditor, was unable to provide any further funding, and the Company had fallen behind on its payments due to creditors. The Directors advised that they were due a significant R&D tax claim which, if received, would provide funding to the Company.
- 3.10 On 2 March 2020, the Company received a warning of winding up action from HMRC in respect of outstanding VAT and PAYE in the sum of c£119k, which it was unable to pay. The Company subsequently engaged Corporate Strategies ("CS"), a subsidiary of Leonard Curtis Business Solutions, to assist in arranging a Time to Pay Arrangement ("TTP") with HMRC for the outstanding sums that were due. A TTP was never formally submitted to HMRC.
- 3.11 In late March 2020, the Company was required to cease trading following the nationwide COVID-19 restrictions that were put in place. All staff were immediately placed on the Government Coronavirus Job Retention Scheme upon cessation of trade.
- 3.12 In May 2020, HMRC advised that it would be offsetting the R&D Tax claim due against the VAT, PAYE and NIC liabilities.
- 3.13 The landlord liabilities had continued to accrue since March, albeit these payments had been deferred, however the Company had insufficient funding in order to continue to trade once the COVID-19 restrictions were relaxed. As such, the Company had not reopened on 4 July 2020 following the relaxation of the restrictions.
- 3.14 The Directors approached LCR on in June and July 2020 for further advice on the Company's position. As a result of the advice provided by LCR, it was subsequently concluded that the Company was insolvent in accordance with S123 of The Act (as amended) in so far as 'the company cannot pay its debts as and when they fall due' and without an injection of working capital, which was considered unlikely. It would appear that the Company had no alternative other than to consider a formal insolvency process. Notwithstanding the above, the Directors continued to negotiate with HMRC as to the release of the R&D tax monies.
- 3.15 It was concluded that Administration was the most suitable insolvency procedure for the Company as it would best allow the possibility of selling the business as a going concern. It was considered that a sale, without the need for ongoing trading whilst in Administration, would be preferable to allow maximum value to be realised from the Company's assets, particularly Goodwill and to minimise the professional costs of the Administration. On 11 August 2020, the Directors instructed LCR to assist in placing the Company into Administration.
- 3.16 The Directors subsequently filed a Notice of Intention to Appoint an Administrator ("NOI") at the High Court of Justice Business and Property Courts in Manchester - Company & Insolvency List (CHD) on 12 August 2020 and this was served on the Company and JLO as the Qualifying Floating Charge Holder. The NOI proposed to appoint Mike Dillon and Katy McAndrew of Leonard Curtis as Joint Administrators. The filing of the NOI created an interim moratorium in favour of the Company, providing necessary protection from enforcement action being commenced by creditors.
- 3.17 Cerberus Asset Management ("CAM"), valuers supported by Royal Institute of Chartered Surveyors ("RICS") registered professionals, were instructed, by the proposed Joint Administrators, to assess the value of the chattel assets.
- 3.18 Following the agreement of the Directors to a marketing flyer, LCR placed an advert on its 'Businesses for Sale' website and instructed their agents, CAM, to place the same advert on their website and also the website of

Charles Taylor Auctioneers and Valuers ("CT"), a trading style of CAM, in order to market the Company's business and assets for sale. An advert was also placed on IP-Bid.com, a third party insolvency market place. The advert went live on 13 August 2020 and a deadline of 5pm on 19 August 2020 was set for offers. The length of the marketing was determined by the requirement to find a purchaser as soon as possible given that the Company did not have sufficient funds in order to recommence trading.

- 3.19 Both CAM and CT have a significant history of assisting Insolvency Practitioners with business and asset sales. The proposed administrators considered that marketing the opportunity on CAM's and CT's respective websites would generate the greatest number of web traffic hits in the short time period available.
- 3.20 LCR are a leading national business solutions practice and actively market business opportunities through the 'businesses for sale' section of its website. Advertising on Leonard Curtis' website exposed the business to a range of potential purchasers with the interest and ability to complete a sale.
- 3.21 IP-Bid is a recognised industry website that regularly matches serious buyers and qualified sellers of distressed businesses instantly online via its insolvency marketplace.
- 3.22 The marketing resulted in 5 expressions of interest. A Non-Disclosure Agreement ("NDA") was issued to the interested parties, of which 3 were returned. Although 3 NDAs were returned, the interested parties were unable to provide confirmation of the identity of the proposed replacement lease guarantor, along with evidence of financial standing which was a requirement for any purchaser to continue to occupy the leasehold premises. Therefore, a marketing pack was not circulated to these interested parties as they were not able to provide the necessary information to support their interest.
- 3.23 An offer to purchase the business and assets was received from Firefly (Holdings) Manchester Limited ("the Purchaser") on 20 August 2020. The Purchaser is connected to the Company pursuant to Section 249 and 435 of The Insolvency Act 1986 ("the Act") by virtue of the fact that the directors and shareholders of the Company, Daniel Drinkwater and Christian Coates, are directors and shareholders of the Purchaser. The offer received was for £134,500 and was subsequently accepted, following the recommendation of our agents, CAM.
- 3.24 Following the agreement to the relevant sales documentation, the Directors filed a Notice of Appointment at the High Court of Justice Business and Property Courts in Manchester - Company & Insolvency List (CHD) on 25 August 2020, appointing Mike Dillon and Katy McAndrew as Joint Administrators. The sale of the business was completed shortly thereafter.
- 3.25 Mike Dillon and Katy McAndrew are licensed by the Institute of Chartered Accountants in England and Wales. In accordance with paragraph 100(2) of Schedule B1 of the Act, the functions of the Joint Administrators may be exercised by either both, acting jointly or alone.

4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

4.1 The Company's trading results for the year ended 30 June 2019 are detailed below:

	Signed Year ended 30 June 2019 £'000
Turnover	361
Gross Profit	155
Gross Profit %	43%
Administrative expenses	(1,306)
Operating Profit/(Loss)	(1,151)
Other Operating Income	150
Profit/(Loss) before tax	(1,001)
Taxation	-
Profit for the year	(1,001)
Dividends	-
Retained profit/loss	(1,001)

4.2 The balance sheet as at 30 June 2019 is detailed below:

	Signed 30 June 2019 £'000
Fixed Assets	
Tangible Assets	726
Current Assets	
Debtors	14
Cash	8
	22
Creditors: Amounts Falling due within one year	(1,749)
Net Current Assets/(Liabilities)	(1,727)
Total Assets less Current Liabilities	(1,001)
Creditors: Amounts falling due after more than year	-
Net Assets	(1,001)
Represented by	
Called up share capital (£200)	-
Profit and Loss account	(1,001)
Shareholders' Funds	(1,001)

- 4.3 As the Company was incorporated on 20 June 2018, the Company only had one set of year end accounts available. Whilst the Company has prepared draft management accounts for the period since July 2019, they are currently inaccurate. The Company's accountant and Directors are currently finalising these accounts which will be provided to creditors in a future report.

Statement of Affairs

- 4.4 The directors are required to lodge a statement of affairs as at 25 August 2020 which has to be filed with the Registrar of Companies. This document has not yet been received. In the meantime, an estimate of the financial position as at the date of the Joint Administrators' appointment is enclosed at Appendix B, together with a list of creditors including their names, addresses and details of their debts, including any security held.

Please note that no provision has been made in the Estimated Financial Position for costs and expenses of realisation, the costs of the Administration and any corporation tax which may be payable. The following comments are considered to be relevant and should be borne in mind when reading the figures:

Secured Creditor

JLO

- 4.5 JLO holds security by way of a Debenture, incorporating a Fixed and Floating Charge over all assets, created on 21 October 2019. JLO provided funding by way of a loan to the Company. The security was capped at £150,000.
- 4.6 A total sum of £250,000 remained outstanding to JLO at the date of the Administration, of which £150,000 was secured.
- 4.7 I can confirm that JLO has received a partial distribution of £114,000 under their Fixed Charge, following a sale of the Goodwill. It is not anticipated that there will be further distributions to JLO.

Prescribed Part

- 4.8 Based upon the information currently available, it is unlikely that there will be sufficient realisations in this matter to enable a prescribed part fund to be available to unsecured creditors.

Preferential Claims

- 4.9 The only categories of claims which have preferential status are those of employees in respect of wages (up to £800) and accrued holiday pay and certain pension contributions.
- 4.10 Immediately following the Joint Administrators appointment and the sale of the Company's business and assets was concluded, the Company's 25 employees were transferred to the Purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") therefore mitigating preferential claims for wages and accrued holiday pay. Further details of the sale to the Purchaser are provided in Appendix L.
- 4.11 However, the Company advised that there were 6 months of outstanding pension contributions due to the employees. Evolve IS Limited ("Evolve") have been instructed to assist with the submission of the relevant claim forms to the Redundancy Payments Office ("RPO"), in respect of the pension arrears.
- 4.12 For the purposes of this report, we anticipate the preferential claim to the sum of £940.53 in respect of pension contributions.
- 4.13 After defraying the costs and expenses of the Administration, we do not anticipate that there will be sufficient funds to enable a distribution to preferential creditors.

Unsecured Claims

- 4.14 At present, it is considered unlikely that there will be sufficient funds available to enable any form of distribution to unsecured creditors. Creditors should however continue to submit details of their claims using the proof of debt form attached at Appendix K. These claims will be collated and passed to any subsequently appointed Liquidator, should the position change.

Receipts and Payments

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

5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT

Sale of Business

- 5.1 Prior to and upon appointment, the administrators investigated the possibility of concluding a sale of what remained of the business and assets as it was considered that a sale of all or part of the business as a going concern would allow the following:

- Maximise Physical Asset realisations - enhanced realisations for the Company's physical assets may be achieved compared to ex-situ realisations most likely achievable on a cessation of trade;
- Preservation of Goodwill - a pre-packaged sale will allow for a sale of Goodwill, which is unlikely to be available if the Company ceased to trade. It is critical in maximising realisations from the Goodwill, that there is minimal disruption to trading. Trading the business during Administration will not guarantee an improved offer, and may, conversely devalue Goodwill;
- Mitigation of employee claims and preservation of employment for staff - a sale would allow for the transfer of all employees to any purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). The transfer of employment to the purchasing Company, ensures that all staff remaining in the Company's employment at the date of Administration have full continuity of employment rights. This in turn, mitigates claims in the Administration.

Claims that would ordinarily arise on cessation of trade and/or redundancy for Arrears of Pay, accrued but unpaid Holiday Pay, Pay in Lieu of Notice ("PILON") and Redundancy Pay do not occur. In this case 25 employees were transferred to the Purchaser, mitigating preferential claims for Arrears of Pay and Accrued but unpaid Holiday Pay and additional unsecured claims for PILON and Redundancy Pay.

- Mitigation of claims from finance companies – The Company had a variety of assets subject to a Hire Purchase or Lease Agreements. The Purchaser may be able to novate these agreements therefore mitigating unsecured claims. On cessation of trade or liquidation, the assets would have been required to be returned to the finance creditor, which would likely have resulted in additional unsecured claims for the remaining period under the agreements.
 - Mitigation of claims from the landlord – a pre-packaged sale will allow any purchaser to enter into negotiations with the landlord in respect of future occupation therefore potentially mitigating claims from the landlord for the remainder of the lease and dilapidations.
- 5.2 An offer of £134,500 was made by Firefly Holdings (Manchester) Ltd (CRN: 12369843) ("the Purchaser") to the proposed Administrators. Following advice from our appointed agents, CAM, who had carried out valuations of the Company's physical assets, this offer was accepted and the business sale was concluded on 25 August 2020.
- 5.3 The Purchaser is connected to the Company pursuant to Section 249 and 435 of The Insolvency Act 1986 ("the Act") by virtue of the fact that the directors and shareholders of the Company, Daniel Drinkwater and Christian Coates, are directors and shareholders of the Purchaser.

5.4 The sales consideration of £134,500 was apportioned as follows:

Category of Asset	Fixed Charge £	Floating Charge £	Cumulative £
Goodwill	114,000		114,000
Unencumbered Plant and Machinery	-	18,000	18,000
Stock	-	2,500	2,500
Total	114,000	20,500	134,500

5.5 The total sales consideration in the sum of £134,500 is payable as follows:

Date	Amount
On completion	119,000.00
25 September 2020	5,000.00
25 October 2020	5,000.00
25 November 2020	5,500.00
	134,500.00

5.6 The cash balance payable on completion, in the sum of £5,000, has been received by the Joint Administrators.

5.7 The Purchaser is being funded by JLO and £114,000 of the consideration monies is being paid by way of non-cash consideration. To facilitate the transaction, it is agreed that the Purchaser will be treated as having paid £114,000 to the Company and the Administrators (acting by the Joint Administrators) will be treated as having paid the sum of £114,000 to JLO in part satisfaction of the Company's fixed charge indebtedness to JLO.

5.8 The initial offer received from the Purchaser allocated £114,000 to Fixed Charge Assets and £20,500 to Floating Charge Assets. As Goodwill was the only "Fixed Charge Asset," the full consideration of £114,000 was applied to Goodwill. Following receipt of a final stock list from the Company on the date of appointment, the Purchaser confirmed that the offer of £20,500 in respect of Floating Charge Assets was split £18,000 in respect of Unencumbered Plant and Machinery and £2,500 in respect of Stock. Both offers were significantly in excess of CAM's valuations.

5.9 There are no other terms or conditions of the contract that could materially affect the asset consideration.

5.10 As part of the Sale and Purchase Agreement, the Director of the Purchaser, Christian Coates, has provided a Personal Guarantee, in respect of the deferred element of the consideration.

5.11 The Company employed 25 staff at the date of appointment, all of which were transferred to the Purchaser under TUPE regulations.

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

5.13 The Directors have provided Personal Guarantees for the property lease, to AAL in respect of the asset finance and to HSBC in respect of an overdraft.

5.14 The Directors of the Company have not provided a personal guarantee to JLO. JLO is providing funding to the Purchaser.

5.15 In addition, the following assets were excluded from the sale to the Purchaser:

- The Cash at Bank;
- Encumbered assets; and

- Any other assets not detailed above.

- 5.16 The Director, Christian Coates was employed by the Company and has therefore transferred under TUPE regulations. The Director, Daniel Drinkwater, was not employed by the Company and has therefore not transferred to the Purchaser under TUPE regulations. Mr Drinkwater is a director of the Purchaser.
- 5.17 Following the completion of the pre-packaged sale of the Company's business and assets, the Joint Administrators sent a letter to creditors on 28 August 2020 to provide further information on the sale pursuant to the requirements of Statement of Insolvency Practice 16 ("SIP16"). A copy of the information provided is attached at Appendix J. The proposals were not issued with the SIP16, as the level of creditor claims were confirmed by the Directors and the proposals were subject to final review by the Joint Administrators. The Proposals have been issued shortly thereafter.

Cash at Bank

- 5.18 The Company operated bank facilities with HSBC and Arbuthnot Latham & Co. Limited ("Arbuthnot"). The accounts were frozen following the appointment of the Joint Administrators. HSBC advised that the accounts were overdrawn for the sum of c£20k and Arbuthnot had a credit balance of £6,600. We have requested that the account be closed and the credit balance be transferred to the Joint Administrators' account. These monies have now been received.

Leasehold / Trading Premises

- 5.19 The Company vacated the premises at Suite 2, Ground Floor One New Bailey, Stanley Street, Salford, M3 5JL on the appointment of the Joint Administrators. The Joint Administrators have contacted the landlord and advised them accordingly. The Joint Administrators do not require the continued use of the premises to achieve the purpose of the Administration and have not and will not occupy the premises during the Administration. I can confirm that the lease has been assigned to the Purchaser.

Professional Advisors ("PA") and / or Subcontractors ("S") used

- 5.20 On this assignment the Joint Administrators have or are proposing to use the advisors detailed below.

Name of Party		PA / S	Service Provided	Basis of Fees
Cerberus Asset Management ("CAM")		PA	Asset valuation advice	Time costs
Evolve IS Limited ("Evolve")		S	Handling of employee claims	Time costs

CAM

- 5.21 CAM has extensive sector specific product knowledge and experience in managing asset sales. CAM has a longstanding history of assisting insolvency practices with business and asset sales. They are supported by a team of RICS registered professionals who also specialise in security, removal and disposal of assets. CAM were instructed to provide an assessment of the Company's physical assets.

Evolve

- 5.22 Evolve provides Employment Rights Act services to the Insolvency Sector. The Joint Administrators instructed Evolve to assist in handling the relevant employees' claims in respect of pension arrears to the Redundancy Payments Office. This work has been sub-contracted out by the Joint Administrators as the extensive specialist knowledge Evolve have acquired over many years has allowed them to put effective systems in place to ensure claims are dealt with as quickly as possible.
- 5.23 Details of this firm's policy regarding the choice of advisors and the basis for their fees are given in Appendix H.

6 ACHIEVING THE PURPOSE OF ADMINISTRATION

- 6.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:
- (a) rescuing the Company as a going concern, or (if this cannot be achieved);
 - (b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration), or (if (a) and (b) cannot be achieved);
 - (c) realising property in order to make a distribution to one or more secured or preferential creditors.
- 6.2 The first objective is not considered to be capable of being achieved given the extent of historic liabilities.
- 6.3 The second objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were to be wound up (without first being in Administration). In the opinion of the Joint Administrators, this objective is unlikely to be achieved as there is no prospect of a dividend being available to unsecured creditors.
- 6.4 The third objective is to realise property in order to make a distribution to secured and / or preferential creditors. The third purpose has been achieved in this case as JLO has received a distribution of £114,000 under their Fixed Charge.
- 6.5 The Administration has been, and will continue to be financed by monies received from asset realisations.

7 JOINT ADMINISTRATORS' PROPOSALS AND EXIT ROUTE

- 7.1 The Joint Administrators' Proposals for achieving the objective of Administration are attached at Appendix A.
- 7.2 Ordinarily the Joint Administrators would seek a decision from the Company's creditors as to whether they approve the Proposals. However, in this case, as there is little likelihood of a dividend being available for unsecured creditors, there is no requirement to seek such a decision from creditors.
- 7.3 Creditors whose debts amount to at least 10% of the total debts of the Company may however request the administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. Such a request must be delivered to the administrators within 8 business days of the date on which this report was delivered. The deemed date of delivery of this report is given on the front page of this report. Please note that security must be given for the costs of convening the requisitioned decision.
- 7.4 If such a decision is requisitioned, creditors will again be invited to consider the appointment of a creditors' committee and to vote on the Joint Administrators' Proposals as set out at Appendix A.
- 7.5 In the event that no such request is received, the Proposals will be deemed to have been approved in accordance with Rule 3.38(4) of the Insolvency (England and Wales) Rules 2016 ("the Rules"). Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the expiry of the period for requisitioning a decision referred to in 1.5 above.
- 7.6 Once approved, the affairs of the Company will be managed in accordance with the Proposals and financed out of asset realisations.
- 7.7 Once the Administration has been finalised, and if there are insufficient funds available to allow a distribution to unsecured creditors, the Joint Administrators will file a Notice with the Registrar of Companies that the Company be dissolved. Alternatively, if there are assets still to be realised or investigations concluded but there will be no return to unsecured creditors, the Company may be placed into Compulsory Liquidation.

8 EXTENSION OF ADMINISTRATION

8.1 The appointment of administrators ordinarily ceases to have effect at the end of the period of one year from the date of their appointment.

8.2 In certain circumstances it may be necessary to extend the Administrators' term of office. In the circumstances of this case, this may be done for a specified period not exceeding twelve months with the consent of:

- the secured creditor of the Company; and
- the unsecured creditors of the Company.

8.3 We do not believe that an extension to the administration will be necessary in this case.

9 PRE-ADMINISTRATION COSTS

9.1 Pre-administration costs are defined as:

- Fees charged; and
- Expenses incurred

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

9.2 Time charged and expenses incurred by the Joint Administrators and their agents and solicitors in the period prior to their appointment are summarised below:

Charged by	Services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Leonard Curtis Recovery ("LCR")	Carried out an assessment of the financial position with a view to establishing Administration as the appropriate insolvency procedure, attending meetings with management, reviewing agents' valuations reports, marketing the business and assets, negotiating and agreeing a sale of the business and assets, preparing and reviewing sales documentation and preparation of appointment documentation, as well as time spent agreeing a strategy.	21,591.00	-	-	21,591.00
Cerberus Asset Management ("CAM")	Valuation of the Company's physical assets.	1,800.00	-	-	1,800.00
IP-Bid	Cost of marketing the business on the IP-Bid website.	294.00	-	-	294.00
	Total	23,685.00	-	-	23,685.00

- 9.3 Enclosed at Appendix D is an analysis of the Joint Administrators' pre-administration costs. The analysis shows that total pre-administration time costs of £21,591.00 have been incurred which represents 74.6 hours at a rate of £289.42 per hour.

Work Undertaken by Leonard Curtis

- 9.4 In the period prior to Administration, LCR provided insolvency advice to the Company and carried out an assessment of its financial position with a view to establishing the appropriate insolvency procedure for the Company.
- 9.5 LCR evaluated the Company's financial position and advised that the Company was insolvent as it was unable to pay its liabilities as and when they fell due.
- 9.6 Subsequently it was advised that Administration was the most suitable form of insolvency procedure and LCR assisted with formulating an administration strategy.
- 9.7 The work undertaken included but was not limited to:
- Advising the Company that Administration would be most appropriate insolvency process;
 - Dealing with all formalities in relation to the appointment of Administrators;
 - Holding meetings with the management of the business;
 - Liaising with the directors and the secured creditor with regards to the strategy;
 - Obtaining the Company's relevant financial information;
 - Marketing of the business by way of an advertising on our website, the website of our instructed agents and IP-Bid and ultimately dealing with interested parties;
 - Providing the secured creditor with updates in regards to the strategy of the Administration and the resultant outcome;
 - Negotiating the sale of the business and liaising with key stakeholders to obtain the required agreement to the sale;
 - Liaising with CAM regarding the valuations of the various asset categories to be sold;
 - Gathering information in order to complete the SIP16 letter to be sent to creditors following administrators' appointment;
 - Preparing and reviewing sale documentation;
 - Preparing, reviewing and submitting the appointment documents;
 - Time has been spent by LC Legal drafting the NOI and filing of the same in the High Court of Justice Business and Property Courts in Manchester. Serving the NOI on the Company and the secured creditor;
 - Time has been spent by LC Legal drafting the appointment documentation and filing of the same in the High Court of Justice Business and Property Courts in Manchester;
 - LC Legal spent time preparing and executing the required sales documentation; and
 - LC Legal also provided general advice in respect of the Company.
- 9.8 The above work ensured that the Administration purpose could be achieved. The work was required to be done before the Company entered Administration, as the marketing and sale process needed to be dealt with prior to the appointment of the Joint Administrators in order to preserve the business, safeguard jobs and ensure the best realisation for the Company's assets was obtained. As detailed at Appendix L, it was not appropriate to trade the business, and offer it for sale as a going concern, during the Administration
- 9.9 The Joint Administrators pre-appointment fees have been incurred on a time cost basis as agreed with the Company pursuant to the letter of engagement, which was sent to the Company on 11 August 2020 and signed on 11 August 2020, confirming acceptance to the terms of the engagement.

Work Undertaken by CAM

9.10 CAM were instructed on 25 February 2020 to provide a valuation of all the Company's physical assets to assist with the initial general advice, and were subsequently advised to market the business and assets. The work carried out included:

- Marketing of the business and assets;
- Liaising with management to obtain details of Company owned assets (including stock); and
- Asset valuation and recommendation of sale.

Work Undertaken by IP-Bid

9.11 The work carried out by IP-Bid included:

- Marketing of the business and assets.

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

10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

General

10.1 The basis of the Joint Administrators' remuneration may be fixed either as a percentage of the value with which they have to deal ('a percentage basis'), as a set amount, or by reference to the time properly given by the Joint Administrators and their staff in attending to matters as set out in a Fees Estimate. A combination of these bases may be fixed, with different bases being fixed in respect of different things done by the Joint Administrators. Additionally, where a percentage basis is fixed, different percentages may be fixed in respect of different things done by the Joint Administrators.

Approval by appropriate body

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

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

Information to be given to creditors

10.4 The Joint Administrators wish, in this case, to seek the creditors' agreement to their remuneration being fixed by reference to the time properly given by them and their staff in attending to matters as set out in a Fees Estimate. Prior to seeking approval of this basis, the Joint Administrators are required to provide all known creditors with their Fees Estimate and details of the expenses that they consider will be, or are likely to be, incurred during the administration ("Statement of Likely Expenses").

The Fees Estimate

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

- Details of the work that the Joint Administrators and their staff propose to undertake;

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

Details of the Joint Administrators' time costs to 28 August 2020 have also been included for comparison purposes. In summary, time costs of £13,578.00 have been incurred to date which represents 46.0 hours at a rate of £295.17 per hour.

- 10.6 The total amount of time costs as set out in the Fees Estimate is £57,445.00. Once approved by the appropriate body of creditors, the remuneration drawn by the Joint Administrators must not exceed this total amount without prior approval. It should be noted that in some instances payment of these costs will be limited to the amount of realisations available in the administration.
- 10.7 The Fees Estimate is based upon information currently available to the Joint Administrators. Based upon this information, the Joint Administrators do not anticipate that the Fees Estimate will be exceeded. However should information come to light during the course of the administration which means that the Joint Administrators will be required to undertake work not envisaged at the time that the Fees Estimate was provided, it may be necessary for the Joint Administrators to revert to creditors for further approval.
- 10.8 Details of the firm's charge-out rates and policy regarding the recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix H. Please be aware that the firm's charge out rates have been amended with effect from 1 August 2019.
- 10.9 Further guidance may be found in "A Creditors' Guide to Administrators' Fees" (Version 4 – April 2017) which may be downloaded using the following link:
<https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/cif> if you would prefer this to be sent to you in hard copy please email recovery@leonardcurtis.co.uk or contact Fay Dugmore of this office on 0161 831 9999

Statement of Likely Expenses

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

10.11 Further Updates

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

11 ESTIMATED OUTCOME FOR CREDITORS

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

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

11.3 In summary:

- Secured creditors – JLO has received a partial distribution under their Fixed charge. We do not anticipate that there will be sufficient realisations in order to make an additional distribution.
- Preferential creditors – we do not anticipate that there will be sufficient funds to make a distribution to preferential creditors.
- Unsecured creditors – we do not anticipate that there will be sufficient funds to make a distribution to unsecured creditors.

12 RELEASE OF ADMINISTRATORS FROM LIABILITY

- 12.1 As soon as all outstanding matters in the Administration have been attended to it is anticipated that we will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically to dissolution.
- 12.2 The appointment of the Joint Administrators will cease as soon as this notice is issued.
- 12.3 It is for the creditors to fix the date upon which the Joint Administrators are discharged from liability in respect of any action of theirs during the Administration. The relevant form to enable you to consider this decision is attached at Appendix J of this report.

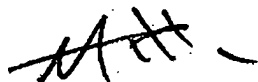
13 VOTING PROCEDURE AND CONCLUSION

- 13.1 It is important that you give careful attention to this report and its Appendices.
- 13.2 Details of all decisions to be made by creditors are included on Appendix I – Notice of a Decision Procedure by Correspondence. In order for your vote to count, you should ensure that your completed voting form (see Appendix J) has been delivered to the Joint Administrators on or before the Decision Date given on the front of this report and in Appendix I. Your vote should be accompanied by a proof of debt, unless one has previously been provided, failing which your vote may be disregarded.
- 13.3 Creditors' attention is drawn to Chapter 9 of Part 1 of the Rules, which detail the rules for delivery of documents.
- 13.4 Creditors will be notified of the outcome of the decision procedure in due course.

Foodwell Manchester Limited - In Administration

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

for and on behalf of
FOODWELL MANCHESTER LIMITED



MIKE DILLON
JOINT ADMINISTRATOR

Mike Dillon is authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants in England and Wales under office holder number 24610 and Katy McAndrew is authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants in England and Wales under office holder number 24470

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

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

It is proposed that:

1. The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration.
2. If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company.
3. If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation ("CVL"). It is further proposed that the Joint Administrators in office at the date of conversion to CVL will become the Joint Liquidators of the Company, and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them. NB. Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved.
4. Alternatively, if appropriate, the Joint Administrators apply to Court under Para 65(3) of Schedule B1 to the Insolvency Act 1986 (as amended) for permission to make a distribution to the unsecured creditors within the Administration.
5. In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved.
6. The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company.
7. The Company may be placed into compulsory liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that the Joint Administrators in office at the date of conversion to compulsory liquidation will become the Joint Liquidators of the Company, and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them..
8. The Joint Administrators shall do all such other things and generally exercise all of his 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.

ESTIMATED FINANCIAL POSITION AS AT 25 AUGUST 2020

	Notes	Book value £	In Administration £
Assets specifically pledged			
Goodwill	1	Nil	114,000
less: JLO	2	(172,000)	(150,000)
Surplus as regards fixed charge holder		<u>(172,000)</u>	<u>(36,000)</u>
Assets not specifically pledged			
Encumbered Kitchen Assets	3	725,962	Nil
Encumbered Bar and Dining Assets	3		Nil
Unencumbered Plant and Machinery	4		18,000
Stock	5	n/k	2,500
Cash at bank	6	6,600	6,600
		<u>734,397</u>	<u>27,100</u>
Preferential creditors	7	(941)	(941)
Net property available for prescribed part		<u>733,456</u>	<u>26,159</u>
Prescribed part calculation			
50% of first £10,000		n/a	(5,000)
20% of balance		n/a	(3,232)
Total prescribed part fund available	7	n/a	<u>(8,232)</u>
Available for floating charge creditor		<u>733,456</u>	<u>17,927</u>
JLO	2	(172,000)	(36,000)
Surplus as regards floating charge holder		<u>561,456</u>	<u>(18,073)</u>
Add back prescribed part	7	-	<u>8,232</u>
Available for unsecured creditors		<u>561,456</u>	<u>8,232</u>
Unsecured creditors			
H M Revenue & Customs	8	(49,883)	(49,883)
Unsecured Employee Claims	9	(3,017)	(3,017)
Connected Creditors	10	(976,854)	(976,854)
JLO	11	(100,000)	(100,000)
Trade and expense creditors	12	(753,616)	(753,616)
Total value of unsecured creditors		<u>(1,883,370)</u>	<u>(1,883,370)</u>
Estimated deficiency as regards unsecured creditors		<u>(1,321,914)</u>	<u>(1,875,047)</u>

NOTES TO THE ESTIMATED FINANCIAL POSITION

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

1. Goodwill

The Company's latest set of accounts do not attribute any value to the Goodwill.

The estimated to realise figure reflects the sale of the business consideration apportioned to the Goodwill.

2. JLO

JLO holds security by way of a Debenture, incorporating a Fixed and Floating Charge over all assets, created on 21 October 2019. JLO provided funding by way of a loan to the Company. The security was capped at £150,000.

A total sum of £250,000 remained outstanding to JLO at the date of the Administration, of which £150,000 was secured.

I can confirm that JLO has received a partial distribution of £114,000 under their Fixed Charge, following a sale of the Goodwill. It is not anticipated that there will be further distributions to JLO.

3. Encumbered Assets

CAM conducted a valuation of these assets on the basis of an open market in-situ value basis (high) and a forced sale basis (low). Valuations on this basis provide an estimated outcome in a pre-packaged sale and a cessation of trade basis.

The book value for the Encumbered Assets, in addition to Unencumbered Plant and Machinery had a total book value of £725,962, which has been taken from the accounts as at 30 June 2019. The book value is a gross value of the encumbered and Unencumbered Plant and Machinery, and at this time we are unable to provide a split between the assets.

It should be noted that the sum of £370,564 remained outstanding to the financier at 30 June 2020.

CAM advised that the encumbered kitchen assets had a value in the range of £37,500 in an open market in-situ value basis and £25,000 on an ex-situ forced sale basis with no reasonable marketing period.

CAM advised that the encumbered bar and dining area assets had a value in the range of £50,100, in an open market in-situ value basis and £12,000 on an ex-situ forced sale basis with no reasonable marketing period.

As such, the encumbered assets held no equitable value. The encumbered assets were novated to Firefly Holdings (Manchester) Limited prior to our appointment. Notwithstanding the above, any encumbered assets were specifically excluded from the sale.

4. Unencumbered Plant and Machinery

CAM conducted a valuation of these assets on the basis of an open market in-situ value basis (high) and a forced sale basis (low). Valuations on this basis provide an estimated outcome in a pre-packaged sale and a cessation of trade basis.

The book value for Unencumbered Plant and Machinery, in addition to Encumbered Kitchen Assets and Encumbered Bar and Dining Area Assets had a total book value of £725,962, which has been taken from the accounts as at 30 June 2019. The book value is a gross value of the encumbered and Unencumbered Plant and Machinery, and at this time we are unable to provide a split between the assets.

The Unencumbered Plant and Machinery was made up of 4 television screens at the premises. CAM advised that the Plant and Machinery had a value in the range of £400 in an open market in-situ value basis and £200 on an ex-situ forced sale basis with no reasonable marketing period.

The offer received included a sum of £18,000 for the Plant and Machinery. This offer was in excess of the valuations and was recommended for acceptance by CAM.

4. Stock

The Company's latest set of accounts do not attribute any value to the Stock. The Company provided a stock list on our appointment, however no cost values were provided.

CAM advised that the Stock had a value in the range of £950 in an open market in-situ value basis and £300 on an ex-situ forced sale basis with no reasonable marketing period. The Stock mainly comprised of wet stock, which had been supplied prior to the cessation of trade in March 2020.

The offer includes the sum of £2,500 for the stock. This offer was in excess of the high basis and was therefore, recommended for acceptance following advice from the agents CAM.

5. Cash at Bank

The Company operated bank facilities with HSBC and Arbutnot. The accounts were frozen following the appointment of the Joint Administrators. HSBC advised that the accounts were overdrawn for the sum of c£20k and Arbutnot had a credit balance of £6,600. We have requested that the account be closed and the credit balance be transferred to the Joint Administrators' account. These monies have now been received.

6. Preferential Creditors

The only categories of claims which have preferential status are those of employees in respect of wages (up to £800) and accrued holiday pay and certain pension contributions.

Immediately following the Joint Administrators appointment and the sale of the Company's business and assets was concluded, the Company's 25 employees were transferred to the Purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE").

However, the Company advised that there were 6 months of outstanding pension contributions due to the employees. Of the 6 month of pension arrears contributions due, 4 months of these will be classed as preferential claims. Evolve have been instructed to assist with the submission of the relevant claim forms to the RPO, in respect of the pension arrears.

For the purpose of this report, we anticipate the preferential claim to the sum of £940.53 in respect of pension contributions.

After defraying the costs and expenses of the Administration, we do not anticipate that there will be sufficient funds to enable a distribution to preferential creditors.

7. Prescribed Part

The Insolvency Act 1986 provides that, where a company has created a floating charge after 15 September 2003, the administrator must make a *prescribed part* of the Company's net property (after costs and preferential creditors) available to the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims.

The method of calculating the prescribed part is given below:

Where the net property does not exceed £10,000

50% of that property

Where the net property exceeds £10,000

50% of the first £10,000, plus 20% of the property which exceeds £10,000, up to a maximum prescribed part of £600,000.

8. H M Revenue & Customs

This figure has been taken from the Company's books and records based on the latest information available. This claim should not to be regarded as an agreed amount.

9. Unsecured Employee Claims

We anticipate employees' unsecured claims are as follows:

	£
Employee Pension Arrears	1,1345.95
Employer Pension Arrears	1,670.94
	<u>3,016.89</u>

10. Connected Creditors

This figure has been taken from the Company's books and records and cannot be regarded as the agreed amount. The figure is made up of the following:

	£
Mr D Drinkwater	195,738.80
Mr C Coates	56,752.68
DND Promotions Ltd	586,029.16
Hansel & Gretal Limited	138,333.33
	<u>976,853.97</u>

11. JLO

This figure has been taken from the Company's books and records based on the latest information available. This claim should not to be regarded as an agreed amount.

12: Trade and expense creditors

This figure has been taken from the Company's books and records based on the latest information available. This claim should not to be regarded as an agreed amount.

CREDITORS LIST FOR THE ESTIMATED FINANCIAL POSITION

Name	Address			
Althams	Northgate	White Lund Industrial Estate	Morecambe	
Apic base	APICBASE NV	Samberstraat 3	2060	Antwerp
Bamford Ltd	19 Mossop Street	London		
Beehive	First Floor	79 Thomas Street	Northern Quarter	
Boc Ltd	The Priestley Centre	10 Priestley Road	Research Park	Guildford
Boutinot	Boundary House	Cheadle Point	Cheadle	
Brita Vivreua Ltd	1st Floor	Beaufort House	Cricket Field road	Uxbridge
Calderbrook Construction	64-66 Woodlands Rd	Lytham Saint Annes		
Capricorn Security	1035 Oldham Rd	Manchester		
Carbon Free Dining	Hollinwood Business Centre	Albert Street	Hollinwood	Failsword
Cleaning Ventures	7 Arundel St.	Manchester		
Cowgills Holloway Business Recovery LLP	Regency House	45-51 Chorley New Road	Bolton	
Christian Coates	Suite 7c	The Plaza	100 old hall Street	Liverpool
Daniel Drinkwater	Suite 7c	The Plaza	100 old hall Street	Liverpool
DND Promotions Ltd	Suite 10-12.Mezzanine Floor	Royal Liver Building	Pier Head	Liverpool
Frog Flowers	51 Turner Street	Manchester		
Genre Music	3 Knutsford Road	Holmes Chapel	Cheshire	
Go PR	8-6 Beech Ln	Wilmslow		
Gornalls Dairy Foods	Bushelld's Farm	Goosnargh	Preston	
Grind	8-10 New North Place	Shoreditch	London	

Foodwell Manchester Limited - In Administration

Haines Watts	Pacific Chambers	11-13m Victoria Street	Liverpool	
Hansel & Gretal Ltd	Suite 10-12	Mezzanine Floor	Royal Liver Building	Pier Head
HM Revenue & Customs	Durrington House	Barrington Road	Worthing	West Sussex
HSBC Bank Plc	4 Hardman Square	Spinningfields	Manchester	
IDL	Office 4	Lancaster		
JLO Consulting Services Ltd	Suite 7c	The Plaza	100 old hall Street	Liverpool
JLO Consulting Services Ltd	Suite 7c	The Plaza	101 old hall Street	Liverpool
London Linen	6-8 Jackson Way	Great Western Ind. Park	Windmill Lane	Southall
LWC	Unit 3 Stainburn Rd	Openshaw	Manchester	
Manchester Finest	22 Lever St	Manchester		
Miam Miam Glou Glou Ltd	23 Green Hall Mews	Wilmslow		
N Power	Windmill Hill Business Park Whitehill Way	Swindon	Wiltshire	
Nest	Nene Hall	Lynch Wood Business Park	Peterborough	
Nite Owl (dry ice)	Mentor House	Ainsworth Street	Blackburn	
Open Table	5 New Street Square	London		
Plan Day	1 Waterhouse Square	4th Floor	London	
PPL	Mercury Place	St George Street	Leicester	
Pulse Digital	St Johns Court	Bacup Rd	Rossendale	
Res Diary	3rd Floor	36 Renfield St	Glasgow	
Sailbrand	Red Doles Ln,	Huddersfield		
Salford Council Rates	Salford Civic Centre	Swinton	Manchester	
Sign Religion	221 Dickson Road	Blackpool		
Simplify vehicles Ltd Amex bill	Norcliffe Farm	Styal Road		
Simplify vehicles Ltd Head office rent	Norcliffe Farm	Styal Road		
Six15	Momentum Place	Units 11 & 12	Bamber Bridge	Preston
SM Cleaning	165 Bridgewater Street	Wigan		
Southalls	Cranmore Dr	Cranmore Place	Shirley	Solihull
Stephensons	Kennerley Works	161 Buxton Rd	Heaviley	Stockport
Tea from the Manor	Willow House,	Orbital 24	Oldham Street	Denton

Foodwell Manchester Limited - In Administration

The Pensions Regulator	Napier House	Trafalgar Place	Brighton	
Tibard	Tibard House	Globe Lane Industrial Estate	Broadway	Dukinfield
Trove Bakery	1032 Stockport Road	Levenshulme	Manchester	
25 Employee Preferential Creditors				
25 Unsecured Employee Claims				
Total				

NOTE: JLO hold security by way of Debenture incorporating Fixed and Floating Charges, created on 21 October 2019

APPENDIX C

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS FROM
TO 4 SEPTEMBER 2020

	Statement of Affairs £	Received to date £
RECEIPTS		
Goodwill	114,000	114,000.00
Unencumbered Plant & Machinery	18,000	4,390.24
Stock	2,500	609.76
Balance at Bank	6,00	6,500.00
	<u>141,100</u>	<u>125,500.00</u>
DISTRIBUTIONS		
Secured Creditor – JLO		<u>(114,000.00)</u>
BALANCE IN HAND		<u>11,500.00</u>

SUMMARY OF JOINT ADMINISTRATORS' PRE-ADMINISTRATION COSTS

	Total		Average
	Units	Cost	Hourly
		£	Rate
			£
Strategy & purpose evaluation	282	12,015.00	426
Preparation of documents	202	3,957.00	196
Court Related Issues	1	52.50	525
Legal Services	261	5,566.50	154
<hr/>			
Total	746	21,591.00	289.42
<hr/>			

All Units are 6 minutes

DETAILED ANALYSIS OF PRE-ADMINISTRATION COSTS

Strategy & Purpose Evaluation

Significant time has been spent by all members of the case administration team, including senior members of Leonard Curtis in formalising the strategy for the Administration. The time recorded to this category includes:

- Establishing a case plan for dealing with the Company and the proposed Administration;
- Collecting the information provided by the Company to assist in identifying the best courses of action;
- Attending a number of meetings with the Company's Directors to progress the proposed Administration;
- Providing details of the strategy for the Administration to the Directors and the Secured Creditor;
- Conducting marketing activities for the Company;
- Liaising with interested parties with regards to the offer received;
- Liaising with the Purchaser following the acceptance of its offer;
- Instructing and liaising with agents with regards to the proposed administration; and
- Liaising with LC Legal with regards to the appointment and sales documentation and reviewing the terms of the Sale and Purchase Agreement.

Preparation of Documents

Time incurred in relation to this category of work has involved the following:

- Drafting a letter of engagement and ethical / conflict review paper work for review;
- Overseeing the preparation of the Notices of Intention to Appointment an Administrator and its filing;
- Printing off and reviewing the SPA and arranging for the signing of the documents;
- Drafting and updating the Estimated Outcome Statement, as appropriate;
- Setting up of the case file and completion of the pre-appointment requirements;
- Verifying the directors' and shareholders' identity in compliance with money laundering obligations; and
- Drafting the SIP16 letter and the Joint Administrators Report and Statement of Proposals sent to creditors following our appointment.

Court Related Issues

Time has been incurred reviewing the Notice of Intention to Appoint Joint Administrators.

Legal Services

Time has been incurred under this category of asset in relation to the following:

- Preparation and drafting of Sale and Purchase agreement;
- Preparation and drafting of the Personal Guarantee;
- Preparation and drafting of the Funds Flow Letter;
- Negotiation and amendment of the suite of documents;
- Sending the suite of documents via email to the Joint Administrators; and
- Providing general advice to the Joint Administrators.

JOINT ADMINISTRATORS' FEES ESTIMATE INCORPORATING TIME INCURRED

	FEES ESTIMATE			INCL
	Total			
	Units	Cost	Average	Uni
	No	£	hourly rate	N
			£	
Statutory and Review	209	7,157.50	342.46	-
Receipts and Payments	109	3,047.50	279.59	8
Insurance, Bonding and Pensions	98	2,888.00	294.69	4
Assets	146	5,433.50	372.16	48
Liabilities	500	17,657.50	353.15	23
Debenture Holder	50	1,838.50	367.70	-
General Administration	127	3,977.00	313.15	2
Appointment	110	3,701.00	337.36	11
Planning and Strategy	42	1,656.50	394.40	5
Post Appointment Creditors Decisions	151	5,494.00	363.84	28
Investigations	112	4,139.00	369.55	0
Legal Services	10	445.00	445.00	9
	1,664	57,445.00	345.22	46

JOINT ADMINISTRATORS' FEES ESTIMATE

DETAILS OF WORK PROPOSED TO BE UNDERTAKEN

Statutory and Review

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

- Case management reviews. These will be carried out periodically throughout the life of the case. In the early stages of the case this will involve weekly team meetings to discuss and agree case strategy and a month 1 review by the firm's Compliance team to ensure that all statutory and best practice matters have been dealt with appropriately. As the case progresses we will as a minimum carry out three monthly and six monthly reviews to ensure that the case is progressing as planned. This will include a compliance review and two periodic reviews of the case;
- Allocation of staff, management of staff, case resourcing and budgeting. Time recorded to this category of time may include a degree of case planning. This is likely to ensure that the purpose of the Administration is being achieved and that the actions taken by the Joint Administrators in accordance with the duty to act in the interest of the Company, its creditors and stakeholders;
- Review of time costs data to ensure accurate posting of time and to ensure compliance with Statement of Insolvency Practice 9;
- Review of work carried out by more junior members of staff to ensure quality of work and adherence to standards, legislation and best practice;
- The team is required under the Company Directors' Disqualification Act 1986 to review the Company's records and consider information provided by creditors on the conduct of the all directors involved in the Company during the three years leading up to the insolvency. This will result in the preparation and submission of statutory returns or reports on all directors to the Insolvency Service. Evidence of unfit conduct can result in directors being disqualified for periods of up to 15 years;
- Review of directors' sworn statement of affairs and filing of document at Companies House in accordance with statutory requirements; and
- Completion of case closing procedures at the end of the case.

Receipts and Payments

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

- Opening of case bank account;
- Management of case bank account(s) to ensure compliance with relevant risk management procedures;
- Regular review of case bank account by senior member of staff to ensure that fixed and floating charge assets have been properly identified and prescribed part funds have been set aside where appropriate;
- Preparation of periodic receipts and payments accounts for inclusion in statutory reports. As the case is anticipated to last for a period of 12 months, it is anticipated that in addition to the receipts and payments included in this report, there will be a further two prepared for the progress report and the final report; Preparation and review of a number of periodic estimated outcome statements ("EOS") which will be used to monitor the progress of asset realisations;
- Timely completion of all post appointment tax and VAT returns; and
- Managing estate expenses.

Time has been spent to 28 August 2020 opening the case bank account preparing the receipt vouchers in respect of the completion monies paid by the Purchaser.

Insurance, Bonding and Pensions

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

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

Time has been spent to 28 August 2020 calculating the bond to ensure sufficient insurance protection is in place.

Assets

- Agreeing strategy for realisation of Company assets – time has been spent completing a sale of the Goodwill, Unencumbered Assets and Stock. Further time will be spent monitoring the collection of the deferred consideration to ensure amounts are received in accordance with the Sale and Purchase Agreement, and if appropriate, taking steps to enforce security held;
- Instruction of and liaising with agents as required Instruction of and liaising with agents as required – the Joint Administrators Instructed CAM to assist with the sale of business;
- Instructing property agent CAPA, to conduct a review of property rates to identify any potential refunds;
- Liaising with Company's bankers re pre-appointment bank accounts;
- Identification and return of third party assets;

Time has been spent to 28 August 2020, completing the sale of the business and circulating the sales documents to relevant parties.

Liabilities

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

Statutory

- Processing of claims from the Company's creditors - All claims received from the Company's 77 creditors;
- Processing of claims from the Company's employees;
- Preparation, review and submission of pre-appointment tax and VAT returns;
- Preparation and distribution of the SIP16 report to relevant parties;
- Preparation of the joint Administrators' Proposals; and

- Preparation and submission of periodic progress reports to creditors - it is anticipated that a further 2 progress reports will be required in this instance.

Non-statutory

- Dealing with enquiries from the Company's creditors – this will include dealing with creditors' general queries by way of post, email and telephone; and
- Dealing with enquiries from the Company's employees.

Time has been spent to 28 August 2020 drafting, reviewing and submitting the SIP16 to all relevant parties.

Debenture Holder

- General correspondence with the Debenture Holder

General Administration

This category of work does not result in a direct financial benefit for creditors; however it is necessary for these tasks to be completed in order to ensure the smooth and efficient progression of the administration:

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

Time has been spent to 28 August 2020 setting up the administrator's records and dealing with general correspondence with the directors.

Appointment

There are certain tasks which the Joint Administrators have a statutory obligation to undertake during the administration process. Other tasks are completed in order to ensure the administration is progressed to the benefit of all creditors and stakeholders. Actions completed to date are both statutory and non-statutory and include the following:

- Statutory notifications to creditors and other interested parties following the administrators' appointment;
- Preparation of case plan; and
- Formulation of case strategy, including recording of any strategic decisions.

Time has been spent to 28 August 2020 preparing, reviewing and sending the statutory notifications to necessary parties.

Planning & Strategy

- Monitoring the Administration to ensure the strategy and purpose can be achieved

Post Appointment Creditors' Decisions

- Preparation of Joint Administrators' Proposals for achieving a statutory purpose of the administration;
- Preparation of Fees Estimate and Statement of Expenses in accordance with Insolvency (England and Wales) Rules 2016; and
- Convening a decision by correspondence to agree Fees Estimate with appropriate body of creditors;
- Reporting on outcome of voting.

Time has been spent to 28 August 2020 drafting the Joint Administrators' Proposals.

Investigations

- Collecting and reviewing the Company's records;
- Conducting initial investigations into the Company's affairs/records to identify the possibility of further realisations. Statutory Investigations will include determining if any of the following have occurred:
 - Transactions at an Undervalue;
 - Preferences;
 - Transactions putting assets beyond the reach of creditors;
 - Misfeasance or breach of any fiduciary duty;
 - Wrongful trading; and
 - Undue retention of Crown monies.
- Submission of returns due under the Company Directors' Disqualification Act 1986.

Legal Services

- Time attributed to this category will consist of general legal work carried out by our in-house legal team, LC Legal.

Time has been spent completing sales documentation and circulating to necessary parties.

JOINT ADMINISTRATORS' STATEMENT OF LIKELY EXPENSES

Standard Expenses

Type	Description	Amount £
AML Checks	Electronic client verification	10.00
Bond Fee	Insurance bond	25.00
Document Hosting	Hosting of documents for creditors	70.00
Software Licence Fee	Case management system licence fee	87.00
Statutory Advertising	Advertising	85.95
Storage Costs	Storage of books and records	50.00
	Total standard expenses	327.95

Case Specific Expenses

Type	Description	Amount £
Agents' Fees	Costs of assisting with outstanding pension contributions	1,000.00
Accountancy Fees	Cost of assistance with completing the Statement of Affairs	1,500.00
	Total case specific expenses	2,500.00

ESTIMATED OUTCOME STATEMENT

	Secured
	£'000
Amount estimated to be available to class of creditor	114
Amount due to creditor per Appendix B	(150)
Estimated dividend rate (as a %)	76%

LEONARD CURTIS POLICY REGARDING FEES, EXPENSES AND DISBURSEMENTS

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

Staff Allocation and Charge Out Rates

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

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

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

6 Jan 2014 onwards	Standard	Complex	1 Aug 2019 onwards	Standard	Complex
	£	£		£	£
Director	450	562	Director	525	656
Senior Manager	410	512	Senior Manager	445	556
Manager 1	365	456	Manager 1	395	494
Manager 2	320	400	Manager 2	345	431
Administrator 1	260	325	Administrator 1	280	350
Administrator 2	230	287	Administrator 2	250	313
Administrator 3	210	262	Administrator 3	230	288
Administrator 4	150	187	Administrator 4	165	206
Support	0	0	Support	0	0

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

Subcontractors

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

Professional Advisors

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

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

Expenses

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

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

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

Company searches	Extraction of company information from Companies House	£1.00 per document unless document can be accessed via the free service		
Document hosting	Hosting of documents for creditors/shareholders. Cost per upload, plus VAT.	Type	First 100	Every addtl 10
		ADM	£14.00	£1.40
		CVL	£7.00	£0.70
		MVL	£7.00	£0.70
		CPL	£7.00	£0.70
		CVA	£10.00	£1.00
		BKY	£10.00	£1.00
		IVA	£10 p.a. or £25 for life of case	
Postage	Cost of posting documents in connection with a case to external recipients	Calculated in accordance with Royal Mail Hybrid Mail rates and dependent on whether the document is sent by first or second class post.		
Post re-direction	Redirection of post from Company's premises to office-holders' address	0-3 months £204.00 3-6 months £303.00 6-12 months £490.00		
Software Licence fee	Payable to software provider for use of case management system	£87.00 plus VAT per case		
Statutory advertising	Advertising of appointment, notice of meetings etc. - London Gazette - Other	£91.80 - £102.00 plus VAT per advert Dependent upon advert and publication		
Storage costs	Costs of storage of case books and records	£5.07 plus VAT per box per annum plus handling charges		

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

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

Disbursements

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

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

Storage of office files (6 years)	£30 per box
Business mileage	45p per mile

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

NOTICE OF A DECISION PROCEDURE BY CORRESPONDENCE

Re: FOODWELL MANCHESTER LIMITED (IN ADMINISTRATION) ("the Company")

Registered number: 11425155

Court details: High Court of Justice Business and Property Courts in Manchester - Company & Insolvency

List (CHD) Court Ref: CR-2020-MAN-000769

**NOTICE TO CREDITORS OF A DECISION PROCEDURE TO BE CONSIDERED BY CORRESPONDENCE
IN ACCORDANCE WITH RULES 15.8 AND 18.18 OF THE INSOLVENCY (ENGLAND AND WALES) RULES
2016**

We, Mike Dillon and Katy McAndrew, of Leonard Curtis, Riverside House, Irwell Street, Manchester, M3 5EN, were appointed Joint Administrators of the Company on 25 August 2020.

NOTICE IS HEREBY GIVEN pursuant to Rules 15.8 and 18.18 of the Insolvency (England and Wales) Rules 2016 that the creditors are being asked to make a decision as to whether they agree the basis of the Joint Administrators' remuneration and approve four other decisions by way of correspondence.

To participate in the vote creditors will need to have delivered a completed voting form to my office at Riverside House, Irwell Street, Manchester, M3 5EN or via email to Fay.Dugmore@leonardcurtis.co.uk by 23:59pm on 23 September 2020 together with a proof of debt form if one has not previously been lodged. Failure to deliver a proof of debt will result in your vote being disregarded.

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

The resolutions to be considered are:

1. In the absence of a creditors' committee, that the remuneration of the Joint Administrators be fixed by reference to time properly spent by them and their staff in attending to matters as set out in the Fees Estimate (for an amount not exceeding £57,445.00).
2. That the unpaid pre-administration costs as detailed in the Joint Administrators' Statement of Proposals be approved for payment as an expense of the Administration.
3. That the basis of the recharge of the Joint Administrators' category 2 disbursements be fixed by reference to the rates set out in the Joint Administrators' Statement of Proposals and that they be authorised to be reimbursed such disbursements as and when funds permit.
4. That the Joint Administrators be discharged from liability in respect of any action(s) of theirs as Administrators pursuant to the provisions of paragraph 98(2)(b) of Schedule B1 to the Insolvency Act 1986, immediately upon their appointment ceasing to have effect.

Statutory Information and Creditors' Entitlement To Vote

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

- Creditors are only entitled to vote if they have delivered a proof of debt prior to the decision date and the claim has been accepted in whole or in part, together with a voting form. Whilst I am permitted to agree claims below £1,000 without a proof of debt, a creditor whose claim is less than £1,000 is not able to vote without having lodged a proof of debt. Creditors who have opted out from receiving notices may, nevertheless, vote if a proof of debt has been lodged.

- Creditors must deliver their voting form no later than 23:59pm on 23 September 2020. Forms should be posted to Foodwell Manchester Limited at Leonard Curtis, Riverside House, Irwell Street, Manchester, M3 5EN. Alternatively voting forms can be faxed to 0161 831 9090 or submitted by email to Fay.Dugmore@leonardcurtis.co.uk.
- I am obliged to advise creditors that applications to have any decision reviewed must be made to High Court of Justice Business and Property Courts in Manchester - Company & Insolvency List (CHD) under reference CR-2020-MAN-000769. Any such application should be made within 21 days of the decision date.
- If creditors are not satisfied with the decision procedure being used, they may request a physical meeting be convened providing their claim is 10% of the value of the creditors or 10% of the number of creditors request the same or 10 individual creditors request that a meeting be convened. All requests to hold a physical meeting should be made in writing but can be made by email to Manchester.meetingreq@leonardcurtis.co.uk. Requests for a physical meeting should be made within five business days of delivery of this notice.

Dated 4 September 2020

Signed _____


MIKE DILLON
JOINT ADMINISTRATOR

Contact details

Mike Dillon and Katy McAndrew
Leonard Curtis
Riverside House
Irwell Street
Manchester
M3 5EN
Tel: 0161 831 9999

VOTING FORM FOR CREDITORS

Re: FOODWELL MANCHESTER LIMITED (IN ADMINISTRATION) ("the Company")

Registered number: 11425155

**Court details: HIGH COURT OF JUSTICE BUSINESS AND PROPERTY COURTS IN MANCHESTER -
COMPANY & INSOLVENCY LIST (CHD) REF: CR-2020-MAN-000769**

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

Please note that this form should be returned prior to 23:59pm on 23 September 2020 to my offices at Foodwell Manchester Limited. Alternatively the form can be faxed to Leonard Curtis on 0161 831 9999 or submitted by email to Fay.Dugmore@leoardcurtis.co.uk. In order for your vote to be valid a proof of debt should also have been lodged.

RESOLUTIONS TO BE CONSIDERED

Decision 1

In the absence of a creditors' committee, the remuneration of the Joint Administrators be fixed by reference to time properly spent by them and their staff in attending to matters as set out in the Fees Estimate (for an amount not exceeding £57,445.00).

I am *in Favour / Against

Decision 2

That the unpaid pre-administration costs as detailed in the Joint Administrators' Statement of Proposals be approved for payment as an expense of the Administration.

I am *in Favour / Against

Decision 3

That the basis of the recharge of the Joint Administrators' category 2 disbursements be fixed by reference to the rates set out in the Joint Administrators' Statement of Proposals and that they be authorised to be reimbursed such disbursements as and when funds permit.

I am *in Favour / Against

Decision 4

That the Joint Administrators be discharged from liability in respect of any action(s) of theirs as Administrators pursuant to the provisions of paragraph 98(2)(b) of Schedule B1 to the Insolvency Act 1986, immediately upon their appointment ceasing to have effect.

I am *in Favour / Against

****delete as appropriate***

TO BE COMPLETED BY CREDITOR:

Dated: _____

Signed: _____

Name of creditor: _____

Position: _____

Proof of Debt – General Form
Relevant date: 25th August 2020

claims.manchester@leonardcurtis.co.uk quoting ref: **F569K/FD/PROOF**

Name of Company in Administration:

Foodwell Manchester Limited

Company registered number:

11425155

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

2. Correspondence address of creditor (including email address)

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

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

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

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

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

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

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

10. Date of signing:

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

12. Name in BLOCK LETTERS

13. Position with, or relation to, creditor

Notes:

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

claims.manchester@leonardcurtis.co.uk quoting ref: F569K/FD/PROOF

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



Please ask for : Fay Dugmore
Our ref : M/56/FD/F569K/1040
Your ref :

28 August 2020

**TO ALL CREDITORS
TO ALL EMPLOYEES
TO THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES**

Dear Sir(s)/Madam

**FOODWELL MANCHESTER LIMITED - IN ADMINISTRATION ("THE COMPANY")
HIGH COURT OF JUSTICE BUSINESS AND PROPERTY COURTS IN MANCHESTER - COMPANY & INSOLVENCY
LIST (CHD) NO. CR-2020-MAN-000769
COMPANY NUMBER: 11425155**

I write to advise you that Katy McAndrew and I were appointed as Joint Administrators of the Company on 25 August 2020. Attached is formal Notice of our Appointment.

You are receiving this notice because the Company's records show that you are a creditor of the Company. The Company's creditors will fall into one of the following categories:

- Secured creditors – a creditor who has the benefit of a security interest over some or all of the assets of the Company (e.g. banks, factoring providers);
- Preferential creditors – creditors who have a preferential right to payment out of the Company's assets once realised (e.g. employees in respect of arrears of pay and holiday pay, subject to certain limits); and
- Unsecured creditors – a creditor other than a preferential creditor that does not have the benefit of any security interests in the assets of the Company (e.g. ordinary trade suppliers; employees (to the extent that their claims are not preferential)).

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

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 or "pre-pack".

It is in the nature of a pre-packaged sale in an Administration that unsecured creditors are not given the opportunity to consider the sale of the business or assets before it takes place. It is important, therefore, that you are provided with a detailed explanation and justification of why a pre-packaged sale was undertaken, so that you can be satisfied that we have acted, where necessary, with due regard for your interests.

In this case, a sale of the Company's business and assets to Firefly Holdings (Manchester) Ltd (CRN: 12369843) ("the Purchaser") was completed on 25 August 2020. Set out at Appendix A is a summary of the circumstances and information relevant to this sale that we are required to disclose.

The Purchaser is connected to the Company pursuant to Section 249 and 435 of The Insolvency Act 1986 ("the Act") by virtue of the fact that the directors and shareholders of the Company, Daniel Drinkwater and Christian Coates, are directors and shareholders of the Purchaser.

With regard to orders placed by the Company prior to Administration but not yet delivered, suppliers should obtain confirmation from the Purchaser that the goods or services are still required and, if so, an order may be placed with the purchasing company. It should be noted that goods sold and delivered by the Company since Administration commenced must be paid for in full and cannot be set off against any claims against the Company.

You will appreciate that, as a result of the Administration, your previous account with the Company is frozen and neither the Administrators nor the Purchaser are in a position to deal with claims of unsecured creditors. Nevertheless, we should be grateful if you would let us have a detailed account of the amount owing to you as at the date of Administration. Your account, and any future correspondence in connection with the Company, should be sent to our address. Please remember to provide your full name, address, telephone number and email address for our records. If you are claiming title to goods supplied by you, please let us have full details, including your conditions of sale. If you believe you have a claim to goods it is imperative that you contact us as soon as possible and, if necessary, arrange a date to identify the goods in question. Failure to do so may prejudice your claim if any goods to which you claim title have been sold. We will not be liable in the event that goods are sold prior to notice of any valid retention of title claim being received.

Under the provisions of Paragraph 43 of Schedule B1 to the Insolvency Act 1986 ("the Act") no steps may be taken by any creditor to enforce any security over the Company's property or to repossess goods in the Company's possession under any hire purchase agreement (which includes conditional sale agreements, chattel asset leasing agreements and retention of title agreements) without the consent of the Joint Administrators or leave of the Court.

Also no other proceedings and no execution or other legal process may be commenced or continued, and no distress may be levied against the Company or its property except with the consent of the Joint Administrators or leave of the Court.

Where a pre-packaged sale has been undertaken, the Administrators should circulate their Proposals as soon as practicable after appointment, and where possible with this notification. We are currently in the process of formulating our proposals and these along with details of a decision procedure for their approval will be sent to creditors as soon as practicable. The proposals will not be issued with the proposals, as the proposals are subject to final review and are anticipated to be issued early next week. At that time, the Joint Administrators will be seeking, from the appropriate body of creditors, approval of the basis upon which their remuneration is to be calculated. A Creditor's guide to Administrators' fees (Version 4 issued April 2017), which sets out the rights of creditors in this respect, is available from our office free of charge or may be downloaded from:

<https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/>

You are also encouraged to visit the following website, which provides a step by step guide designed to help creditors navigate through an insolvency process:

www.creditorinsolvencyguide.co.uk

If you have any information regarding the conduct of the directors which you feel should be brought to our attention, any concerns regarding the way in which the Company's business has been conducted or information on potential recoveries or any particular matters which you consider require investigation, please send full details to this office at the address given below. This request forms part of our statutory investigation procedures and does not necessarily imply any criticism of the directors.

Data Protection

Finally, when submitting details of your claim in the administration, you may disclose personal data to us. The processing of personal data is regulated in the UK by the General Data Protection Regulation EU 2016/679 as supplemented by the Data Protection Act 2018, together with other laws which relate to privacy and electronic communications. We act as Data Controller in respect of personal data we obtain in relation to this administration and are therefore responsible for complying with Data Protection Law in respect of any personal data we process. Our privacy notice, which is attached to this letter at Appendix B,

explains how we process your personal data. Terms used in this clause bear the same meanings as are ascribed to them in Data Protection Law.

Insolvency practitioners at Leonard Curtis are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment.

We remind you that the Joint Administrators are agents of the Company and contract without personal liability.

Yours faithfully
for and on behalf of
FOODWELL MANCHESTER LIMITED

A handwritten signature in black ink, appearing to read 'Mike Dillon', with a stylized flourish at the end.

**MIKE DILLON
JOINT ADMINISTRATOR**

Mike Dillon and Katy McAndrew are authorised to act as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales under office holder numbers 24610 and 24470, respectively

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

Enc

The Insolvency Act 1986

Notice of administrator's appointment

Name of Company

FOODWELL MANCHESTER LIMITED

Company number

11425155

In the

High Court of Justice Business and Property Courts in Manchester
- Company & Insolvency List (CHD)

Court case number

CR-2020-MAN-000769

(a) Insert full name(s)
and address(es)

I/We (a)

Mike Dillon & Katy McAndrew of

Leonard Curtis, Riverside House, Irwell Street, , Manchester M3 5EN

give notice that ~~I was~~ we were appointed as administrator(s) of the above company on:

(b) Insert date

(b)

25 August 2020

Signed



26/08/2020

Dated

Joint / Administrator(s) (IP No(s)) 24610 / 24470

**FOODWELL MANCHESTER LIMITED ("the Company")
(IN ADMINISTRATION)**

**INFORMATION REGARDING THE PRE-PACKAGED SALE OF THE BUSINESS AND ASSETS OF
FOODWELL MANCHESTER LIMITED**

1 INITIAL INTRODUCTION

- 1.1 The directors originally contacted Leonard Curtis Recovery ("LCR") directly for general advice in February 2020. A meeting was held on 13 February 2020 with the Directors, where they advised that JLO Consulting Services Ltd ("JLO"), the Company's secured creditor, was unable to provide any further funding, and the Company had fallen behind on its payments due to creditors. The Directors advised that they were due a significant Research and Development ("R&D") tax claim, which, if received, would provide funding to the Company.
- 1.2 On 2 March 2020, the Company received a warning of winding up action from HMRC in respect of VAT and PAYE outstanding in the sum of £119k, which it was unable to pay. The Company subsequently engaged Corporate Strategies ("CS"), a division of Leonard Curtis Business Solutions Group, on 12 March 2020 to assist in agreement to a Time to Pay Arrangement ("TTP") with HMRC for the outstanding amount. No fees were paid to CS for the completion of this work.
- 1.3 In late March 2020, the Company was required to cease trading in line with the Government's nationwide COVID-19 restrictions and all staff were immediately placed on the Government Coronavirus Job Retention Scheme.
- 1.4 In May 2020, HMRC advised the Company that the R&D tax claim would be offset against the existing HMRC debt in respect of VAT and PAYE. The Directors subsequently appealed the offset of the monies given that the funding was required with a view to recommencing trading following the easing of the Government restrictions.
- 1.5 LCR held a further three meetings with the Directors in the months of June and July 2020, whilst the Directors negotiated with HMRC and following notification of the easing of trading restrictions in early July 2020, to discuss the options of the Company. Given that the R&D tax monies were unlikely to be received and the creditor position had worsened, in particular landlord liabilities for rent and service charge, it was subsequently concluded that the Company was insolvent in accordance with S123 of The Insolvency Act 1986 (as amended) in so far as 'the company cannot pay its debts as and when they fall due' and without an injection of working capital, which was considered unlikely, it would appear that it had no alternative other than to consider a formal insolvency process. Formal engagement was received from the Directors on 11 August 2020 to assist in placing the Company into Administration.
- 1.6 We do not believe that the above involvement, including CS' engagement, constitutes a significant personal or professional relationship which would affect our ability to deal with this matter objectively and prevent us from accepting this appointment.

2 PRE-APPOINTMENT CONSIDERATIONS

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

- 2.1 Following our instruction, we wrote formally to the directors of the Company on 11 August 2020 informing them that our role before any formal appointment would involve providing the following services:
 - i) advising them on which insolvency process would be most appropriate for the Company;

- ii) dealing with all formalities relating to the appointment of Administrators including giving appropriate notification of the intention to make such appointment to secured creditors and other parties entitled to receive notice;
- iii) preparing any reports necessary and attending Court hearings if appropriate;
- iv) advising them on the financial control and supervision of the business between the date of our engagement and the date of the appointment of Administrators;
- v) advising them on whether an early sale of the Company's business and trading assets would be likely to be in the interests of creditors.

2.2 We made it clear that these services were to be given for the benefit of the creditors of the Company and that our role was not to advise the directors in their personal capacity. We recommended that they seek their own independent advice if they were uncertain on any matter, particularly if they had expressed, or were likely to express, an interest in purchasing the Company's business and trading assets. We also wrote to all interested parties who we believed to be connected to the Company advising them of the IP's obligations under Statement of Insolvency Practice 16 ("SIP 16") regarding the marketing of the business and assets of the Company and of their ability to make a submission, or submissions, to the Pre-Pack Pool.

2.3 Finally, we explained that initially an IP acts as professional adviser to the Company with responsibilities only to it and its directors. At this stage of the process the IP will assist the directors in making the right decision about what is the correct option for them to pursue in the best interests of creditors having regard to the Company's circumstances. In this case, we advised the directors that the Company was insolvent and that steps be taken to place it into Administration.

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

Background Information

2.5 The Company was incorporated on 20 June 2018 and commenced trading in late 2018.

2.6 The Company operated as a licensed restaurant. The Company had 25 employees. The Company traded from leasehold premises at Suite 2, Ground Floor, One New Bailey, Stanley Street, Salford, M3 5JL. The lease period runs to 2029 with an annual rent of £115,253 plus utilities and service charge. The lease has been personally guaranteed by one of the directors.

2.7 The current directors of the Company are:

Name	Role	Appointed
Christian Coates	Director	20 June 2018
Daniel Drinkwater	Director	20 June 2018

2.8 The Company's shareholding comprises 100 Ordinary £1 shares, which are owned as follows:

Name	Class of Share	No. of Shares	% of Total Owned
Daniel Drinkwater	Ordinary	70	70
Christian Coates	Ordinary	20	20
Janine O'Sullivan	Ordinary	10	10
		<u>100</u>	<u>100</u>

2.9 According to Companies House, the following outstanding charges are registered:

Charger	Description	Date Created	Amount Secured and Assets Charged
Jlo Consulting Services Ltd ("JLO")	Debenture	21 October 2019	All monies. All assets

- 2.10 JLO provided funding to the Company by way of a loan facility, with the current balance owed to JLO being c£172,000.
- 2.11 The Company also received funding by way of an asset finance agreement with Asset Advantage Limited ("AAL"), which previously held security by way of a Debenture incorporating Fixed and Floating Charges, created on 23 January 2019. The asset finance agreement related to the majority of the fixtures and fittings in the restaurant. The security was satisfied shortly prior to our appointment as the agreement was novated to Firefly Holdings (Manchester) Limited, a connected company, and Companies House has been updated accordingly. It should be noted that Firefly Holdings (Manchester) Limited confirmed that the financed assets would be available for any proposed purchaser as part of any sale of the business and assets.
- 2.12 In addition, unsecured funding was provided by the director, Christian Coates, for the sum of c£57k. Additionally the director, Daniel Drinkwater, introduced funding totalling £680k, via personal funds and a connected company. Further unsecured funding was provided by way of an overdraft facility with HSBC Bank Plc ("HSBC"), and we understand that a sum of £20k is due to HSBC.
- 2.13 In the Company's accounts for the year ended 30 June 2019, the Company recorded a turnover of c£361k and incurred a loss of c£1m.
- 2.14 The Directors initially approached LCR for general advice in February 2020, as the Company had no further funding available from JLO and had fallen behind with its obligations to HMRC, trade creditors, the landlord and the council in respect of business rates.
- 2.15 However, the Directors advised that there was an outstanding R&D tax claim due from HMRC. The R&D tax claim had initially been estimated between the sum of £200k to £300k, but was later submitted at c£122k.
- 2.16 The directors originally contacted LCR directly for general advice in February 2020. A meeting was held on 13 February 2020 with the Directors, where they advised that JLO, the Company's secured creditor, was unable to provide any further funding, and the Company had fallen behind on its payments due to creditors. The Directors advised that they were due a significant R&D tax claim which, if received, would provide funding to the Company.
- 2.17 On 2 March 2020, the Company received a warning of winding up action from HMRC in respect of outstanding VAT and PAYE in the sum of c£119k, which it was unable to pay. The Company subsequently engaged CS, to assist in arranging a TTP with HMRC for the outstanding sums that were due. A TTP was never formally submitted to HMRC.
- 2.18 In late March 2020, the Company was required to cease trading following the nationwide COVID-19 restrictions that were put in place. All staff were immediately placed on the Government Coronavirus Job Retention Scheme upon cessation of trade.
- 2.19 In May 2020, HMRC advised that it would be offsetting the R&D Tax claim due against the VAT, PAYE and NIC liabilities.
- 2.20 The landlord liabilities had continued to accrue since March, albeit these payments had been deferred, however the Company had insufficient funding in order to continue to trade once the COVID-19 restrictions were relaxed. As such, the Company had not reopened on 4 July 2020 following the relaxation of the restrictions.
- 2.21 The Directors approached LCR on in June and July 2020 for further advice on the Company's position. As a result of the advice provided by LCR, it was subsequently concluded that the Company was insolvent in accordance

with S123 of The Act (as amended) in so far as 'the company cannot pay its debts as and when they fall due' and without an injection of working capital, which was considered unlikely. It would appear that the Company had no alternative other than to consider a formal insolvency process. Notwithstanding the above, the Directors continued to negotiate with HMRC as to the release of the R&D tax monies.

- 2.22 It was concluded that Administration was the most suitable insolvency procedure for the Company as it would best allow the possibility of selling the business as a going concern. It was considered that a sale, without the need for ongoing trading whilst in Administration, would be preferable to allow maximum value to be realised from the Company's assets, particularly Goodwill and to minimise the professional costs of the Administration. On 11 August 2020, the Directors instructed LCR to assist in placing the Company into Administration.
- 2.23 The Directors subsequently filed a Notice of Intention to Appoint an Administrator ("NOI") at the High Court of Justice Business and Property Courts in Manchester - Company & Insolvency List (CHD) on 12 August 2020 and this was served on the Company and JLO as the Qualifying Floating Charge Holder. The NOI proposed to appoint Mike Dillon and Katy McAndrew of Leonard Curtis as Joint Administrators. The filing of the NOI created an interim moratorium in favour of the Company, providing necessary protection from enforcement action being commenced by creditors.
- 2.24 Cerberus Asset Management ("CAM"), valuers supported by Royal Institute of Chartered Surveyors ("RICS") registered professionals, were instructed, by the proposed Joint Administrators, to assess the value of the chattel assets.
- 2.25 Following the agreement of the Directors to a marketing flyer, LCR placed an advert on its 'Businesses for Sale' website and instructed their agents, CAM, to place the same advert on their website and also the website of Charles Taylor Auctioneers and Valuers ("CT"), a trading style of CAM, in order to market the Company's business and assets for sale. An advert was also placed on IP-Bid.com, a third party insolvency market place. The advert went live on 13 August 2020 and a deadline of 5pm on 19 August 2020 was set for offers. The length of the marketing was determined by the requirement to find a purchaser as soon as possible given that the Company did not have sufficient funds in order to recommence trading. Further details of the marketing conducted and rationale are provided at Section 3.
- 2.26 Both CAM and CT have a significant history of assisting Insolvency Practitioners with business and asset sales. The proposed administrators considered that marketing the opportunity on CAM's and CT's respective websites would generate the greatest number of web traffic hits in the short time period available.
- 2.27 LCR are a leading national business solutions practice and actively market business opportunities through the 'businesses for sale' section of its website. Advertising on Leonard Curtis' website exposed the business to a range of potential purchasers with the interest and ability to complete a sale.
- 2.28 The marketing resulted in 5 expressions of interest. A Non-Disclosure Agreement ("NDA") was issued to the interested parties, of which 3 were returned. Although 3 NDAs were returned, the interested parties were unable to provide confirmation of the identity of the proposed replacement lease guarantor, along with evidence of financial standing which was a requirement for any purchaser to continue to occupy the leasehold premises. Therefore, a marketing pack was not circulated to these interested parties as they were not able to provide the necessary information to support their interest.
- 2.29 An offer to purchase the business and assets was received from Firefly (Holdings) Manchester Limited ("the Purchaser") on 20 August 2020. The Purchaser is connected to the Company pursuant to Section 249 and 435 of The Insolvency Act 1986 ("the Act") by virtue of the fact that the directors and shareholders of the Company, Daniel Drinkwater and Christian Coates, are directors and shareholders of the Purchaser. The offer received was for £134,500 and was subsequently accepted, following the recommendations of our agents, CAM.
- 2.30 Following the agreement to the relevant sales documentation, the Directors filed a Notice of Appointment at the High Court of Justice Business and Property Courts in Manchester - Company & Insolvency List (CHD) on 25 August 2020, appointing Mike Dillon and Katy McAndrew as Joint Administrators. The sale of the business was completed shortly thereafter.

- 2.31 Mike Dillon and Katy McAndrew are licensed by the Institute of Chartered Accountants in England and Wales. In accordance with paragraph 100(2) of Schedule B1 of the Act, the functions of the Joint Administrators may be exercised by either both, acting jointly or alone.

Alternative courses of action considered by the Administrator

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

Do Nothing

- 2.33 The Directors could choose to do nothing and see what action creditors would take. However, as the business remained closed despite the relaxation of the Government restrictions and the Company's funding situation, it was considered likely that a creditor may take legal action to place the Company into liquidation and, as such they should take steps to formally deal with the situation themselves. The Directors have an overriding duty to best protect the Company's assets and to minimise the Company's liabilities to its members and creditors generally. The directors were advised that doing nothing was not an option.

Sale of Shares by Management

- 2.34 Given the distressed position of the business, a sale of shares could have been considered. In the circumstances, it was not considered likely that there would be any interest or value in the Company's shares. In particular, a significant injection of funds would have been required in order to meet current and future liabilities. The Company was considered to represent a high risk investment with little prospect of receiving a return for any investment made. It was considered extremely unlikely that a share sale would complete. As a consequence, this action was discounted.
- 2.35 Notwithstanding the above, the marketing campaign undertaken below, would still allow for any potentially interested party to make an offer for the shares of the Company.

Company Voluntary Arrangement ("CVA")

- 2.36 A CVA is a formal procedure which enables a company to agree with its creditors a composition in satisfaction of its debts or a scheme of arrangement of its affairs which can determine how its debts should be paid and in what proportions. The arrangement typically lasts over a period of 5 years and the entity remains the same and under the control of its Directors.
- 2.37 A CVA works by preserving the business which in turn would allow the continuation of trading and enable the Company to make voluntary contributions for the benefit of creditors. It acts as a mechanism to allow the Company to make significant changes in its operations which would allow it to trade profitably in the future. If a CVA is validly approved, it binds all of the Company's creditors who were entitled to vote (whether or not they so voted) or would have been so entitled had they received notice of the decision procedure.
- 2.38 In this case there was no guarantee that a CVA would be accepted by creditors. This form of rescue would not have prevented enforcement action by the creditors in the period whilst the CVA was being considered. Given the level and extent of the Company's liabilities, it was also considered unlikely that substantial contributions would be available from profits generated from ongoing trade that could then be made available to creditors of a CVA.
- 2.39 As such, a CVA was not considered appropriate.

Sale of the business and / or assets by the Administrator with or without on-going trading

- 2.40 It was considered that Administration would best allow for a sale of the business and assets to be negotiated and completed, which should result in improved realisations, particularly in respect of the goodwill and physical assets.

A sale, by way of a pre-packaged sale, was considered necessary to allow the following:

- Maximise Physical Asset realisations - enhanced realisations for the Company's physical assets may be achieved compared to ex-situ realisations most likely achievable on a cessation of trade;
- Preservation of Goodwill - a pre-packaged sale will allow for a sale of Goodwill, which is unlikely to be available if the Company ceased to trade. It is critical in maximising realisations from the Goodwill, that there is minimal disruption to trading. Trading the business during Administration will not guarantee an improved offer, and may, conversely devalue Goodwill;
- Mitigation of employee claims and preservation of employment for staff - a sale would allow for the transfer of all employees to any purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). The transfer of employment to the purchasing Company, ensures that all staff remaining in the Company's employment at the date of Administration have full continuity of employment rights. This in turn, mitigates claims in the Administration.

Claims that would ordinarily arise on cessation of trade and/or redundancy, accrued but unpaid Holiday Pay, Pay in Lieu of Notice ("PILON") and Redundancy Pay do not occur. In this case 25 employees were transferred to the Purchaser, mitigating preferential claims for Accrued but unpaid Holiday Pay and additional unsecured claims for PILON and Redundancy Pay.

- Mitigation of claims from finance companies - The Company had a variety of assets subject to Hire Purchase or Lease Agreements. The Purchasers may be able to novate these agreements therefore mitigating unsecured claims. On cessation of trade or liquidation, the assets would have been required to be returned to the finance creditor, which would likely have resulted in additional unsecured claims for the remaining period under the agreements.

- 2.41 In the opinion of our agents and advisors, a sale of the business and assets would result in a better outcome for creditors due to the enhanced level of asset realisations available in an in-situ sale rather than on a forced sale basis.
- 2.42 The Company had insufficient cash assets to enable the Joint Administrators to continue trading whilst they marketed the business for sale post Administration. The Directors and Shareholders also confirmed that they were not in a position to introduce further funding at this time. Without working capital, trading during administration was not possible.
- 2.43 Furthermore, the professional costs of trading the business and associated overhead costs, which would rank as an expense of the Administration, could not be justified given the size of the Company's operation and the anticipated uplift in asset value that a going concern sale was likely to achieve. It was therefore not considered appropriate for the Joint Administrators to continue trading the business following their appointment.
- 2.44 The proposed Joint Administrators strategy was therefore to initially focus on achieving a pre-packaged sale of the Company's business and assets immediately, or shortly following, the Administration. Further details on why it was not appropriate to trade the business, and offer it as a going concern, during the Administration are detailed below at 2.59.
- 2.45 Given all of the above it was considered that Administration provided the greatest prospect of achieving the best outcome for all stakeholders. The business was marketed for sale on the LCR website, CAM's website, CT's website and IP-bid's website from 13 August 2020. Further details of the marketing strategy adopted are detailed at section 4 below.
- 2.46 An offer of £134,500 was received from Firefly Holdings (Manchester) Limited ("the Purchaser"). Based on our independent Agents recommendations this offer was accepted.

- 2.47 We are therefore of the opinion that a pre-packaged sale of the business ("pre-pack") was the most appropriate process to maximise realisations.
- 2.48 If a going concern sale, by way of a pre-packaged sale, could not be achieved, then the Joint Administrators would have been required to cease trading immediately following their appointment, and conduct an orderly wind down of the Company's affairs.

Liquidation and subsequent forced sale of the Company's assets

- 2.49 The Directors could have placed the Company into Creditors Voluntary Liquidation ("CVL"), or allowed the Company to be placed into Compulsory Liquidation, which would have resulted in the closure of the business and redundancy of all staff.
- 2.50 Liquidation would have resulted in reduced asset realisations.
- 2.51 On cessation of trade, the physical assets would have been sold on a forced sale/piecemeal basis, resulting in lower realisations, as well as incurring costs of removal and sale.
- 2.52 Furthermore, the Goodwill would hold little or no value given the permanent cessation of trade.
- 2.53 All employment contracts would terminate in a Compulsory Liquidation (and in practical terms, the result would be the same in a CVL), which would give rise to preferential claims in respect of wages and holiday pay, in addition to an increase in unsecured creditors in respect of Pay in Lieu of Notice and Redundancy Pay.
- 2.54 A Liquidation would have resulted in all assets subject to finance and lease agreements being returned to the relevant financier. This could in turn result in shortfalls to the finance creditors under hire agreements and the crystallisation of claims after application of costs of collection and sale.
- 2.55 Any asset realisations in a Compulsory Liquidation would be subject to Secretary of State Fees and Petitioners costs further reducing the amounts available to creditors.
- 2.56 Overall, placing the Company into CVL or Compulsory Liquidation would have resulted in a worse overall position for creditors.

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

JLO

- 2.57 The proposed Joint Administrators discussed the Company's financial position with JLO and provided updates in respect of the Administration. JLO were duly served the NOI as Qualifying Floating Charge Holder and ultimately the Notice of Appointment ("NOA") of Joint Administrators.

Trade and Expense Creditors and HMRC

- 2.58 It was considered that to consult with the general body of creditors and HMRC prior to the Administration could have resulted in enforcement action being taken. Consultation would have had an adverse impact on the continuation of trade, the likelihood of a going concern sale being achieved and on the value achieved for the goodwill.

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

- 2.59 Trading in Administration was not considered viable for the following reasons:

- There was no working capital available to fund ongoing trading. The cost to recommence trading in the Administration would have been prohibitive given the requirement to make the premises COVID-19 safe, resource, insure and monitor the business during this period. In addition, there would be significant professional costs included in ongoing trade;
- Trading the business would not have guaranteed an improved offer for the assets and may, conversely, have devalued the Company's Goodwill;
- There was no certainty of an alternative credible buyer being found given the marketing of the business which had already been undertaken; and
- The Joint Administrators did not consider that trading the Company would result in an increase in realisations sufficient enough to outweigh the costs associated with trading and losses incurred. The Company recently suffered trading losses. Given the nature of the business it was considered that to trade whilst in Administration would require substantial funding, and any losses incurred in Administration could worsen the position for all stakeholders. Therefore trading the Company in Administration was not appropriate.

2.60 Given all of the above, it was concluded that trading the business whilst in Administration, was not an option.

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

2.61 Requests to commercial funders to provide working capital requirements were not considered a viable option. Given the financial position of the Company, it was not possible to take on further debt, which may not have been able to be repaid. In addition, the Secured Creditor/Directors/Shareholder were not willing to provide further funding to the Company in its current form.

Details of registered charges and dates of creation

2.62 According to Companies House, the following charges are registered against the Company:

Date of creation	Chargee	Type of charge	Amount secured and assets charged
21 October 2019	Jlo Consulting Services Ltd	Debenture	All monies and all assets

Details of any acquisition of business assets from an insolvency practitioner

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

3 MARKETING OF THE BUSINESS AND ASSETS

3.1 The Directors confirmed that no formal marketing activities had been conducted by the Company prior to the proposed Joint Administrators' involvement.

3.2 A marketing campaign was commenced by the proposed Joint Administrators on 13 August 2020. The marketing campaign aimed to broadcast the opportunity to acquire the business and its trading assets to the open market. It was considered that to expose the opportunity to the open market would determine the best achievable price of the assets.

3.3 The key features of the marketing campaign are detailed below:

Broadcasting the Opportunity on the Internet

3.4 An advertisement was placed on four websites:

1. www.leonardcurtis.co.uk - the website of the proposed Joint Administrators.
2. www.charlestaylor.co.uk - the website of Charles Taylor Auctioneers ("CT"), a trading style of CAM, an independent auctioneer and valuation agent.
3. www.cerberusam.com - the website of CAM.
4. www.ip-bid.com - a third party Insolvency marketplace site.

3.5 The advertisement went live on 13 August 2020 across all websites and included details of the nature of the business, location, staffing levels, turnover and assets available for sale and a closing date for offers of 5 pm on 19 August 2020.

Rationale for Marketing

3.6 When determining the strategy for marketing the business and assets of the Company for sale the following was considered:

- CAM has sector specific knowledge and experience in managing similar asset sales and is supported by a team of individuals certified by, and registered with, the Royal Institute of Chartered Surveyors ("RICS"). CAM has a nationwide presence and a significant and longstanding history of assisting insolvency practitioners with business and asset sales.
- CT is local auctioneer and valuation agent with a history of carrying out both asset only sales and business and asset sales in conjunction with both directors and insolvency practitioners.
- LCR is a leading national business solutions practice which has an established history of providing business acquisition opportunities to the open market.
- CAM, CT and LCR frequently market business and asset sales through their websites.
- IP-Bid is a recognised industry website that regularly matches serious buyers and qualified sellers of distressed businesses instantly online via its insolvency marketplace.

3.7 By advertising the business and assets in the manner set out above, the proposed Joint Administrators anticipated the greatest level of exposure to potential interested parties without incurring costs that would be disproportionate to the estimated value of assets involved.

Length of Marketing

3.8 The length of marketing was determined by the following factor:

- Alternative funding was not available to the business;
- Lack of likely alternative offers and interest, in particular in respect of the personal guarantee obligations to be transferred; and
- Requirement to complete a sale prior to the expiry of the NOI.

3.9 The period over which the business was marketed for sale was proportionate to the Company's financial position having due regard to the interests of creditors. We confirm that we are satisfied with the adequacy and independence of the marketing undertaken.

Outcome of Marketing

- 3.10 As a consequence of the marketing campaign, the marketing resulted in 5 expressions of interest. A Non-Disclosure Agreement ("NDA") was issued to the interested parties, of which 3 were returned. Although 3 NDAs were returned, the interested parties were unable to provide confirmation of the identity of the proposed replacement lease guarantor, along with evidence of financial standing which was a requirement for any Purchaser to continue occupying premises. Therefore, a marketing pack was not circulated to these interested parties, as they were not able to provide the necessary information to support their interest.
- 3.11 As a result, an offer to purchase the Company's right, title and interest (if any), in the business and assets, in the sum of £134,500, was received on 20 August 2020 from Firefly Holdings (Manchester) Limited ("the Purchaser"). The Purchaser is a connected party within the definitions of Sections 249 and 435 of the Act by virtue of the fact that the Directors and Shareholders of the Company, Christian Coates and Daniel Drinkwater, are the Directors and Shareholders of the Purchaser. This offer was recommended for acceptance by independent agents, CAM, and was subsequently accepted.
- 3.12 No other offers were received.
- 3.13 We confirm that in our opinion we consider that the marketing undertaken conformed with the marketing essentials set out in the Appendix to SIP16.
- 3.14 The marketing strategy adopted ensured the greatest level of exposure to potential uninterested parties whilst maintaining costs at a level consistent with the estimated realisable value of the assets on offer. This strategy also ensured that the identity of the Company remained confidential pending a sale to preserve any potential value held in the business and/or assets, and specifically Goodwill.

4 VALUATION OF THE BUSINESS AND ASSETS

Details of valuers/advisors

CAM

- 4.1 CAM, Asset Valuers supported by RICS registered professionals, were formally instructed by the proposed Joint Administrators on 25 February 2020 to prepare a valuation in respect of the Company's physical assets to assist in the initial general advice. There were no additions or disposals to the assets in the period between the valuations and sale. CAM were also asked to assist with the marketing of the business and assets.
- 4.2 CAM has confirmed its independence to act and have confirmed that it holds the requisite level of professional indemnity insurance. In addition CAM has advised that it has the appropriate level of experience, skill and competence to conduct the valuation of the above assets.

The valuations obtained of the business or the underlying assets

4.3

Category of asset (cover all assets in last bal sheet)	Note	Book value £	High value (note 1) £	Low value (note 2) £	Value achieved £
Fixed charge assets					
Goodwill	4	Nil	n/a	n/a	114,000
Floating charge assets					
Unencumbered Plant & Machinery	1	725,962	400	200	18,000
Encumbered Kitchen Assets	2		37,500	25,000	n/a
Encumbered Bar and Dining Area	2		50,100	12,000	n/a
Assets					
Stock	3	n/k	950	300	2,500
TOTAL		<u>734,397</u>	<u>88,950</u>	<u>37,500</u>	<u>134,500</u>

Book Value

4.4 The book value figure of Goodwill (£nil), Unencumbered Plant and Machinery, Encumbered Kitchen Assets and Encumbered Bar and Dining Area Assets (£725,962) and Cash at Bank (£8,435) have been taken from the Company's accounts as at 30 June 2019.

4.5 A stock list was provided by the Company on our appointment, however no cost values were provided. It should be noted that given the cessation of trade in March, stock was minimal, and in some cases, some had passed its sell by date.

High Value

4.6 The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently without compulsion.

4.7 The high value of Unencumbered Plant and Machinery (£400), Encumbered Kitchen Assets (£37,500) and Encumbered Bar and Dining Area Assets (£50,100) have been taken from the valuation conducted by CAM and assumes the assets are sold in situ.

Low Value

4.8 The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion, with the added assumption that the Physical Assets are valued for removal from the premises at the expense of the purchaser with no reasonable marketing period. The low value is typically reflective of a cessation of trade.

4.9 The low value of Unencumbered Plant and Machinery (£200), Encumbered Kitchen Assets (£25,000) and Encumbered Bar and Dining Area Assets (£12,000) have been taken from the valuation conducted from CAM and assumes the assets are sold on a forced sale, ex-situ basis with no reasonable marketing period, and prior to the deductions of costs of removal and sales

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

Value Achieved

- 4.11 The value achieved for the business and assets. It should be noted that the cash at bank, encumbered assets and any other assets not specifically detailed have been excluded from the sale.

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

1 Unencumbered Plant and Machinery

- 4.12 CAM conducted a valuation of these assets on the basis of an open market in-situ value basis (high) and a forced sale basis (low). Valuations on this basis provide an estimated outcome in a pre-packaged sale and a cessation of trade basis.
- 4.13 The book value for Unencumbered Plant and Machinery, in addition to Encumbered Kitchen Assets and Encumbered Bar and Dining Area Assets had a total book value of £725,962, which has been taken from the accounts as at 30 June 2019. The book value is a gross value of the encumbered and Unencumbered Plant and Machinery, and at this time we are unable to provide a split between the assets.
- 4.14 The Unencumbered Plant and Machinery was made up of 4 television screens at the premises. CAM advised that the Plant and Machinery had a value in the range of £400 in an open market in-situ value basis and £200 on an ex-situ forced sale basis with no reasonable marketing period.
- 4.15 The offer received included a sum of £18,000 for the Plant and Machinery. This offer was in excess of the valuations and was recommended for acceptance by CAM.

2 Encumbered Assets

- 4.16 CAM conducted a valuation of these assets on the basis of an open market in-situ value basis (high) and a forced sale basis (low). Valuations on this basis provide an estimated outcome in a pre-packaged sale and a cessation of trade basis.
- 4.17 The book value for the Encumbered Assets, in addition to Unencumbered Plant and Machinery had a total book value of £725,962, which has been taken from the accounts as at 30 June 2020. The book value is a gross value of the encumbered and Unencumbered Plant and Machinery, and at this time we are unable to provide a split between the assets.
- 4.18 It should be noted that the sum of £370,564 remained outstanding to the financier at 30 June 2020.
- 4.19 CAM advised that the encumbered kitchen assets had a value in the range of £37,500 in an open market in-situ value basis and £25,000 on an ex-situ forced sale basis with no reasonable marketing period.
- 4.20 CAM advised that the encumbered bar and dining area assets had a value in the range of £50,100, in an open market in-situ value basis and £12,000 on an ex-situ forced sale basis with no reasonable marketing period.
- 4.21 As such, the encumbered assets held no equitable value. As detailed above, the encumbered assets were novated to Firefly Holdings (Manchester) Limited prior to our appointment. Notwithstanding the above, any encumbered assets were specifically excluded from the sale.

3 Stock

- 4.22 The Company's latest set of accounts do not attribute any value to the Stock. The Company provided a stock list on our appointment, however no cost values were provided.

- 4.23 CAM advised that the Stock had a value in the range of £950 in an open market in-situ value basis and £300 on an ex-situ forced sale basis with no reasonable marketing period. The Stock mainly comprised of wet stock, which had been supplied prior to the cessation of trade in March 2020.
- 4.24 The offer includes the sum of £2,500 for the stock. This offer was in excess of the high basis and was therefore, recommended for acceptance following advice from the agents CAM.

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

4 Goodwill (including Business Intellectual Property Rights, Business Name and Sellers Records)

- 4.25 A formal valuation was not obtained for Goodwill. The Company's latest set of accounts do not attribute any value to the Goodwill. Given that marketing of the business had taken place, a purchaser would make the appropriate offer for these assets.
- 4.26 It is considered that the Goodwill would have no value in a cessation of trade scenario as any value would be contingent on preserving the continuity of the business.
- 4.27 The value achieved for these assets was after a period of marketing, and the offer received from the Purchaser for the sum of £114,000 recommended for acceptance.
- 4.28 Should a sale not have been completed, then we do not feel that any value would have been achieved in respect of Goodwill.

5 THE TRANSACTION

- 5.1 A sale of the Company's business and assets was completed on 25 August 2020 to Firefly Holdings (Manchester) Ltd (CRN: 12369843) a connected party within the definitions of Sections 249 and 435 of the Act by virtue of the fact that the directors and shareholders of the Company, Daniel Drinkwater and Christian Coates, are directors and shareholders of the purchaser.
- 5.2 The sales consideration of £134,500 was apportioned as follows:

Category of Asset	Fixed Charge £	Floating Charge £	Cumulative £
Goodwill (Including Business Intellectual Property Rights, Business Name and Sellers Records)	114,000		114,000
Unencumbered Plant and Machinery	-	18,000	18,000
Stock	-	2,500	2,500
Total	114,000	20,500	134,500

- 5.3 The total sales consideration in the sum of £134,500 is payable as follows:

Date	Amount
On completion	119,000.00
25 September 2020	5,000.00
25 October 2020	5,000.00
25 November 2020	5,500.00
	134,500.00

- 5.4 The cash balance payable on completion, in the sum of £5,000, has been received by the Joint Administrators.
- 5.5 The Purchaser is being funded by JLO and £114,000 of the consideration monies is being paid by way of non-cash consideration. To facilitate the transaction, it is agreed that the Purchaser will be treated as having paid £114,000 to the Company and the Administrators (acting by the Joint Administrators) will be treated as having paid the sum of £114,000 to JLO in part satisfaction of the Company's fixed charge indebtedness to JLO.
- 5.6 The initial offer received from the Purchaser allocated £114,000 to Fixed Charge Assets and £20,500 to Floating Charge Assets. As Goodwill was the only "Fixed Charge Asset," the full consideration of £114,000 was applied to Goodwill. Following receipt of a final stock list from the Company on the date of appointment, the Purchaser confirmed that the offer of £20,500 in respect of Floating Charge Assets was split £18,000 in respect of Unencumbered Plant and Machinery and £2,500 in respect of Stock. Both offers were significantly in excess of CAM's valuations.
- 5.7 There are no other terms or conditions of the contract that could materially affect the asset consideration.
- 5.8 As part of the Sale and Purchase Agreement, the Director of the Purchaser, Christian Coates, has provided a Personal Guarantee, in respect of the deferred element of the consideration.
- 5.9 The Company employed 25 staff at the date of appointment, all of which were transferred to the Purchaser under TUPE regulations.
- 5.10 The sale is not part of a wider transaction and there are no buy-back arrangements or similar conditions attached to the contract of sale.
- 5.11 The Directors have provided Personal Guarantees for the property lease, to AAL in respect of the asset finance and to HSBC in respect of an overdraft.
- 5.12 The Directors of the Company have not provided a personal guarantee to JLO. JLO is providing funding to the Purchaser.
- 5.13 In addition, the following assets were excluded from the sale to the Purchaser:
- The Cash at Bank;
 - Encumbered assets; and
 - Any other assets not detailed above.
- 5.14 The Director, Christian Coates was employed by the Company and has therefore transferred under TUPE regulations. The Director, Daniel Drinkwater, was not employed by the Company and has therefore not transferred to the Purchaser under TUPE regulations. Mr Drinkwater is a director of the Purchaser.

Pre Pack Pool

- 5.15 The Purchaser, as an interested and connected party to the Company, was advised of the Pre-Pack Pool ("Pool") by a letter that was emailed on 20 August 2020, advising them of this option. We have been advised by the Purchaser that they did not approach the pool in this instance.

Viability Statement

- 5.16 A letter was emailed to the Directors of the Purchaser on 20 August 2020 requesting a copy of any viability statement prepared together with any submissions to the Pool. The Purchaser has not provided the Joint Administrators with a viability statement stating how the purchasing entity will survive for at least 12 months from the date of the proposed purchase, and as stated above, did not approach the Pool in this instance.

6 STATUTORY PURPOSE OF ADMINISTRATION

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

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

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

6.3 In this instance it is not considered that objective (a) will be achieved given the level of the Company's liabilities.

6.4 It is not considered that objective (b) will be achievable as it is not anticipated there will be sufficient realisations to enable a distribution to unsecured creditors. It is considered that objective (c) has been achieved as JLO have received a distribution under their Fixed Charge following the sale of the Goodwill.

6.5 We confirm that, in our opinion, the transaction will enable the statutory purpose to be achieved and that the sale price achieved was the best reasonably obtainable in all the circumstances.

PRIVACY NOTICE

By requesting details of your claim in this insolvency, we may collect Personal Data from you, particularly if you are a consumer creditor, a sole trader or are lodging a claim in your personal capacity.

Personal Data is information relating to a living individual. Whenever Personal Data is processed, collected, recorded, stored or disposed of it must be done within the terms of the General Data Protection Regulation ("the GDPR"). Examples of Personal Data include but may not be limited to your name, address, telephone number and email contact details.

If you do not provide us with the information we require, this may adversely affect our ability to deal with your claim, but we would ask you not to submit more Personal Data than we request from you.

Legal justification for processing your Personal Data

The processing of your Personal Data by us is necessary to enable us to comply with legal obligations under the Insolvency Act 1986 and associated legislation which we are subject to as Insolvency Practitioners.

How we use your information

All information you supply to us is required to enable us to comply with our duties under the Insolvency Act 1986 and associated legislation. It will be used to enable us to assess the extent of the insolvent entity's liabilities, to allow you to vote on any decision procedures, to enable us to communicate with you, to process your claim and to pay any dividends which may be due to you from the insolvent estate.

Who we share your information with

We may be required to share some of your Personal Data with other creditors. The data which will be shared with other creditors will be limited to that specifically required to be disclosed under insolvency legislation.

We may share some of your information with our Data Processors. Data Processors include solicitors, accountants and employment law specialists who assist us with our duties where required. We will only share your information with our Data Processors if we require their specialist advice. All of our Data Processors are subject to written contracts with us to ensure that your Personal Data is processed only in accordance with the GDPR.

How long will we hold your Personal Data for?

We will need to hold your Personal Data for a period of time after the insolvency has been concluded. This is to enable us to deal with any queries which might arise. Our Records Management Policy requires us to destroy our physical files 6 years after closure of the case. Electronic data files will be removed from our Case Management System 6 years after conclusion of the case but may be held on our server for a longer period of time but with restricted access.

Your rights in respect of your Personal Data

You have the right to request access to your Personal Data and to require it to be corrected or erased. You also have the right to request a restriction in the way we process your Personal Data or to object to its processing. You should be aware however that we may not be able to comply with your request if this would affect our ability to comply with our legal obligations.

You have the right to Data Portability. This is a right to have the Personal Data we hold about you to be provided to you in a commonly used and machine-readable format so that you can transfer that Data to another organisation in a way that is not too onerous to upload the Data.

Your right to complain

You have the right to be confident that we are handling your Personal Data responsibly and in line with good practice. If you have a concern about the way we are handling your Personal Data you should contact our Privacy Manager in the first instance.

If you are unable to resolve your concerns with us, you have the right to complain to the Information Commissioners' Office. The Information Commissioner can be contacted at Wycliffe House, Water Lane, Wilmslow, Cheshire SK6 5AF or on 0303 123 1113.

Contacting us

If you have any questions relating to the processing of your Personal Data, please write to our Privacy Manager at Leonard Curtis, 5th Floor, Grove House, 248A Marylebone Road, London NW1 6BB Alternatively our Privacy Manager can be contacted by telephone on 0207 535 7000 or by email: privacy@leonardcurtis.co.uk.

Data Controller: LEONARD CURTIS

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

In the:	HIGH COURT OF JUSTICE BUSINESS AND PROPERTY COURTS IN MANCHESTER - COMPANY & INSOLVENCY LIST (CHD)	No:	CR-2020-MAN-000769
---------	--	-----	--------------------


Re:	FOODWELL MANCHESTER LIMITED (IN ADMINISTRATION)
Registered No:	11425155

Address of Company	SUITE 10-12 MEZZANINE FLOOR, ROYAL LIVER BUILDING, PIER HEAD, LIVERPOOL, L3 1HU
-----------------------	--

NOTICE IS HEREBY GIVEN, IN ACCORDANCE WITH PARAGRAPH 57 OF SCHEDULE B1 TO THE INSOLVENCY ACT 1986, RULE 3.39 AND PART 17 OF THE INSOLVENCY (ENGLAND AND WALES) RULES 2016, THAT creditors are invited to decide whether a creditors' committee should be established if sufficient creditors are willing to be members of that committee. Mike Dillon and Katy McAndrew invite creditors to put forward their nominations for membership of the committee. Such nominations must be received by the date specified in this notice. The Joint Administrators can only accept nominations if they are satisfied as to the creditors' eligibility under Rule 17.4 of the Insolvency (England and Wales) Rules 2016.

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

23 September 2020
Mike Dillon and Katy McAndrew
Riverside House
Irwell Street
Manchester
M3 5EN
Tel: 0161 831 9999
Email: recovery@leonardcurtis.co.uk

Signed:		Dated:	4 September 2020
---------	---	--------	------------------

Creditors are referred to section 1.12 of this report for a link to guidance for creditors as to the roles, duties and responsibilities of members of creditors' committees.

Under Rule 17.4, a creditor is eligible to be a member of such a committee if they have proved for a debt, which is not fully secured, and the proof has not been wholly disallowed for voting purposes or rejected for the purposes of distribution or dividend. A body corporate may be a member of a committee, but it cannot act otherwise than by a duly appointed representative. No person can be a member as both a creditor and a contributory.