

The Insolvency Act 1986

2.24B**Administrator's progress report**

Name of Company

Cobbetts LLP

Company number

OC314724

In the High Court of Justice
Chancery Division
Companies CourtCourt case number
855 of 2013

We

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Administrators of the above LLP attach a progress report for the period

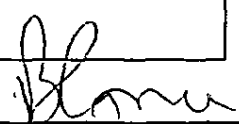
from

6 February 2013

to

5 August 2013

Signed


Joint Administrator

Dated

3 September 2013

Contact Details:

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

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When you have completed and signed this form, please send it to the Registrar of Companies at -

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Cobbetts LLP (in administration)

**Progress Report
for the period 6 February 2013 to
5 August 2013**

**Pursuant to Rules 2.47 of the
Insolvency Rules 1986 (as amended)**

KPMG LLP

3 September 2013

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Cobbetts LLP in administration

Pursuant to Rules 2.47 of the Insolvency Rules 1986 (as amended)

3 September 2013

Notice: About this Report

This Report has been prepared by Mark Granville Firmin, Brian Green and Howard Smith the Joint Administrators of Cobbetts LLP, solely to comply with their statutory duty under the Insolvency Act 1986 and the Insolvency Rules 1986 on the progress of the Administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This progress report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the LLP.

Any estimated outcomes for creditors included in this progress report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this progress report for any purpose or in any context other than under the Insolvency Act 1986 and the Insolvency Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this progress report to any such person.

Mark Granville Firmin and Brian Green are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Howard Smith is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association.

The Joint Administrators act as agents for Cobbetts LLP and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the administration.



Cobbetts LLP in administration

Pursuant to Rules 2 47 of the Insolvency Rules 1986 (as amended)

3 September 2013

Glossary

Joint Administrators	Mark Granville Firmin, Brian Green and Howard Smith of KPMG LLP, 1 The Embankment, Neville Street, Leeds LS1 4DW
Administration Order	The Administration Order granted by the High Court of Justice, Chancery Division, in respect of Cobbetts LLP on 6 February 2013 Court Administration Order number 855 of 2013
the LLP	Cobbetts LLP (Company registered number OC314724)
Lloyds or the Bank	Lloyds TSB Bank Plc
Management	Nicholas Carr, James Boyd, Paul Brown, Richard Webb and Stephen Benson
Members	As per Appendix 1
Close	Close Asset Finance Limited
SW or Agents	Sanderson Weatherall LLP
Pinsents or Solicitors	Pinsent Masons LLP
IA86	The Insolvency Act 1986
IR86	The Insolvency Rules 1986 (as amended)
DWF	DWF LLP
TUPE	Transfer of Undertakings (Protection of Employment) Regulations
Incasso	Incasso LLP
Wesleyan	Wesleyan Bank Limited
Syscap	Syscap Limited
SRA	Solicitors Regulation Authority
SPA	Sale and Purchase Agreement
NIAA	Notice of Intention to Appoint Administrators



Cobbeys LLP in administration
Pursuant to Rules 2 47 of the Insolvency Rules 1986 (as amended)
3 September 2013

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1 **Executive Summary**

- The Court resolved to appoint Mark Granville Firmin, Brian Green and Howard Smith of KPMG LLP as Joint Administrators of the LLP pursuant to Paragraph 12 of Schedule B1 of the Insolvency Act 1986
- The notice of appointment, Form 2.4B, was lodged at the High Court of Justice, Chancery Division on 6 February 2013 and the Joint Administrators were duly appointed
- In accordance with Paragraph 100(2) of Schedule B1 to IA 86 the functions of the Joint Administrators may be exercised by one or all of them
- This Progress report covers the six month period from appointment to 5 August 2013
- The Joint Administrators' Statement of Proposals was approved on 10 April 2013 and has not been modified
- There was no prospect of rescuing the LLP as a going concern. Accordingly, the Joint Administrators' role has been limited to the sale of the Business and Assets of the LLP (see Section 5 - Progress to date) together with the other items detailed in this report. Therefore, the purpose of the Administration, in accordance with Paragraph 3(1) (b) of Schedule B1 to IA 86 is achieving a better result for the LLP's creditors as a whole than would be likely if the LLP were wound up
- It is anticipated that the fixed and floating charge creditors will be repaid in full with sufficient funds available to make a distribution to the unsecured creditors, although it is not yet possible to estimate the quantum or timing of the dividend
- Full details of the Joint Administrators' progress report are attached together with all the relevant statutory information included by way of Appendices (see Section 6 - Comments on the Appendices and the Appendices)
- This progress report should be read in conjunction with our previous report sent to the LLP's creditors



Joint Administrator – Brian Green

2 Introduction

On 6 February 2013, following an application to the Court by the LLP's Members, Mark Granville Firmin, Brian Green and Howard Smith of KPMG LLP were appointed Joint Administrators of the LLP in accordance with Paragraph 12 of Schedule B1 to IA86

Immediately following the Joint Administrators' appointment, a sale of the LLP's business and certain assets was concluded to DWF

In accordance with Paragraph 100(2) of Schedule B1 to IA86 the functions of the Joint Administrators may be exercised by one or all of them

The report includes certain information required to be provided to creditors in accordance with Rule 2 47 of IR86

The appropriate statutory information is set out in Appendix 1

Please note that unless stated otherwise, all amounts in this report and appendices are net of VAT

If you have any queries in relation to the report please contact Ian Campbell of my office on 0113 231 3036

3 Background

History of the LLP

The LLP was incorporated on 16 August 2005, however, the business was initially established in 1838 and, since 1986, had grown as a result of a number of mergers and acquisitions. The LLP was a full service law firm with offices in Manchester, Leeds, Birmingham and London, servicing a wide range of clients from PLC's and Institutions to mid-market owner managed businesses

The LLP had 73 Members and 439 staff across its four offices. Turnover in FY12 was £45.4 million generating a profit before Members' remuneration of £9.7 million

The LLP suffered a significant downturn in trading performance during 2009 due to the general economic climate and, in particular, the reduced number of property and corporate transactions. The LLP had entered into expensive new leases in 2006 and 2007 which, combined with the downturn in trade, led to a decline in profitability, some cash pressure and an over reliance on short term funders

The LLP had, since 2009, been attempting to sub-let empty space in the Manchester premises to mitigate the cash requirement and rental costs, but without success. They had

also requested that the Manchester landlord assist in the process or reduce the rent, again without success

The LLP began to experience increased cash flow pressure around June 2012, which was the cumulative effect of the above issues. Without mitigating actions, this may have led to a breach of its banking facilities in October 2012.

In September and October 2012 the LLP reached deferral agreements with its landlords, HMRC, and certain retiring Members. These agreements provided some degree of financial and cash headroom but the LLP remained dependent on short term funding from various sources. In December 2012 and January 2013 the LLP was unable to secure full VAT and Member tax funding from Wesleyan, given that the amounts sought were above Wesleyan's usual lending limits, and therefore partially funded the VAT liability (totalling £1.5m) through £1.2m from Wesleyan and another funder, Syscap. The LLP also sought to fund the Member tax liability of circa £2.4 million falling due in February 2013 through other short term funders.

In order to generate additional headroom, the LLP's strategy was to request up to £2.5m from its Members and to dispose of its debt collection subsidiary, Incasso.

4 Events leading to the appointment of the Joint Administrators

In late 2011, discussions had been held with representatives from DWF's board in respect of a merger, however, negotiations were not concluded.

KPMG was engaged on behalf of the Members and Lloyds Banking Group Plc on 26 June 2012 to carry out a review of the LLP's short term cash flow forecast and medium term forecasts.

Given forecast cash flow difficulties, KPMG was subsequently engaged on 20 September 2012 to prepare a high level contingency plan for the LLP and also to prepare an initial information memorandum to circulate to interested parties if the mitigation proposed was not successful.

As a result of working capital shortfalls, the SRA became heavily involved in the contingency planning process and required that the LLP produce a detailed contingency plan which outlined likely actions to be taken in the event of further financial difficulty.

Consequently KPMG was engaged on 28 November 2012 to assist with the preparation of this detailed contingency plan.

In early January 2013 management information for December 2012 suggested that turnover for that month was significantly below budget. Subsequent investigations revealed that this may not have been a short term issue, but potentially signalled a more

significant downturn in trading. Consequently the board concluded that it would be inappropriate to take any additional short term funding, or the £2.5m from Members by way of cash call, in view of the LLP's financial situation. Members subsequently resolved that the only option was to investigate the possibility of either a merger or a solvent sale of the business.

Short term cash flow forecasts suggested that the LLP would only be able to continue to trade within its current banking facilities until 1 February 2013 when the Members' tax bill of approximately £2.4m fell due for payment.

As it became apparent that the LLP was unable to access additional short term funding or the Members' capital, and that the LLP was unlikely to be in a position to avoid insolvency, KPMG was instructed on 17 January 2013 to assist Management in relation to the sale process, with a view to achieving a sale of the business and assets of the LLP.

Following the appointment of KPMG on 17 January 2013, it was proposed to utilise the information memorandum prepared previously, to carry out targeted marketing of the LLP to seven parties identified as potentially having the ability and desire to complete a transaction. In addition, Management approached DWF to re-open discussions in relation to a solvent sale of the LLP's business.

Prior to commencement of the targeted marketing, an offer was received from DWF which required a period of exclusivity to complete the transaction. DWF's representatives also advised that if the LLP marketing process formally commenced, then their offer would be withdrawn immediately.

Consequently, given the impending breach of banking facilities and the risk of losing the offer put forward (together with the certainty which this provided) Management concluded, with legal advice, to stay the wider marketing process.

As a result of a demand for payment of rent arrears from the landlord of the LLP's Manchester premises and a threat of distraint by the landlord, a NIAA was filed in Court on 28 January 2013 in order to provide protection from creditor action in the form of an interim moratorium.

After the filing of the initial NIAA and the potential administration being reported in the press on 30 January 2013, several legal practices made contact with Management and KPMG expressing an interest in acquiring elements of the business.

Interest received was predominantly on the basis of acquiring elements of the business via a break-up sale, although KPMG were not at liberty to pursue any of those expressions of interests. The Management of the LLP and KPMG are only aware of one party that stated they may have been interested in acquiring the entire practice, however, given the lack of prior due diligence, Management and KPMG concluded that it would be difficult for the entity to complete a transaction in the very limited timescale available. Therefore the LLP's Members and KPMG concluded that, in the circumstances, a pre-packaged sale of the business to DWF was the best option for creditors.

5 Progress to date

5.1 Purpose of the administration

Paragraph 3 of Schedule B1 to IA 86 states that the administrator of a company or, in this instance an LLP, must perform his functions with the objective of

- (a) rescuing the LLP as a going concern, or
- (b) achieving a better result for the LLP's creditors as a whole than would be likely if the LLP were wound up, or
- (c) realising property in order to make a distribution to one or more secured or preferential creditors

The objective as set out in paragraph 3(1)(a), rescuing the LLP (legal entity) as a going concern, was not possible due to the high level of liabilities.

The objective of this administration was therefore that set out in paragraph 3(1)(b), achieving a better result for the creditors as a whole than would be likely if the LLP were wound up

5.2 Initial strategy

As discussed in Section 4, an offer was received from DWF which required a period of exclusivity to complete the transaction. DWF's representatives also advised that if the LLP was taken to market, in any form, then their offer would be withdrawn immediately

Given the forecast breach of banking facilities on 1 February 2013, KPMG, Management and Members believed it was unlikely that an alternative sale at higher realisation levels could be secured in the short term and, were marketing to be commenced, there was a real risk that DWF would withdraw its offer

If this sale was not completed the most likely alternative scenario was that a short period of marketing would have resulted in multiple sales of elements of the practice on a break-up basis. If a break-up sale could not be achieved the likely result would have been a liquidation and an uncertain return to creditors. In addition, this would have been difficult to coordinate given the likely issues with transfer of client files and funds whilst maintaining client confidentiality and service. It was also possible that all elements of the business may not have been sold.

In addition, the SRA had made it clear that from its perspective the proposed prompt disposal to one firm significantly reduced the risk to clients and the wider public interest

In the event that the SRA did not intervene, continued trading in administration was considered impractical given that

- clients would be unlikely to engage with the LLP whilst in administration and may have sought to take their files to an alternative firm immediately,
- staff would need to be retained/incentivised to assist the Joint Administrators with collection of debtors and the wind down of the business,
- in addition, there was a risk that key staff would leave and Members would find alternative employment given that they were, in effect, self employed,
- this could have led to a break-up of the practice resulting in potential difficulties in recovering both outstanding debtors and WIP. There would have been significant costs incurred in relation to wages and rent during any period of trading in administration, together with additional associated professional costs, which would significantly reduce any funds which may have become available to creditors, and
- the LLP may not have been self-financing during any administration trading period and the Joint Administrators were not aware of any stakeholder that was prepared to provide funding to enable continued trading

Further, were trading to continue, due to the potential disruption caused to the business, it was considered unlikely that a better offer would have been received post appointment

The sale to DWF was also advantageous in terms of reducing preferential claims given that approximately 439 employees transferred under TUPE regulations who otherwise would have been made redundant in the event of a break-up

Therefore, the Joint Administrators completed a sale of the business and certain assets to DWF shortly after their appointment

5.2.1 Sale of the business

As was detailed in their Proposals, the Joint Administrators agreed a pre-pack sale of the business and certain assets, for a minimum sales consideration of £3,911,497. An analysis of this figure is detailed overleaf

- 30 pence in the £ of the value of net debtors, being circa £2 1m,
- 30 pence in the £ of the value of net WIP, being circa £1 7m,
- those amounts are taken from the calculations made based on the month end position (31 January 2013) and were subject to a "true up" clause in the SPA to take into account movements up to 6 February 2013, and
- Agent's forced sale valuation in respect of unencumbered office furniture and computer equipment

In addition, an upside agreement has been provided to the Joint Administrators whereby 25% of any debtor and WIP realisations will be paid to the Joint Administrators

As at 30 June 2013, debtor and WIP collections totalled £8 2m with £0 5m of invoiced WIP remaining outstanding Outstanding WIP and debtors totalled £2 8m and £4 5m respectively

The detailed analysis relating to sale of business realisations are

	£
Net debtors and work in progress	3,881,490
Unencumbered office furniture & equipment (Gross realisation £150,000, £120,000 paid to Close in relation to their security)	30,000
The benefit of the Members' overdrawn current and unpaid capital account	1
The benefit subject to the burden of the client contracts & client files	1
The benefit of the supplier contracts and Policies & Health Schemes	1
Stock	1
Records	1
Goodwill	1
Intellectual property	1
Total realisations	3,911,497

To date £3,881,488 has been received, which is the initial sum due in relation to the debtors and Work in Progress (with the exception of a £9 shortfall) The Joint Administrators anticipate that they are holding sufficient surplus licence fees paid by

DWF (see section 5 4 2) to discharge this sum and the net sum due in relation to office furniture and equipment of £30,000

5.3 Communication

The Joint Administrators wrote to all known creditors on 12 February 2013 advising them of their appointment

The Joint Administrators' Statement of Proposals was circulated to all known creditors of the LLP on 21 March 2013 together with notice of a meeting of creditors

All known creditors of the LLP were subsequently notified on 12 April 2013 that the Proposals were approved at the meeting of creditors held on 10 April 2013

At the meeting of creditors it was also resolved that a Creditors' Committee be formed

5.4 Realisations

5.4 1 Motor Vehicles

Funds of £14,500 have been received in relation to the sale of a motor vehicle, which was marketed for sale by the Joint Administrators' Agents

A figure of £6,314 was paid to ING Lease (UK) Ltd by way of settlement of finance outstanding against this vehicle

5 4 2 Licences to occupy

The Joint Administrators granted DWF licences to occupy the premises in Leeds, Manchester and Birmingham and licence fees totalling £971,351 have been paid

These funds will be used to pay the ongoing rent (if deemed payable) and associated costs at the premises with any surplus funds, after all costs have been settled and any other sums due from DWF have been deducted, being returned to DWF, as per the licence agreements

5 4 3 Rates Refunds

A sum of £56,860 has been received by way of refund for overpayment of business rates in relation the LLP's offices in Manchester and Birmingham

The Joint Administrators have instructed GVA to pursue additional rates refunds in respect of the LLP's former trading premises

5 4 4 Cash

Petty Cash of £4,673 has been received since the date of appointment, as well as cash at bank of £62

5 4 5 Other receipts

Refunds of £3,310 and bank interest of £2,831 have been received in the period

5 4 6 Prepayments

At the date of the Joint Administrators' appointment, prepayments of circa £2 1m had been made by the LLP

Under the terms of the SPA, where DWF have taken benefit from these prepayments, then a proportional repayment should be made to the Joint Administrators

Discussions are ongoing with DWF in this regard, however, it is anticipated that the surplus licence fees detailed in Section 5 4 2 will be deducted from any sums due from DWF in relation to prepayments

Where DWF have not taken any direct benefit, the Joint Administrators have sought to pursue repayment of the prepaid sum from the relevant suppliers To date no refunds have been received

Discussions are also ongoing with the LLP's Professional Indemnity ("PI") insurers in an attempt to secure a refund of a proportion of the premium paid in advance

5.5 Liabilities

5 5 1 Lloyds TSB Bank Plc

Lloyds holds debenture security supported by fixed and floating charges which was granted on 16 January 2013 This security was granted in order to allow additional funds to be advanced to fund salary payments and drawings to Members

At the date of the Joint Administrators' appointment, Lloyd's indebtedness was approximately £7 3 million However, only funds advanced after 16 January 2013 are likely to be covered by Lloyd's security, such funds amount to £2 46 million

The Joint Administrators are currently taking further legal advice in relation to the level of security available to Lloyds.

Any shortfall due to the Bank will rank as an unsecured claim

5 5 2 Close Asset Finance Limited

Close had financed a large proportion of the LLP's office furniture and equipment at the Leeds, Manchester and Birmingham offices. As part of the sale of business it was agreed that DWF would purchase whatever right, title or interest the LLP had in both the encumbered and unencumbered furniture and equipment for £150,000. As previously reported, Close had agreed to accept £120,000 in full and final settlement of their indebtedness as regards the encumbered items, which was paid in April 2013.

5.5 3 Preferential creditors

Upon completion of the sale of business all remaining employees of the LLP were transferred to DWF under TUPE regulations.

The Joint Administrators are currently investigating whether a preferential claim exists in relation to unpaid contributions to the LLPs' occupational defined benefit pension scheme.

The Joint Administrators are currently in communications with the Trustees of the pension scheme.

It is anticipated that, should a preferential claim exist, there will be sufficient funds to pay a dividend of 100 pence in the pound.

5 5 4 Unsecured creditors

In the Statement of Affairs of the LLP, an amount of £91.6m being due to unsecured creditors.

The Insolvency Act 1986 (Prescribed Part) Order 2003 does apply in this case as the security held by Lloyds was created after 15 September 2003. The prescribed part is calculated as a percentage of the LLP's net property. The LLP's net property is the net amount available to the floating charge holder(s) after the payment of costs and preferential creditors.

It is anticipated that the fixed and floating charge creditors, and any preferential creditors will be repaid in full with sufficient funds available to make a distribution to the unsecured creditors. As such, a distribution under the prescribed part is unlikely to be necessary as a single dividend distribution will be made to unsecured creditors in such circumstances.

5.6 Expenses for the period

The receipts and payments for the period are set out in the attached Receipts and Payments Account (see Appendix 2).

The office holders' time costs for the period of this report are also attached (see Appendix 3).

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Insolvency Rules 1986. A creditors guide to fees can be found at

http://www.r3.org.uk/media/documents/publications/professional/Guide_to_Administrators_Fees_Nov20111.pdf

However, if you are unable to access this guide and would like a copy, please contact Ian Campbell on 0113 231 3036

During the period we have incurred time costs of £607,846, representing 1,856 hours at an average rate of £328 per hour

A detailed breakdown of the charge out rates for the duration of the administration is included in Appendix 3 to this Report

Please note that all staff who have worked on this assignment, including cashiers and secretarial staff have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to this assignment but is reflected in the general level of charge out rates

At a meeting of creditors on 10 April 2013, unsecured creditors voted in favour of forming a Creditors' Committee, who have, to date, passed resolutions that

- the Joint Administrators will be authorised to draw fees of £300,000 on account from the assets of the LLP. Also, the Joint Administrators will be authorised to draw disbursements £2,699

The Joint Administrators have not drawn any remuneration during the period of this report, but have drawn £300,000 since 5 August 2013

The Joint Administrators have incurred £2,921 of disbursements in the period, £2,699 of which have been paid outside the period of this report. Future fees and disbursements will be approved by the Creditors' Committee.

Expenses for this period total £1,688,028 including amounts not yet paid (see Appendix 4 for details). These costs can be broken down as follows

Expense	Cost (£)
Joint Administrators' fees and expenses	610,766
Legal fees and expenses	352,289
Rent and licence Fees	591,640
Other	133,333
Total	1,688,028

The figure of £556,486 detailed as "Rent", relates to are detailed further in section 6 3 6 below. These funds will be drawn entirely from the licence fee paid by DWF (see section 5.4 2). Similarly, the service charge of £35,154 relates to the LLP's former trading premises in Leeds, and will also be discharged from the licence fee detailed above.

Additional information about the expenses charged for the period is available from the office holder upon request by any secured creditor, and any other creditor or creditors owed 5% or more in value of the unsecured liabilities listed. Full details of the process to obtain more information under Rule 2 48A of the Insolvency Rules 1986 and to challenge the administrator's remuneration and expenses under Rule 2 109 of the Insolvency Rules 1986 are included in Appendix 4 should creditors wish to do so.

6 Comments on the Appendices

6.1 Receipts and payments

The following information provides a brief description of the Receipts and Payments Account to 5 August 2013, attached as Appendix 2.

6 2 Receipts

Please see section 5 5 for comments on the receipts during the period.

6 3 Payments

6 3 1 Sub-contractor costs

A sum of £450 was paid to a former member of staff of the LLP for providing assistance to the Joint Administrators in the location and generation of reports pertinent to their investigations.

6 3 2 Pre – Appointment legal costs

It was detailed in the Statement of Joint Administrators Proposals that certain pre-appointment legal fees had been incurred in relation to the preparation of the sale contracts in relation to the sale of the business and assets of the LLP and the application for the appointment of the Joint Administrators.

A sum of £169,367 was paid to Pinsents in respect of their outstanding fees, with a further £68,500 being paid in relation to Counsel's advice. These fees were paid with the sanction of the Creditors' Committee.

6 3 3 Solicitor Manager's fees

In order to comply with the requirements of the SRA, a Solicitor Manager is required to be appointed where a firm of solicitors enters Administration

The Solicitor Manager is responsible for all of the LLP's client funds, with the primary duty in this case being the transfer of these funds to DWF

Jonathan Jeffries of Pinsents has been appointed to act as Solicitor Manager, and has, to date, received remuneration of £25,225 for acting in this capacity In addition to this, an amount of £3,600 has been accrued

6 3 4 Agents' fees and disbursements

Sanderson Weatherall have provided asset disposal advice and valuation reports in respect of the office equipment subject to a secured charge held in favour of Close

Agent's fees of £5,000 have been paid during the period

6 3 5 Legal fees and disbursements

Pinsents have provided post-appointment legal advice to the LLP in respect of the following

- validity of the appointment of the Joint Administrators,
- validity of security,
- attendance at Creditors' Committee meetings, and
- general advice in the administration

Legal fees of £38,640 and disbursements of £3,347 have been paid to Pinsents during the period In addition to this, a sum of £41,183 plus disbursements of £51 have been paid outside the period of this report

The Joint Administrators have accrued a further £2,376 in the period in relation to legal fees; however, these costs have not yet been paid

6 3 6 Rent & service charge

As was detailed in the Statement of Joint Administrators Proposals, the Joint Administrators granted DWF licences to occupy the LLPs' former premises in Leeds, Manchester and Birmingham

Payments totalling £556,486 have been made in relation to rent falling due during the period of the licence

The Joint Administrators have also accrued £35,154 in the period in relation to service charges, however, these costs have not been paid during the period and will be discharge from the licence fee paid by DWF, as detailed in section 5 4 2

6 3 7 Other Payments

In addition to the above, statutory advertising of £938, bank charges of £140, insurance costs of £106, meeting room fees of £319 and storage costs of £59 have been paid

6 4 Analysis of office holders' time costs

6 4 1 Asset Realisation

The Joint Administrators have incurred time costs of £44,001 (104 hours) dealing with matters related to the sale of the business and assets of the LLP to DWF

In relation to book debts, £28,338 (97 hours) has been incurred in the period by the Joint Administrators in connection to the monitoring of the collection of the LLP's outstanding book debts

The Joint Administrators will receive 25% of any realisations made by DWF from Cobbetts' debtors and WIP between £9 4m and £22 2m Significant time has therefore been spent liaising with DWF to keep up to date with the collection process, as well as reviewing certain balances written off by DWF so that the Joint Administrators are satisfied that a stringent process is being followed before any balances are written off

In addition £34,555 (107 hours) has been incurred by the Joint Administrators matters surrounding the former leasehold premises of the LLP. As mentioned in section 5 4 2, DWF paid licence fees in respect of the occupation of the former trading premises of the LLP in Leeds, Manchester and Birmingham

The Joint Administrators and their staff have been finalising costs, such as rent, utilities and rates, which have been discharged from the payment received from DWF

In addition, the Joint Administrators have been dealing with the surrender of these leases (and the former trading premises in London) This process has been complicated by the fact that a number of the surrenders were dealt with on a floor by floor basis

6 4 2 Appointment and related formalities

Following the appointment of the Joint Administrators, time costs of £42,607 (127 hours) have been incurred in relation to notifying all relevant parties of the appointment, with the exception of creditors, instructing Agents and Solicitors and dealing with all other immediate matters arising which were relevant to the set up of the administration

6 4 3 General/creditor correspondence

To date time costs of £67,861 (220 hours) have been incurred in relation to dealing with general correspondence with creditors

6 4 4 Statutory reporting

In February 2012 the Joint Administrators circulated their Proposals to all known creditors of the LLP and time costs of £51,562 (148 hours) were incurred in relation to the preparation and circulation of this report

In addition time costs of £45,219 (141 hours) have been incurred in corresponding with the Creditors' Committee, and £17,686 (40 hours) have been incurred in reporting to the Secured Creditors

6.4 5 Employee correspondence

The LLP had 439 employees, who transferred to the purchaser under the TUPE regulations

Time costs of £10,953 (44 hours) have been incurred by the Joint Administrators' in relation to dealing with general queries from the previous employees of the LLP

6 4 6 Investigation

The Joint Administrators are conducting their report on the affairs of the LLP and the conduct of the Members for submission to the Insolvency Service The Joint Administrators have submitted their report on all Members other than those who were members of Management, business group leaders and the Supervisory Board

The Insolvency Service has granted an extension until 5 November 2013 for submission of the final report in respect of these Members, while the Joint Administrators finalise their investigations.

Time costs of £109,794 (347 hours) have been incurred in relation to this matter

Appendix 1 - Statutory information

Date of Incorporation	16 August 2005
Company number	OC314724
Previous registered office	58 Mosley Street Manchester M2 3HZ
Present registered office	KPMG LLP 1 The Embankment Neville Street Leeds LS1 4DW
Trading addresses	58 Mosley Street Manchester 4 th and 5 th Floor No1 Whitehall Riverside Leeds 5 th and 6 th Floor No 1 Colmore Square Birmingham 70 Grays Inn Road London
Assured Equity Members	A Bhaseen D Frankland N Frost J Graham N Gupta D Hamer P Harman C Haslam D Hope L James S Mcgrath J Moritz

	R St John Williams
	J Steele
	A Walker
	G Whittell
	R Drake
	D Armitage
	A Bennett
	J Bennett
	R Berry
	J Carr
	C Corry
	S Green
	J Hepworth
	V King
	I Moran
	D O'Gorman
	L Peters
	E Roe
	J Speed
	P Tate
	J Wright
	F Anderson
	J Bessey
	N Gardner
	M Gibson
	K Halliday
	I Ilersic
	M Mcmorrow
	N Mears
	K Mills
	R Potgieter
	H Stephens
Defined Equity Members	M Copestake
	P Stone
	A Simpson
	D Hymas
Variable Equity Members	M Barker
	S Benson
	J Boyd
	P Brown
	T Cloynes
	S Fitzgerald
	J Hailey
	S Hall
	P Inman
	K Jaquiss



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	P Johnson
	R Turnbull
	R Webb
	N Carr
	J Crew
	A Flounders
	J Green
	G Jackson
	C Ramage
	A Cutler
	A Leach
	G Muth
	A Norman
	A Watson
	R Whittingham
Salaried Members	D Luty
Company secretary	N/A
Employees	439

Appendix 2 - Receipts and Payments account for the period to 5 August 2013

Statement of Affairs		From 06/02/2013 To 05/08/2013	From 06/02/2013 To 05/08/2013
53,921 00	FIXED CHARGE ASSETS		
	Fixtures & fittings	NIL	NIL
		NIL	NIL
(53,921 00)	FIXED CHARGE CREDITORS		
	Close Leasing Limited	120,000 00	120,000 00
		(120,000 00)	(120,000 00)
98,079 00	ASSET REALISATIONS		
	Furniture & equipment	NIL	NIL
	Motor vehicles	14,500 00	14,500 00
	Stock	1 00	1 00
1,808,234 00	Work in progress	1,808,234 00	1,808,234 00
2,081,323 00	Book debts	2,073,247 44	2,073,247 44
	Goodwill	6 00	6 00
60,092 00	Cash at bank	62 35	62 35
	Rates refunds	56,859 57	56,859 57
		3,952,910 36	3,952,910 36
	OTHER REALISATIONS		
	Bank interest, gross	2,831 30	2,831 30
	Petty Cash	4,672 68	4,672 68
	Sundry refunds	3,310 27	3,310 27
	Licence fees	921,893 34	921,893 34
	Licence fee - Service Charge	49,458 00	49,458 00
811,281 00	Unbilled disbursements	NIL	NIL
53,574 00	Prepayments	NIL	NIL
42,989 00	Amounts due from former partners	NIL	NIL
		982,165 59	982,165 59
	COST OF REALISATIONS		
	ING Lease	6,313 59	6,313 59
	Sub contractor costs	450 00	450 00
	Pre appointment legal fees	169,367 00	169,367 00
	Pre appointment Counsel fees	68,500 00	68,500 00
	Meeting Room Hire	318 75	318 75
	Solicitor Manager's fees	25,225 00	25,225 00
	Agents'/Valuers' fees	5,000 00	5,000 00
	Legal fees	38,639 70	38,639 70
	Legal disbursements	3,347 07	3,347 07
	Storage costs	58 71	58 71
	Statutory advertising	938 02	938 02
	Rent	556,485 93	556,485 93
	Insurance of assets	106 00	106 00
	Bank charges	140 00	140 00
		(874,889 77)	(874,889 77)
(16,667 00)	PREFERENTIAL CREDITORS		
	Conts to pension schemes	NIL	NIL
		NIL	NIL
(3,457 175 00)	FLOATING CHARGE CREDITORS		
	Floating charge	NIL	NIL



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Statement of Affairs	From 06/02/2013 To 05/08/2013	From 06/02/2013 To 05/08/2013
	NIL	NIL
UNSECURED CREDITORS		
(2,711,986.00) Trade & expense	NIL	NIL
(38,535.00) EP(C)A bal & redundancy	NIL	NIL
(662,968.00) Former partners	NIL	NIL
(3,110,287.00) Banks/Institutions	NIL	NIL
(1,268,365.00) Non-preferential NIC	NIL	NIL
(1,425,630.00) Non-preferential VAT	NIL	NIL
(75,685,740.00) Rent & lease liabilities	NIL	NIL
(3,623,117.00) Third party lending	NIL	NIL
(3,100,000.00) Pension deficit	NIL	NIL
	NIL	NIL
(90,144,898.00)	3,940,186.18	3,940,186.18
REPRESENTED BY		
Floating ch. VAT rec'able		202,372.31
Floating charge current		3,932,084.13
Floating ch. VAT payable		(194,270.26)
		3,940,186.18

RECEIPTS		£
Brought forward from previous Abstract (if Any)		0 00
Motor vehicles		14,500 00
Stock		1 00
Work in progress		1,808,234 00
Book debts		2,073,247 44
Goodwill		6 00
Cash at bank		62 35
Rates refunds		56,859 57
Bank interest, gross		2,831 30
Petty Cash		4,672 68
Sundry refunds		3,310 27
Licence fees		921,893 34
Licence fee - Service Charge		49,458 00
Floating ch VAT payable		194,270 26
Carried forward to		5,129,346 21
* continuation sheet / next abstract		
PAYMENTS		£
Brought forward from previous Abstract (if Any)		0 00
Close Leasing Limited		120,000 00
ING Lease		6,313 59
Meeting room hire		318 75
Sub contractor costs		450 00
Pre appointment legal fees		169,367 00
Pre appointment Counsel fees		68,500 00
Solicitor Manager's fees		25,225 00
Agents'/Valuers' fees		5,000 00
Legal fees		38,639 70
Legal disbursements		3,347 07
Storage costs		58 71
Statutory advertising		938 02
Rent		556,485 93
Insurance of assets		106 00
Bank charges		140 00
Floating ch VAT rec'able		202,372 31
Carried forward to		1,197,262 08
* continuation sheet / next abstract		

* Delete as appropriate

* Delete as appropriate

Note - The receipts and payments must severally be added up at the foot of each sheet and the totals carried forward from one abstract to another without any intermediate balance so that the gross totals shall represent the total amounts received and paid by the administrator since he was appointed

Appendix 3 – Joint Administrators' time costs as at 5 August 2013

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
Bankrupt/Director/Member							
Notification of appointment	0 70		3 20		3 90	£1,107 00	£283 85
Reports to OR on conduct		2 00			2 00	£730 00	£365 00
Statutory reports	6 00				6 00	£3,310 00	£551 67
Cashiering							
General (Cashiering)	2 50		27 70		30 20	£6,545 00	£216 72
Reconciliations (& IPS accounting reviews)			4 40		4 40	£898 50	£204 20
General							
Books and records	0 40	2 00	13 00		15 40	£3,329 00	£216 17
Fees and WIP	0 50	0 50	2 50	2 00	5 50	£1,117 50	£203 18
Statutory and compliance							
Appointment and related formalities	34 10	25 90	66 00	0 50	126 50	£42,607 00	£336 81
Checklist & reviews	0 30	9 00	19 00		28 30	£7,309 50	£258 29
Closure and related formalities		0 50			0 50	£182 50	£365 00
Pre-appointment checks			4 80		4 80	£888 00	£185 00
Reports to debenture holders	20 90	19 00			39 90	£17,687 50	£443 30
Strategy documents	32 00	3 80	6 50	1 75	44 05	£20,575 25	£467 09
Tax							
Initial reviews - CT and VAT	7 00	14 80	5 50		27 30	£9,882 50	£362 00
Post appointment corporation tax	5 30	6 25	0 50		12 05	£4,995 25	£414 54
Post appointment VAT	3 30	6 50	8 90		18 70	£5,643 50	£301 79
Creditors							
Committees							
Formation	1 60	1 90	2 00		5 50	£1,873 50	£340 64
Meetings	5 50	20 30	29 40		55 20	£17,070 00	£309 24
Reports	2 10	7 00	0 50		9 60	£3,666 00	£381 88
Creditors and claims							
Agreement of unsecured claims	1 00				1 00	£565 00	£565 00
General correspondence	55 80	51 20	112 80	0 30	220 10	£67,861 00	£308 32
Legal claims	1 00		4 50		5 50	£1,317 50	£239 55
Notification of appointment			11 00		11 00	£2,035 00	£185 00
Pre-appointment VAT / PAYE / CT	0 50				0 50	£282 50	£565 00
ROT Claims			3 00		3 00	£555 00	£185 00
Secured creditors		2 00			2 00	£730 00	£365 00
Statutory reports	53 90	35 00	48 35	10 50	147 75	£51,461 50	£348 30
Employees							
Correspondence	0 40		2 50		2 90	£656 50	£226 38
Pension funds	4 10	1 60			5 70	£2,748 50	£482 19
Pensions reviews		4 40	30 65		35 05	£7,548 25	£215 36
Investigation							
Directors							
Correspondence with directors	2 80	5 00	7 90		15 70	£4,644 50	£295 83
D form drafting and submission	17 80	9 00	76 70		103 50	£30,044 00	£290 28
Directors questionnaire / checklist	2 00		19 90		21 90	£4,651 50	£212 40
Statement of affairs	1 00	2 00	3 00		6 00	£1,770 00	£295 00
Investigations							
Correspondence re investigations	4 60	107 50	28 70		140 80	£48,308 50	£343 10
Mail redirection			2 00		2 00	£370 00	£185 00
Preferences / transactions at undervalue		1 00			1 00	£365 00	£365 00
Review of pre-appt transactions	5 00	41 00	10 00		56 00	£19,640 00	£350 71



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	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Realisation of assets							
Cash and investments	5 60	43 00	173 80		222 40	£61,301 50	£275 64
Debtors	7 80	29 50	59 20		96 50	£28,337 50	£293 65
Deferred consideration	0 30	0 70	0 50		1 50	£553 00	£368 67
Freehold property	12 00		2 50		14 50	£6,290 50	£433 83
Leasehold property	11 00	62 80	33 00		106 80	£34,555 00	£323 55
Office equipment, fixtures & fittings	1 00	20 00	3 00		24 00	£8,420 00	£350 83
Open cover insurance	14 10		4 00		18 10	£7,578 50	£418 70
Other assets	36 50	4 60	3 50		44 60	£20,440 00	£458 30
Rent	0 30		0 50		0 80	£238 00	£297 50
Sale of business	62 80	24 70	16 50		104 00	£44,401 00	£426 93
Stock and WIP	1 40				1 40	£759 00	£542 14
Total in period					1,855 80	£607,845 75	£327 54

Joint Administrators' charge out rates

KPMG LLP	
Restructuring Team	
Grade	From 1 October 2012 £/hr
Partner	565
Associate Partner	485
Director	485
Senior Manager	450
Manager	365
Senior Administrator	250
Administrator	185
Support	115

Appendix 4 – Joint Administrators’ disbursements for the period 6 February 2013 to 5 August 2013

Expense Name	£
Printing	415 27
Sundry Expenses	19 26
Land Registry Search	11 00
Telephone	126 61
Insolvency Practitioners Bond	249 99
Train Travel	794 41
Mileage	616 71
Other Transport costs	110 73
Overnight Accommodation	474 53
Meal Allowances	102 03
Total	2,920.54

Where funds permit the officeholder will look to recover both category 1 and category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

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, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

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.

Any disbursements to be paid from the estate are disclosed within the summary of disbursements above.

The only Category 2 disbursements that KPMG Restructuring currently charges is mileage, this is calculated as follows:

Mileage claims fall into three categories:

Use of privately-owned vehicle or car cash alternative – 40p per mile

Use of company car – 60p per mile

Use of partner’s car – 60p per mile



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For all of the above car types, when carrying passengers an additional 5p per mile per passenger will also be charged where appropriate

Appendix 5 - Schedule of expenses for the period 6 February 2013 to 5 August 2013

Section	Account	Accrued (£)	Paid (£)	Total (£)
Cost of realisations				
-	Administrators' fees	607,845 75		607,845 75
-	Administrators' expenses	2,920 54		2,920 54
-	Agents'/Valuers' fees		5,000 00	5,000 00
-	Meeting Room hire		318 75	318 75
-	Counsel fees		68,500 00	68,500 00
-	Pre-Appointment Legal Fees		169,367 00	169,367 00
-	Legal fees	43,559 60	38,639 70	82,199 30
-	Legal disbursements	51 00	3,347 07	3,398 07
-	Solicitor Manager Fees	3,600 00	25,225 00	28,825 00
-	Lease Payments		6,313 59	6,313 59
-	Subcontractor Costs		450 00	450 00
-	Storage costs	7 20	58 71	65 91
-	Statutory advertising		938 02	938 02
-	Rent		556,485 93	556,485 93*
-	Service Charge	35,154		35,154 00*
-	Insurance of assets		106 00	106 00
-	Close Invoice Finance		120,000 00	120,000 00*
-	Bank charges		140 00	140 00
TOTAL		693,138.09	994,889.77	1,688,027.86

Creditors are reminded that the basis on which fees have been reported has been agreed by the secured creditor and preferential creditors

However to determine if the quantum of the fees to be taken is reasonable the analysis included at Appendix 3 should be reviewed and any additional information can be requested by any secured creditor or any unsecured creditor(s) with at least 5% in value of the unsecured debt in accordance with rule 2 48A IR86 This request must be made within 21 days receipt of the progress report. The full text of that rule can be provided on request



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In addition creditors are reminded that the quantum can be challenged by unsecured creditor(s) with at least 10% in value excluding that creditors claim by making an application to court in accordance with rule 2.109 IR86. The full text of this rule can also be provided on request.

Items marked * re to be discharged from the licence fee paid by DWF

Appendix 6 - Extract from the Insolvency Rules 1986

Insolvency Rules 1986

2 48A Creditors' request for further information

(1) If- (a) within 21 days of receipt of a progress report under Rule 2 47-

(i) a secured creditor, or

(ii) an unsecured creditor with the concurrence of **at least 5% in value** of the unsecured creditors (including the creditor in question), or

with the permission of the court upon an application made within that period of 21 days, any unsecured creditor, the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2 47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2)

The administrator complies with this paragraph by either—

(a) providing all of the information asked for, or

(b) so far as the administrator considers that—

(i) the time or cost of preparation of the information would be excessive, or

(ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or

(iii) the administrator is subject to an obligation of confidentiality in respect of the information,

giving reasons for not providing all of the information

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of—

(a) the giving by the administrator of reasons for not providing all of the information asked for, or

(b) the expiry of the 14 days provided for in paragraph (1),

and the court may make such order as it thinks just

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2 109(1B) by such further period as the court thinks just

2 109 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of **at least 10% in value of the unsecured creditors** (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)

(1A) An application may be made on the grounds that—

(a) the remuneration charged by the administrator,

(b) the basis fixed for the administrator's remuneration under Rule 2 106,

(c) expenses incurred by the administrator,

is or are in all the circumstances, excessive, or in the case of an application under subparagraph (b), inappropriate

(1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly

(3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

(a) an order reducing the amount of remuneration which the administrator was entitled to charge,

- (b) an order fixing the basis of remuneration at a reduced rate or amount,
 - (c) an order changing the basis of remuneration,
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration,
 - (e) an order that the administrator or the administrator's personal representative pay to the LLP the amount of the excess of remuneration or expenses or such part of the excess as the court may specify,
- and may make any other order that it thinks just, but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report
- (5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration