

In accordance with  
Rule 3.35 of the Insolvency  
(England and Wales)  
Rules 2016 Paragraph  
49(4) of Schedule B1  
to the Insolvency Act  
1986 and regulation 9(5)  
of The Administration  
(Restrictions on Disposal  
etc. to Connected Persons)  
Regulations 2021.

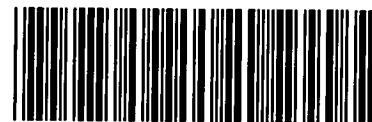
# AM03

## Notice of administrator's proposals



Companies House

THURSDAY



\*AC2SUWP5\*

A05

04/05/2023

#154

COMPANIES HOUSE

### 1 Company details

Company number

Company name in full

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

### 2 Administrator's name

Full forename(s)

Surname

### 3 Administrator's address

Building name/number

Street

Post town

County/Region

Postcode

Country

### 4 Administrator's name ①

Full forename(s)

Surname

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

### 5 Administrator's address ②

Building name/number

Street

Post town

County/Region

Postcode

Country

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

# AM03 Notice of Administrator's Proposals

## 6 Statement of proposals

☒ I attach a copy of the statement of proposals

## 7 Qualifying report and administrator's statement <sup>①</sup>

☒ I attach a copy of the qualifying report

☐ I attach a statement of disposal

<sup>①</sup> As required by regulation 9(5) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021)

## 8 Sign and date

Administrator's  
Signature

Signature

X



X

Signature date

<sup>d</sup>

0

<sup>d</sup>

2

<sup>m</sup>

0

<sup>m</sup>

5

<sup>y</sup>

2

<sup>y</sup>

0

<sup>y</sup>

2

<sup>y</sup>

3



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

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## Pardoes Solicitors LLP (In Administration)

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Statement of proposals for achieving the purpose of  
administration pursuant to Paragraph 49 of Schedule B1 to the  
Insolvency Act 1986 and Rule 3.35 of the Insolvency (England  
and Wales) Rules 2016

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## **Important Notice**

This statement of proposals has been produced for the sole purpose of advising creditors pursuant to the provisions of the Insolvency Act 1986. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever. Any estimated outcomes for creditors included in these proposals are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

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# 1. INTERPRETATION

| <b><u>Expression</u></b>                    | <b><u>Meaning</u></b>   |
|---|---|
| "the Partnership"                           | Pardoes Solicitors LLP (In Administration)  |
| "the administration"                        | The appointment of administrators under Schedule B1 of the Act on 21 March 2023   |
| "the administrators", "we", "our", "us"     | Julie Anne Palmer of Begbies Traynor (Central) LLP, Units 1-3 Hilltop Business Park, Devizes Road, Salisbury, Wiltshire, SP3 4UF and Stephen Mark Powell of Begbies Traynor (Central) LLP, 5 Prospect House, Meridians Cross, Ocean Way, Southampton, SO14 3TJ  |
| "the Act"                                   | The Insolvency Act 1986 (as amended)  |
| "the Rules"                                 | The Insolvency (England and Wales) Rules 2016 (as amended)  |
| "secured creditor" and "unsecured creditor" | Secured creditor, in relation to a partnership, means a creditor of the partnership who holds in respect of his debt a security over property of the partnership, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)   |
| "security"                                  | <ul style="list-style-type: none"><li>(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act); and</li><li>(ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)</li></ul> |
| "preferential creditor"                     | Any creditor of the Partnership whose claim is preferential within Sections 386, 387 and Schedule 6 to the Act  |

## 2. STATUTORY INFORMATION

|                                      |   |
|--------------------------------------|---|
| Name of Partnership                  | Pardoes Solicitors LLP  |
| Trading name:                        | Pardoes Solicitors  |
| Date of Incorporation:               | 25 February 2013  |
| Partnership registered number:       | OC382819  |
| Partnership registered office:       | Units 1 - 3 Hilltop Business Park, Devizes Road, Salisbury, Wiltshire, SP3 4UF  |
| Former registered office:            | West Quay House, West Quay Close, Bridgwater, TA6 3EU   |
| Trading address:                     | West Quay House, West Quay Close, Bridgwater, TA6 3EU<br><br>Blackdown House, Blackbrook Business Park, Taunton, Somerset, TA1 2PX<br><br>Glenthorne House, 38 Princes Street, Yeovil, Somerset, BA20 1EJ |
| Principal business activities:       | Legal Services  |
| Designated Member                    | Bhavani Hogarty   |
| Auditors / Accountants:              | Hazlewoods LLP, Windsor House, Bayshill Road, Cheltenham, GL50 3AT  |
| Moratorium under Part A1 of the Act: | No such moratorium has been in force for the Partnership at any time within the period of two years ending with the day on which it entered administration.   |

## 3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

|  |  |
|--|--|
| Date of appointment:                     | 21 March 2023  |
| Date of resignation:                     | N/A  |
| Court:                                   | High Court of Justice  |
| Court Case Number:                       | 000022 - 2023  |
| Person making appointment / application: | Bhavani Hogarty of West Quay House, Northgate, Bridgwater, Somerset, United Kingdom, TA6 3EU (as reflected at Companies House) on behalf of the Limited Liability Partnership  |
| Acts of the administrators:              | The Administrators act as officers of the court and as agents of the Partnership without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time. |

Type of Proceedings:

The proceedings will be COMI proceedings as defined by the Insolvency (England and Wales) Rules 2016 (as amended)

## **STATUTORY PURPOSE OF ADMINISTRATION**

Paragraph 3 of Schedule B1 to the Act provides as follows:

- "3 (1) The administrator of a company must perform his functions with the objective of-
- (a) rescuing the company as a going concern, or
  - (b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or
  - (c) realising property in order to make a distribution to one or more secured or preferential creditors.
- (2) Subject to sub-paragraph (4), the administrator of a company must perform his functions in the interests of the company's creditors as a whole.
- (3) The administrator must perform his functions with the objective specified in sub-paragraph (1)(a) unless he thinks either-
- (a) that it is not reasonably practicable to achieve that objective, or
  - (b) that the objective specified in sub-paragraph (1)(b) would achieve a better result for the company's creditors as a whole.
- (4) The administrator may perform his functions with the objective specified in sub-paragraph (1)(c) only if-
- (a) he thinks that it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph (1)(a) and (b), and
  - (b) he does not unnecessarily harm the interests of the creditors of the company as a whole."

## **4. CIRCUMSTANCES GIVING RISE TO OUR APPOINTMENT**

### **Background Information**

The business began trading as a partnership in or around the 1920's, providing legal advice to clients in the Southwest region of the UK. The Partnership offered a range of specialisms, and it quickly began to develop an excellent reputation in the local area.

The Partnership's supportive customer base, combined with the employment of a number of key personnel, enabled the Partnership to grow over a period of time. Additional offices were opened across the region and the Partnership was able to trade successfully for a number of years, becoming the largest and longest serving legal firm in Bridgewater.

The Partnership became formally incorporated as a Limited Liability Partnership on 25 February 2013 with three Designated Members initially being appointed. Barclays Bank PLC ("Barclays") provided loans to both the Partnership to assist with the initial cashflow demands along with loans to the various partners to buy in to the Partnership. Security was granted to Barclays in respect of a fixed and floating charge.

The business was formally transferred to the newly incorporated entity on 03 April 2014.

The Partnership's extensive service lines, which included divorce, property and boundary dispute, residential and commercial conveyancing, wills and probate, criminal defence and employment law, enabled it to increase turnover and additional offices were secured in Yeovil and Taunton.

Additional finance was required towards the end of November 2016 to enable the continued growth of the business. This was secured as follows:

- A loan was secured from Lloyds Bank PLC ("Lloyds") who were granted a fixed and floating charge.
- The sale of the Partnership's Personal Injury department, which historically had been the least profitable service line.

The above generated sufficient funds to discharge the Partnership's liability to Barclays and to fund ongoing trade.

Extracts from the Partnership's accounts for the previous three years are set out below:

| <b>PROFIT &amp; LOSS ACCOUNT</b>                                   | <b>Management<br/>Accounts<br/>February 2023<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2022<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2021<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2020<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2019<br/>£</b> |
|--|--|---|---|---|---|
| <b>Turnover</b>  | -  | 2,635,537   | 2,717,792   | 3,159,033   | 3,558,749   |
| Administration Expenses  | -  | (2,298,160)                                       | (2,504,697)                                       | (2,881,686)                                       | (3,344,789)                                       |
| Other Operating Income   | -  | -   | 92,183  | 25,315  | -   |
| Operating Profit   | -  | 337,377   | 305,278   | 302,662   | 213,960   |
| Interest Receivable / Similar Expenses                             | -  | 42,815  | 29,120  | 73,670  | 64,572  |
| Interest Payable / Similar Expenses                                | -  | (168,333)   | (135,424)   | (137,494)   | (118,666)   |
| Profit for the Year Before Members' Remuneration and Profit Shares | -  | 211,859   | 198,974   | 238,838   | 159,866   |
| Members' Remuneration  | -  | (211,859)   | (198,974)   | (238,838)   | (159,866)   |
| <b>Profit / (Loss) for the Year</b>                                | -  | -   | -   | -   | -   |

| <b>BALANCE SHEET</b>                  | <b>Management<br/>Accounts<br/>February 2023<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2022<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2021<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2020<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2019<br/>£</b> |
|---------------------------------------|--|---|---|---|---|
| <b>Fixed Assets</b>                   |  |   |   |   |   |
| Goodwill                              | -  | -   | -   | -   | -   |
| Fixtures and Fittings                 | 86,513   | 74,386  | 87,513  | 84,528  | 98,815  |
| Motor Vehicles                        | 406  | 304   | 406   | 542   | 723   |
| <b>Current Assets</b>                 |  |   |   |   |   |
| Cash and Short-Term Deposits          | (173,976)  | -   | 44  | 80  | 262   |
| Trade Debtors                         | 121,449  | 257,208   | 270,082   | 247,314   | 218,042   |
| Amounts Receivable on Contracts       | 1,468,116  | 1,342,110   | 1,445,857   | 1,530,018   | 1,532,314   |
| Other Debtors                         | -  | 437,843   | 401,411   | 375,607   | 140,909   |
| Prepayments and Accrued Income        | 44,689   | 10,396  | 186,649   | 10,558  | 239,534   |
|                                       | 1,547,197  | 2,047,557   | 2,303,999   | 2,163,577   | 82,196  |
| Creditors: Falling Due Within 1 Year  | (1,132,043.43)   | (1,378,025)                                       | (1,618,854)                                       | (1,319,803)                                       | (1,281,674)                                       |
| Net Current Assets                    | -  | 669,539   | 685,189   | 843,774   | 931,583   |
| Total Assets Less Current Liabilities | -  | 744,229   | 773,108   | 928,844   | 1,026,121   |
| Creditors: Falling Due After 1 Year   | -  | (498,544)   | (465,897)   | (622,031)   | (776,385)   |

|                                    |   |                |                |                |                |
|------------------------------------|---|----------------|----------------|----------------|----------------|
| Net Assets Attributable to Members | - | 245,685        | 307,211        | 306,813        | 249,736        |
| <b>REPRESENTED BY:</b>             |   |                |                |                |                |
| Loans / Other Debts Due to Member  |   |                |                |                |                |
| Members' Capital                   | - | 245,685        | 307,211        | 306,813        | 249,736        |
| <b>Total Members' Interests</b>    |   |                |                |                |                |
| Amounts Due from Members           | - | (141,800)      | (116,676)      | (119,679)      | (140,909)      |
| Loans / Other Debts Due to Members | - | 245,685        | 307,211        | 306,813        | 249,736        |
|                                    | - | <b>103,885</b> | <b>190,535</b> | <b>187,134</b> | <b>108,827</b> |

By 2019, the Partnership was generating turnover in the region of £3.5million per annum. The Partnership was expecting to continue achieving similar annual turnover as the future of ongoing trade looked promising.

#### **The reasons for the Partnership's insolvency**

Whilst turnover had historically been high, the effects of the Pandemic resulted in a significant decrease from £3.5million to around £2.5million as a result of the Partnership's clients seeking to preserve their own financial position.

The Partnership implemented several cost-saving measures, which included changes to case management procedures in the hope of reducing non-recoverable work in progress (largely because of a number of legacy cases) and of placing staff members on furlough.

In addition to this, focus was placed on the tendering and acquisition of key contracts with the Legal Aid Agency ("LAA") for family and criminal work which were successful. The Partnership was also successful in retendering for a new 2022 Standard Crime Contract with the LAA.

However, these measures were insufficient to enable the Partnership to continue to meet its ongoing monthly overheads. As a result, it fell behind with payments to HM Revenue & Customs ("HMRC") and repayments to Lloyds. The Partnership was able to agree a Time to Pay Arrangement with HMRC, however, the agreed repayments significantly inhibited the available monthly cashflow.

Correspondence received from both HMRC and Lloyds referenced enforcement action and it was considered that the Partnership would ultimately be required to enter some form of insolvency procedure.

With increasing pressure from both HMRC and Lloyds, the Partnership sought advice from its financial advisors and talks were initiated with a competitor law firm as regards a potential acquisition. Discussions began with a potential acquirer in or around August 2022.

The proposed acquirer considered that any acquisition would need to be by way of an insolvency procedure (by virtue of the outstanding liabilities) and, as such, the Partners were introduced to Julie Anne Palmer of Begbies Traynor for insolvency advice. An initial meeting took place between the various parties on 15 September 2022 to discuss the Partnership's financial position and how a pre-packaged Administration sale might take place.

Unfortunately, the anticipated sale to the above acquirer did not proceed.

The Partnership continued to trade in the meantime and in October 2022 the Board took further advice in respect of the options available. It was agreed that they would need to formally instruct Begbies Traynor to assist with a pre-packaged Administration sale of the Partnership's business and assets for the following reasons:

1. A pre-packaged sale via Administration would allow the insolvent but potentially profit-making business to escape the burden of historic debts as to give interested parties the opportunity to consider a business and / or asset purchase and to maximise the value for creditors.
2. The sale would result in the employees transferring to the purchaser under Transfer of Undertakings (Protection of Employment) Regulations ("TUPE"). This was anticipated to save 34 jobs and mitigate redundancy and payment in lieu of notice claims totalling approximately £425,500.00.

It was noted that a sale of business and assets would have to be concluded relatively quickly so as to preserve the goodwill in the Partnership and due to the fact that there were limited funds available to enable the Partnership to continue to trade whilst it was marketed for sale. The marketing strategy detailed below demonstrates that asset realisations were maximised on behalf of creditors as the sale price exceeded the ex-situ value of the Partnership's assets.

It is also noted that the alternative options available to the Partnership were considered, such as trading in Administration, Creditors' Voluntary Liquidation and a Partnership Voluntary Arrangement as detailed below in this report.

#### **The reasons for the pre-packaged sale**

A pre-packaged sale via Administration would allow the insolvent but potentially profit-making business to escape the burden of historic debts as to give interested parties the opportunity to consider a business and or asset purchase and to maximise the value for creditors.

A review of the Partnership's list of creditors indicated that it was likely valueless within its present corporate structure given its level of debt which totalled £1,381,669.11 (albeit noting that the estimated liabilities to creditors has since changed), comprising the following:

| <b>CREDITOR TYPE</b>               | <b>DEBT<br/>£</b>   | <b>STATUS</b>          |
|------------------------------------|---------------------|------------------------|
| Lloyds Bank PLC (Loan)             | 171,467.45          | Secured                |
| HM Revenue & Customs (VAT)         | 112,500.00          | Secondary Preferential |
| HM Revenue & Customs (PAYE)        | 301,634.37          | Secondary Preferential |
| Lloyds Bank PLC (Bounce Back Loan) | 33,711.00           | Unsecured              |
| Trade Creditors                    | 182,288.85          | Unsecured              |
| Other Loans                        | 154,544.48          | Unsecured              |
| Employees (Estimated Entitlements) | 425,522.96          | Unsecured              |
| <b>TOTAL</b>                       | <b>1,381,669.11</b> |                        |

A pre-packaged Administration appeared to benefit the Partnership's creditors as the in-situ asset valuation was greater than the ex-situ valuation. It was anticipated that this would maximise asset realisations compared to that of a liquidation scenario. The marketing strategy detailed below demonstrates this.

Other options available to the Partnership were considered, such as trading in Administration, a Partnership Voluntary Arrangement ("PVA") and a Creditors' Voluntary Liquidation ("CVL") as detailed below. However, none of these options would have maximised the asset realisations for creditors. There was no evidence that a CVA would be approved (particularly given the size and aged nature of HMRC's debt) or successfully completed (given the existing cashflow difficulties). There were also insufficient funds available to enable the Partnership to trade in Administration.

As a result of the pre-packaged sale a total of 34 of the Partnership's employees were automatically transferred to the purchaser under TUPE. This resulted in the mitigation of additional claims against the Partnership in

relation to payment in lieu of notice, redundancy pay, holiday pay and wage arrears which are estimated to total £425,522.96.

## **5. STATEMENT OF AFFAIRS**

The Administrators are yet to receive a Statement of Affairs from the Designated Member and, as such, a draft Statement of Affairs of the Partnership as at 21 March 2023 is attached at Appendix 2.

It makes no provision for the costs of the Administration or any subsequent liquidation or voluntary arrangement.

Our comments on the statement of affairs are as follows:

### **SECURED CREDITORS**

Lloyds were granted a fixed and floating charge over the Partnership's assets on 15 November 2016 and this was registered on 15 November 2016.

The amount outstanding to Lloyds as at the date of our appointment was £171,467.45.

### **ASSETS SUBJECT TO A FIXED CHARGE**

#### **Goodwill**

The Partnership's goodwill was valued on an in-situ and ex-situ basis of £150,000.00 and nil respectively. The goodwill is comprised in the sale to South West Advocates Limited ("SWA") for £200,000.00.

### **ASSETS SUBJECT TO A FLOATING CHARGE**

#### **Office Equipment, Vehicle and Fixtures**

The Partnership's office equipment, vehicle and fixtures were valued on an in-situ and ex-situ basis of £8,250.00 and £1,500.00 respectively. These assets are comprised in the sale to SWA for £4,997.00.

#### **Seller's Records**

There is considered to be no value in these records, however, they are comprised in the sale to SWA for £1.00.

#### **Business Contracts**

There is considered to be no value in these contracts, however, they are comprised in the sale to SWA for £1.00.

#### **Business Intellectual Property Rights**

There is considered to be no value in these rights, however, they are comprised in the sale to SWA for £1.00.

#### **Monies Held by Third Parties**

Funds totalling £3,011.94 were held by a firm of solicitors on behalf of the Partnership and have been received in full further to our appointment.

#### **Work in Progress ("WIP")**

The Partnership's WIP was not valued prior to our appointment and the amount owing to the Partnership was recorded as £1,579,795.54. However, it was considered that likely realisations from the outstanding ledger would be relatively nominal. The reasons for this are detailed in the enclosed SIP16 Report at Appendix 3.

The sale agreement with SWA provides that £10,000.00 is payable in respect of the first £100,000.00 of WIP. Thereafter, 10% of WIP realised up to £750,000.00 and 20% of WIP realised thereafter.

### **Prepayments**

The Partnership's records indicated that it was owed prepayments in the amount of £44,689.03. We are liaising with the Designated Member to obtain a breakdown of these monies. However, it is anticipated that these relate to items such as rental deposits or monies for services that have since been fulfilled.

### **Book Debts**

The Partnership's book debt ledger totalled £112,227.83 as at the date of our appointment. However, it was noted that a significant proportion of the debts was aged over 90 days. As such, the ledger was considered to have an uncertain realisable value.

The book debts were comprised in the sale to SWA for £45,000.00 with the provision that a further 60% of the total amount collected in excess of £150,000.00 would also be payable by SWA.

### **Foot Anstey Monies**

A number of the former partners had previously owned a property known as Chandos House, Units 1 and 2 Heron Gate Office Park, Taunton. This property was sold and the sale proceeds of £138,000.00 are held in an escrow account.

As part of the sale to SWA, the Designated Member and a former Designated Member assigned any interest that they had in the sale proceeds to the Partnership. The estimated to realise value is reflected as uncertain.

## **PREFERENTIAL UNSECURED CREDITORS**

### **Primary Preferential Creditors**

There are no known primary preferential creditors.

### **Secondary Preferential Creditors**

HMRC are anticipated to be owed £414,134.37 in respect of VAT and PAYE liabilities.

## **NON-PREFERENTIAL UNSECURED CREDITORS**

The Partnership's non-preferential unsecured creditors are estimated to total £1,304,394.57 and comprise:

|                      |             |
|----------------------|-------------|
| • Trade Creditors    | £270,356.26 |
| • Designated Members | £571,181.83 |
| • Banks              | £154,544.48 |
| • Former Partners    | £308,312.00 |

## **6. THE ADMINISTRATION PERIOD**

### **Receipts and Payments**

Attached at Appendix 1 is our account of receipts and payments from the commencement of Administration, from 21 March 2023 to 28 April 2023.

### **Receipts**

The following has been realised during the period of this report:

- Monies Held by Third Parties: £3,011.94
- Funds Held on Appointment: £10,000.00
- Rental Income: £5,083.33

It should also be noted that funds totalling £30,000.00 have been received in respect of the amount due on completion of the sale of the business and assets. These funds are currently held by our instructed solicitors, TLT LLP and, as such, are not reflected in the receipts and payments account.

These funds have been requested and are anticipated to be received shortly.

#### Payments

The only payment made during the period of this report is £5,083.33 in respect of rent payable.

#### **Work undertaken by the Administrators and their staff**

A general summary of the types of work that generally fall into the headings mentioned below are available on our firm's website at <http://www.begbies-traynorgroup.com/work-details>. Under the following headings we have set out a more detailed summary of the specific work that has been undertaken on this case. Not every piece of work has been described, but we have sought to give a proportionate overview which provides sufficient detail to allow creditors to understand what has been done, why it was necessary and what financial benefit (if any) the work has provided to creditors.

The costs incurred in relation to each heading are set out in the Time Costs Analysis which is attached at Appendix 2. The details below relate to the work undertaken in the period of the report only.

#### General case administration and planning

Since our appointment we have prepared a case planning and strategy memorandum, carried out regular reviews of the case and held frequent strategy meetings with our instructed solicitors, engaged with various stakeholders including creditors, the Designated Member, Lloyds and the Solicitors Regulatory Authority ("SRA"), dealt with routine correspondence and emails, maintained physical and electronic records, maintained the administrators' bank account and filed relevant correspondence. We have also carried out reviews of the Administrators' insurance bond and of our ethics and anti-money laundering procedure.

The majority of the above work derived no direct financial benefit for creditors. However, the Insolvency Profession is a highly regulated industry, and we are required to maintain records to demonstrate how the case was administered and to document the reasons for any decisions that materially affect the case.

#### Compliance with the Insolvency Act, Rules and best practice

We are required to ensure that the necessary notifications of our appointment as Administrators are provided to the Partnership, the Partnership's creditors and various other stakeholders. Time has also been spent notifying all relevant parties (in accordance with statute) of our appointment, which has included filing notice of our appointment with Companies House and advertising this in the London Gazette, liaising with the Designated Member in respect of the preparation of the Partnership's Statement of Affairs, preparing our Proposals and issuing these to creditors, sending a VAT 769 Notification to HMRC and liaising with creditors in respect of our appointment.

The majority of the above work derived no direct financial benefit for creditors. However, the Insolvency Profession is a highly regulated industry, and we are required to ensure that we comply with statute and best practice guidelines.

### Investigations

The Administrators are required to investigate the Partnership's affairs to enable a confidential report to be submitted to the Insolvency Service on the Designated Members' conduct. Furthermore, this would assist with identifying whether there are any potential claims against the Designated Members, or any other parties, which may result in further realisations to the insolvent estate.

We have commenced our investigations into various aspects of the Partnership's affairs including issuing questionnaires to its Designated Member and former Designated Members.

We have also requested information from the Partnership's accountant and liaised with the Designated Member to gain a better understanding of the Partnership's affairs and the reasons for its failure.

Further to our appointment, we wrote to the Partnership's bank to request copies of the bank statements which will be reviewed once received.

We have also requested a copy of the Partnership's accounting software which, upon receipt, we will review alongside other records obtained.

We have a statutory duty to carry out these investigations and to report to the Insolvency Service on the Designated Member's conduct. Furthermore, this work may result in additional asset realisations which could enable us to distribute further funds to the Partnership's secured, preferential and, potentially, its unsecured creditors.

### Realisation of assets

The following work has been carried out in respect of the Partnership's assets:

- **Sale Proceeds:** Following our appointment we completed the sale of the Partnership's business and assets to SWA as follows:

| ASSET   | SALE<br>PRICE<br>£ |
|---|--------------------|
| Goodwill  | 200,000.00         |
| Book Debts  | 45,000.00          |
| Business Contracts                                  | 1.00               |
| Business Intellectual Property Rights               | 1.00               |
| Office Equipment, Vehicle and Fixtures and Fittings | 4,997.00           |
| Sellers Records                                     | 1.00               |
| Work in Progress                                    | 10,000.00          |
| <b>TOTAL</b>  | <b>260,000.00</b>  |

Payment for the Partnership's business and assets will be as follows:

- £30,000.00 – Payable on completion
- £30,000.00 – Payable within 60 days of completion
- £200,000.00 – Payable over quarterly instalments of £10,000 for a period of 5 years

In addition, the following provisions were made:

- **Additional WIP Consideration:**

(i) 10% of the total amount that SWA collects in respect of the WIP (having converted it from WIP to debt) within the first calendar year from the Completion Date in excess of the WIP Threshold of £100,000.00 and up to a total of £750,000; and

(i) 20% of the total amount that SWA collects in respect of the WIP (having converted it from WIP to debt) within the first calendar year from the Completion Date above £750,000.

- **Additional Book Debt Consideration:**

60% of the total amount that SWA collects in respect of the book debts in excess of the book debt threshold of £150,000.00.

The initial payment of £30,000.00 has been received and is currently held by TLT. These funds have been requested and are expected to be received shortly.

- **Book Debts:** As above, the Partnership's book debts comprised the sale to SWA. On the date of our appointment, we requested and received a copy of the debtor ledger as at the date of our appointment. SWA's collection of these debts will be reviewed in accordance with the terms of the sale agreement to establish if any additional amounts are payable by them.
- **Foot Anstey Monies:** To date we have requested and received various documents regarding the monies held by a third-party solicitor so as to establish our claim in those monies. Furthermore, we have instructed our solicitor to write to the third-party solicitor holding those monies, requesting payment into the Administration bank account. We are yet to receive a response.
- **Monies Held by Third Parties:** Prior to our appointment we were advised that the legal practice was holding monies totalling £3,011.94 on behalf of the Partnership. We have since requested repayment of those monies which have been received in full Partnership
- **Prepayments:** The Partnership's records indicated that it was owed prepayments in the amount of £44,689.03. We are liaising with the Designated Member to obtain a breakdown of these monies. However, it is anticipated that these relate to items such as rental deposits or monies for services that have since been fulfilled.
- **Rent:** A two-month License to Occupy was issued in respect of one of the trading premises. SWA, as occupier, is liable for the costs incurred during the period of occupation. Since our appointment we have liaised with both SWA and the landlord as regards monies due during the license period. As such, funds totalling £5,083.33 have been received in respect of rent due for the first month of occupation. These have been duly remitted to the landlord.

We have also obtained public liability insurance so as to ensure that adequate cover is in place during the period of occupation.

- **Work in Progress:** As above, the Partnership's WIP is comprised in the sale to SWA. On the date of our appointment, we requested and received a copy of the WIP ledger as at the date of our appointment. SWA's collection of these monies will be reviewed in accordance with the terms of the sale agreement to establish if any additional amounts are payable by them.

This work is expected to result in sufficient realisations to enable a repayment to be made to Lloyds as the Partnership's secured creditor. It has also facilitated the transfer of the Partnership's employees which has mitigated potential creditors' claims.

Dealing with creditors' claims (including employees), correspondence and distributions

Since our appointment we have dealt with creditor correspondence, emails and telephone conversations, maintained up to date creditor records and amended claims received, discussed the progress of the Administration with creditors.

Best practice means that we should respond to creditors in a timely manner. Whilst this work has not derived any financial benefit to creditors, it has ensured that, where possible creditors have been able to claim under relevant insurance policies.

Other matters which include seeking decisions of creditors via deemed consent procedure and/or decision procedures, tax, litigation, pensions and travel

Finally, we have undertaken relevant searches to establish the presence of an occupational pension scheme and filed the necessary notices with the Pensions Regulator, The Pension Protection Fund and the pension scheme's Trustees and de-registered the Partnership from VAT.

The majority of the above work derived no financial benefit for creditors. However, the Insolvency Profession is a highly regulated industry, and we are required to ensure that the above work is completed in line with statute and best practice guidelines.

#### **Pre-packaged sale of the business and assets**

A copy of our SIP 16 Statement that was attached to our letter notifying creditors of our appointment is attached at Appendix 4.

Whilst our SIP 16 Statement was sent to creditors shortly after completion of the sale of the business and assets, a decision was made not to send the Proposals at the same time. This is because the Partnership's Statement of Affairs had not been finalised at the time of sending and it was considered that this was a key document that would assist creditors in understanding the anticipated deficiency in the Administration process.

#### **Sale to a connected party-- requirement for a Qualifying Report**

Where a sale of the Partnership's assets involves a substantial disposal to a connected party within the eight-week period after the appointment of an Administrator, the purchaser must obtain a qualifying report from an Evaluator.

This report was provided to me on 21 March 2023. The Evaluator is Malcolm Niekirk who is a solicitor, qualified and regulated specialising in Insolvency legislation and who is also a non-appointment taking Insolvency Practitioner.

As such, it is considered that he has considerable experience and knowledge in both the legal services industry but also of the relevant Insolvency legislation and, as Administrators, we confirm that having regard to the date on which the report was made on 21 March 2023, we are satisfied that Malcolm Niekirk had sufficient relevant knowledge and experience to make the report, and that the content of the report complies with 'The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021'.

A copy of the report is enclosed at Appendix 5. The report confirms that the Evaluator was satisfied that the consideration to be provided for the relevant property and the grounds for the substantial disposal are reasonable in the circumstances.

## **7. ESTIMATED OUTCOME FOR CREDITORS**

The sums owed to creditors at the date of appointment (as detailed in the draft Statement of Affairs) are as follows:

#### **Secured creditor**

The Partnership granted a fixed and floating charge to Lloyds on 15 November 2016 and this was registered on 15 November 2016.

The amount outstanding to Lloyds as at our appointment totalled £171,467.45.

#### **Primary Preferential creditors**

There are no known primary preferential creditors as the Partnership's employees transferred to SWA on 21 March 2023.

#### **Secondary preferential creditors**

Further to the changes to the Finance Act 2020, HMRC are now able to claim secondary preferential status for certain liabilities. Taxes owed by the business to HMRC comprising of VAT, PAYE Income Tax, Employee National Insurance Contributions, Student loan deductions and Construction Industry Scheme deductions fall under the secondary preferential status.

The secondary preferential claim of HMRC is estimated at £414,134.37.

#### **Unsecured creditors**

Claims of unsecured creditors were estimated at £1,304,394.57. Significant unsecured creditor claims comprise the following:

- **Designated Members / Members:** It is anticipated that there are amounts owing to designated members, former designated members and former partners totalling £879,493.83; and
- **Funding Circle:** Funding Circle's claim is anticipated to total £120,833.46.

On the basis of realisations to date and estimated future realisations we estimate an outcome for each class of the Partnership's creditor as follows:

#### **Secured creditor**

It is estimated that there will be a return to Lloyds under their fixed charge. However, it should be noted that the associated costs of the Administration (which will be approved by Lloyds in their capacity as secured creditor) will likely result in them suffering a small shortfall.

We are unable to quantify this shortfall at present as it will depend on the ongoing costs of the Administration.

#### **Primary Preferential creditors**

As above, there are no known primary preferential creditors.

#### **Secondary preferential creditors**

Based upon realisations to date and estimated future realisations, there will be insufficient funds available to enable a dividend to be paid to HMRC as secondary preferential creditor.

#### **Prescribed Part for unsecured creditors pursuant to Section 176A of the Act**

Section 176A of the Act provides that, where the Partnership has created a floating charge on or after 15 September 2003, the administrator must make a *prescribed part* of the Partnership's *net property* available for 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 debts. *Net property* means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e. after accounting for preferential debts and the costs of realising the floating charge assets). The floating charge holder may not participate in the distribution of the prescribed part of the Partnership's net property. The *prescribed part of the Partnership's net property* is calculated by reference to a sliding scale as follows:

- 50% of the first £10,000 of *net property*;

- 20% of *net property* thereafter;
- Up to a maximum amount to be made available of £800,000

An administrator will not be required to set aside the *prescribed part of net property* if:

- the *net property* is less than £10,000 and the administrator thinks that the cost of distributing the *prescribed part* would be disproportionate to the benefit; (Section 176A(3)) or
- the administrator applies to the court for an order on the grounds that the cost of distributing the *prescribed part* would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A(5)).

We have estimated, to the best of our knowledge and belief, the Partnership's net property, to be nil and there will be no distribution under the prescribed part.

#### **Unsecured creditors**

Based upon realisations to date and estimated future realisations there will be insufficient funds available to enable a dividend to be paid to the unsecured creditors.

#### **Effect of administration on limitation periods under the Limitation Act 1980**

As explained in our initial correspondence confirming our appointment as administrators, the Limitation Act 1980 continues to apply to all debts due from the Partnership. Case law indicates that where a partnership is in administration, time does not stop running for limitation purposes pursuant to the Limitation Act 1980. If you have any concerns in relation to your claim against the Partnership becoming time-barred during the course of the administration, we strongly recommend that you seek independent legal advice on the options available to you to prevent this.

## **8. OUR PROPOSALS FOR ACHIEVING THE PURPOSE OF THE ADMINISTRATION**

#### **Purpose of the Administration**

We are required to set out our proposals for achieving the purpose of the Administration which in this context means one of the objectives specified in paragraph 3 of Schedule B1 to the Act as set out at section 3 of this report above.

It was not reasonably practicable to rescue the Partnership as a going concern as the secondary preferential and non-preferential unsecured creditors totalled £1,718,528.94 and its assets were only estimated to realise £158,250.00, plus any amounts recoverable in respect of book debts and work in progress, in a best-case scenario. In addition to this, the Partnership was estimated to make a loss for the current year. As such, it seemed unlikely that any offer would be received to rescue the business as a going concern.

Furthermore, it seemed unlikely that the second objective, namely to achieve a better result for the Partnership's creditors as a whole than would be likely if the Partnership were wound up (without first being in Administration), would be achieved. This was because secondary preferential creditors were estimated to total £414,134.37 (comprising VAT and PAYE arrears of £112,500.00 and £301,634.37 respectively). It was anticipated that the sale of the Partnership's assets would be insufficient to discharge the costs of the Administration and the Partnership's secondary preferential debts in full, resulting in there being insufficient funds available to distribute to the Partnership's unsecured creditors.

For these reasons it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph 3(1)(a) and 3(1)(b), and consequently the most appropriate objective to pursue in this case is that specified in sub-paragraph 3(1)(c), namely realising property in order to make a distribution to one or more secured or preferential creditors. Furthermore, we consider that pursuing this objective should not unnecessarily harm the interests of the creditors of the Partnership as a whole.

## **Details of proposals**

We consider that this purpose has already been achieved by virtue of the sale that completed to the purchaser on 21 March 2023 which has maximised the value of the Partnership's assets and is anticipated to result in sufficient funds being available to declare and pay a distribution to Lloyds under their fixed charge.

Furthermore, the sale has mitigated further claims as a result of the transfer of employees to SWA.

In order that the purpose of the Administration may be fully achieved, we propose to remain in office as Administrators to conclude the realisation of the Partnership's assets and the payment to Lloyds as the Partnership's secured creditor. The principal matters to deal with in this respect are:

- Realising the remaining deferred consideration payments in respect of the sale of the Partnership's assets;
- Liaising with SWA as regards the realisation of book debts that comprised the sale and conducting a reconciliation to establish if there are further monies due to the Partnership;
- Liaising with SWA as regards the realisation of WIP that comprised the sale and conducting a reconciliation to establish if there are further monies due to the Partnership;
- Liaising with our instructed solicitors and various third parties as regards the Foot Anstey monies with a view to realising the Partnership's interest in these funds;
- Liaising with SWA as regards the proposed change of the Partnership's name (as required by the SRA);
- Liaising with SWA as regards monies due under the license to occupy and collecting these funds for payment to the landlord;
- Instructing accountants to provide advice on any capital gains tax that may be due following the sale of the Partnership's goodwill and other assets;
- Seeking legal advice as regards the validity of Lloyds' charge;
- Conducting our investigations into the affairs of the Partnership and the conduct of its current and former Designated Members and submitting our report to the Insolvency Service;
- Liaising with Barclays Bank PLC as regards the transfer of any remaining Client monies that are to be held by SWA under SRA obligations;
- Obtaining extensions of the Administration so as to enable the collection of the sale proceeds as detailed above; and
- Distributing funds to Lloyds as the Partnership's fixed charge holder.

Following these events, we propose to finalise distributions to the secured creditors.

## **Exit from Administration**

### Dissolution

On present information we consider that the Partnership will have insufficient property to enable a distribution to be made to unsecured creditors. Consequently, as soon as we are satisfied that we have fully discharged our duties as Administrators and that the purpose of the Administration has been fully achieved, we propose to deliver a notice of moving from Administration to dissolution to the Registrar of Companies. Upon the registration of such notice our appointment as Administrators ceases to have effect, and at the end of three months the Partnership will automatically be dissolved.

Where an Administrator sends such a notice of dissolution to the Registrar of Companies, he must also file a copy of the notice with the Court and send a copy to each creditor of the Partnership, and on application by any interested party the court may suspend or disapply the automatic dissolution of the Partnership.

### Contingency Plan – Extending the Administration

As above, it is anticipated that it will not be possible to finalise the Administration within one year of the date of our appointment. In particular, this situation will arise given that the deferred consideration is payable over a

period of five years. The appointment of an Administrator shall cease to have effect at the end of the period of one year beginning with the date on which it takes effect. However, our term of office may be extended either by Court order for a specified period or by consent of the creditors for a specified period not exceeding twelve months. It may therefore become necessary at some future time for us to seek creditor consent to extending the period of the Administration for up to a further twelve months following the anniversary of our appointment in order to ensure that the objective of the Administration can be fully achieved.

#### Contingency Plan – unforeseen surplus funds

If (whether or not an extension to the period of administration actually becomes necessary) it ultimately transpires that there are indeed surplus funds enabling a distribution to the unsecured creditors, then unless the Court makes an order permitting such a distribution on our application, we will issue revised proposals for consideration by creditors dealing with the most appropriate exit strategy from the Administration in those circumstances.

## 9. PRE-ADMINISTRATION COSTS

Appendix 3 provides details of the work “The Work” that we have carried out, the associated costs and our proposed remuneration. The Work was carried out pursuant to an agreement made between us and the Designated Member entered into on 21 November 2022 (“the Agreement”). The Agreement provides for the payment of our fees and the discharge of expenses incurred by us (collectively referred to as “the pre-administration costs”) in carrying out the Work.

The Work was carried out before the Partnership entered Administration because of the following reasons:

1. The Partnership was at significant risk of enforcement and/or winding up action from its unsecured creditors (namely HMRC) in addition to action likely to be taken by the Partnership’s secured creditor (Lloyds);
2. As a result of the above the Partnership’s creditors were at risk of suffering significantly reduced asset realisations;
3. All of the Partnership’s employees were at risk of losing their jobs if the business and assets were not sold and as a result of a partial transfer to the Purchaser;
4. The Work would allow for a pre-packaged sale to take place; and
5. For these reasons we considered that the Work would further the achievement of the objective of Administration being pursued, namely realising property to make a distribution to one or more secured or preferential creditors.

In the period before the Partnership entered into Administration, we carried out the following:

- Liaised with the Partnership in relation to its financial position and the proposed strategy as regards a proposed Administration;
- Completed internal ethical and anti-money laundering checks;
- Liaised with the Designated Member as to updates on the Partnership’s financial position, the process of a pre-packaged Administration generally and the proposed strategy for marketing the business and assets.
- Liaised with the Partnership’s management team and reviewed cashflow forecasts so as to determine how long the Partnership could continue to trade for in the lead up to the proposed Administration;
- Prepared the case strategy and corresponded with third parties;

- Instructed agents to value and market the business and assets;
- Assisted with the advertisement and marketing of the business and assets for sale in accordance with SIP16 and the marketing essentials;
- Attended management meetings and liaised with interested parties as regards offers made by them in respect of the purchase of the Partnership's business and assets;
- Liaised with and negotiated upon the proposed sale with interested parties. Note that this includes setting a deadline for best and final offers (as detailed in the SIP16 report);
- Attending strategy calls with management; and
- Liaising with Lloyds, Barclays Bank PLC and other key creditors as regards the proposed strategy.

Full details of the Work is provided within the SIP 16 Report at Appendix 3.

The pre-Administration costs are broken down as follows:

| Description   | Name of recipient           | Net amount<br>£ | VAT<br>£  | Gross amount<br>£ |
|---|-----------------------------|-----------------|-----------|-------------------|
| Our fees in relation to the Work  | Begbies Traynor             | 75,568.00       | 15,113.60 | 90,681.60         |
| Legal Fees incurred in preparing the relevant appointment documentation, filing the relevant notices of intention to appoint on various parties, preparing the sale and purchase agreement, liaising with the purchasers' solicitors with regards to proposed changes to the sale agreements and preparing the relevant deed of release in respect of Lloyds' charge. | TLT LLP                     | 78,423.00       | 15,684.60 | 94,107.60         |
| Legal Expenses in relation to the preparation of the Notices of Intention to Appoint Administrators and the Notice of Appointment of Administrators which comprise Court fees.  | TLT LLP                     | 163.50          | 32.70     | 196.20            |
| Agent's fee in respect of reviewing the Partnership's assets at the trading premises, providing a valuation of the assets, liaising with the Partnership's Designated Member to prepare a Sales Pack for distribution to interested parties, marketing the assets on the open market, liaising and  | Eddisons Commercial Limited | 15,750.00       | 3,150.00  | 18,900.00         |

|   |                             |                   |                  |                   |
|---|-----------------------------|-------------------|------------------|-------------------|
| negotiating with interested parties and liaising with finance providers.  |                             |                   |                  |                   |
| <ul style="list-style-type: none"> <li>£750.00: Valuation</li> <li>£15,000.00: 10% Sales Commission and capped at £15,000.00</li> </ul> |                             |                   |                  |                   |
| Agent's expenses incurred for marketing the business and assets for sale:   | Eddisons Commercial Limited | 245.00            | 49.00            | 294.00            |
| <ul style="list-style-type: none"> <li>IP Bid: £245.00</li> </ul>   |                             |                   |                  |                   |
| <b>TOTAL PRE-ADMINISTRATION COSTS</b>   |                             | <b>170,149.50</b> | <b>34,029.90</b> | <b>204,179.40</b> |

The pre-administration costs are unpaid and we are seeking that they be paid as an expense of the administration. Approval to discharge such costs ("the unpaid pre-Administration costs") as an expense is required from the creditors' committee, or in the absence of a committee, or if the committee does not make a determination, the secured creditor of the Partnership.

Whilst our time costs incurred in relation to the Work total £75,568.00 plus VAT, it is noted that the Administrators intend to only seek approval from Lloyds (in their capacity as secured creditor) up to £35,000.00 plus expenses plus VAT.

Payment of the unpaid pre-Administration costs requires separate approval and is not part of our proposals subject to approval.

In order to provide sufficient information to consider approval of the payment of the unpaid pre-Administration costs, a document detailing the work carried out, the associated costs and the proposed remuneration is provided together with a pre-Administration Time Costs Summary at Appendix 3. These show the number of hours spent by each grade of staff involved in the case and give the average hourly rate charged.

## 10. REMUNERATION AND EXPENSES

### Remuneration

We have not at this time drawn any funds on account of our remuneration, nor on account of certain expenses as approval has not previously been sought. Best practice guidance provides that payments to an office holder should be fair and reasonable and reflect the work that has been, and will be, properly carried out. The following proposal represents what we believe is a fair and reasonable fee basis, based on the work which has been carried out to date and the work which is yet to be undertaken.

We propose that the basis of our remuneration be fixed under Rule 18.16 of the Rules by reference to the time properly given by us and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP for attending to matters as set out in the fees estimate at Appendix 3.

We consider that the Partnership has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part fund of any net floating charge property). In these circumstances, if there is no creditors' committee, or the committee does not make a determination, it is for each secured creditor and the preferential creditors of the Partnership to determine the basis of our remuneration under Rule 18.18 of the Rules. Please note that we are required to disclose any business or personal relationships with parties responsible for approving our remuneration. Our firm is currently on Lloyds'

approved list of insolvency providers. As a result, we consider that our firm has a business relationship with the secured creditor. However, we do not consider that the relationship will give rise to a conflict of interest in this case.

Appendix 3 sets out our firm's hourly charge out rates, our fees estimate and the time that we and our staff have spent in attending to matters arising in the Administration since 21 March 2023.

### **Expenses**

We propose that expenses for services provided by our firm and/or entities within the Begbies Traynor group, be charged in accordance with our firm's policy, details of which are set out at Appendix 3. These expenses will be identified by us and will be payable subject to the approval of those responsible for determining the basis of our remuneration.

### **Estimate of expenses**

We are required by the Rules to provide creditors with details of the expenses that we consider will be, or are likely to be, incurred in the course of the administration. This information also appears at Appendix 3.

### **Expenditure incurred to date**

All expenses incurred to date are included in Appendix 3 and are set out below. It is not considered that any of the expenses incurred to date are excessive within the context of the case.

| Description                | Name of recipient           | Category   | Net amount<br>£ | VAT<br>£ |
|----------------------------|-----------------------------|------------|-----------------|----------|
| Statutory Advertising      | Courts Advertising          | Category 1 | 99.80           |          |
| Statutory Bond             | Marsh                       | Category 1 | 190.00          | 38.00    |
| Postage                    | Postworks                   | Category 1 | 209.34          | 41.87    |
| Legal Fees                 | TLT LLP                     | Category 1 | 601.00          | 120.20   |
| Public liability insurance | Eddisons Insurance Services | Category 2 | 185.60          | 37.12    |

## **11. OTHER INFORMATION TO ASSIST CREDITORS**

### **Report on the conduct of Designated Member**

We have a statutory duty to investigate the conduct of the Designated Member and any person we consider to be or have been a shadow or de facto Designated Member during the period of three years before the date of our appointment, in relation to their management of the affairs of the Partnership and the causes of its failure. We are obliged to submit confidential reports to the Department for Business, Energy and Industrial Strategy.

As Administrators of the Partnership we are required by best practice guidance to make enquiries of creditors as to whether they wish to raise any concerns regarding the way in which the Partnership's business was conducted prior to the commencement of the Administration, or wish to bring to our attention any potential recoveries for the estate. If you would like to bring any such issues to our attention please do so in writing to the address detailed at Section 1 of this report. This request for information is standard practice and does not imply any criticism or cause of action against any person concerned in the management of the Partnership's affairs.

### **Connected party transactions**

In accordance with Statement of Insolvency Practice 13, we confirm that the following assets were sold:

| Date of sale  | Asset sold and nature of transaction          | Consideration paid and date   | Name of Purchaser            | Relationship with the Partnership   |
|---------------|---|---|------------------------------|---|
| 21 March 2023 | Business and assets as detailed at Appendix 4 | <p>£260,000.00 of which £30,000.00 was paid on 21 March 2023. The balance of monies due is payable as detailed above.</p> <p><u>Additional WIP Consideration</u><br/>10% of the total amount that SWA collects in respect of the WIP within the first calendar year from the Completion Date in excess of the WIP Threshold of £100,000.00 and up to a total of £750,000; and</p> <p>20% of the total amount that SWA collects in respect of the WIP within the first calendar year from the Completion Date above £750,000.</p> <p><u>Additional Book Debt Consideration</u><br/>60% of the total amount that SWA collects in respect of the book debts in excess of the book debt threshold of £150,000.00.</p> | South West Advocates Limited | <p>The Joint Administrators have been made aware of the following connections between the Partnership and the purchaser:</p> <ul style="list-style-type: none"> <li>• Bhavani Hogarty – A Designated Member of the Partnership and a Director and Shareholder of the purchaser.</li> <li>• Guy Adams – A Designated Member of the Partnership and a retired Director of the purchaser.</li> <li>• Maeve Vickery – A retired Designated Member of the Partnership and a retired Director of the purchaser</li> </ul> |

#### Investigations carried out to date

We are yet to conduct our initial assessment of the Partnership and the conduct of its Designated Members and shadow / de facto Designated Members. This work will be completed shortly.

#### Deemed delivery

These proposals will be deemed to have been delivered on 04 May 2023.

#### Use of personal information

Please note that in the course of discharging our statutory duties as Joint Administrators, we may need to access and use personal data, being information from which a living person can be identified. Where this is necessary, we are required to comply with data protection legislation. If you are an individual and you would like further information about your rights in relation to our use of your personal data, you can access the same at <https://www.begbies-traynorgroup.com/privacy-notice>. If you require a hard copy of the information, please do not hesitate to contact us.

#### Right to request further information

Pursuant to Rule 18.9 of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors, including that creditor, (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the

permission of the court) may request in writing that we provide further information about our remuneration or expenses which have been incurred during the period of this progress report.

#### **Right to make an application to court**

Pursuant to Rule 18.34 of the Rules, any secured creditor or any unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor, (or any unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the court) may, within 8 weeks of receipt of this progress report, make an application to court on the grounds that the remuneration charged or the expenses incurred during the period of this progress report are excessive or, the basis fixed for our remuneration is inappropriate.

## **12. CONCLUSION**

As explained in Section 7 above, the Partnership has insufficient property to enable a distribution to be made to unsecured creditors (other than by virtue of the prescribed part).

In the circumstances, we are not required to seek a decision from the creditors on the approval of our proposals. However, creditors, whose debts amount to at least 10% of the total debts of the Partnership, may request that a decision is sought from the unsecured creditors as to whether to approve our proposals, via a qualifying decision procedure. Any such request must be delivered to our office in writing within 8 business days of 17 May 2023. If no such requests are received, our proposals are deemed to have been approved by the creditors. Where the proposals are deemed to have been approved, we will write to you to confirm that is the position.

Subject to the approval of our proposals we will report on progress again approximately six months after the commencement of the administration, or at the conclusion of the administration, whichever is the sooner.



**S M Powell**  
Joint Administrator

Date: 02 May 2023

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## **ACCOUNT OF RECEIPTS AND PAYMENTS**

**21 March 2023 to 28 April 2023**

**Pardoes Solicitors LLP**  
**(In Administration)**  
**Joint Administrators' Summary of Receipts & Payments**

| Statement<br>of Affairs<br>£ |   | From 21/03/2023<br>To 28/04/2023<br>£ | From 21/03/2023<br>To 28/04/2023<br>£ |
|------------------------------|---|---------------------------------------|---------------------------------------|
|                              | <b>SECURED ASSETS</b>                   |                                       |                                       |
| 200,000.00                   | Goodwill                                | NIL                                   | NIL                                   |
|                              |   | NIL                                   | NIL                                   |
|                              | <b>SECURED CREDITORS</b>                |                                       |                                       |
| (171,467.45)                 | Lloyds Bank PLC                         | NIL                                   | NIL                                   |
|                              |   | NIL                                   | NIL                                   |
|                              | <b>ASSET REALISATIONS</b>               |                                       |                                       |
| 45,000.00                    | Book Debts                              | NIL                                   | NIL                                   |
| 1.00                         | Business Contracts                      | NIL                                   | NIL                                   |
| 1.00                         | Business Intellectual Property Rights   | NIL                                   | NIL                                   |
| Uncertain                    | Foot Anstey Monies                      | NIL                                   | NIL                                   |
|                              | Funds Held on Appointment               | 10,000.00                             | 10,000.00                             |
| 3,011.94                     | Monies Held by Third Parties            | 3,011.94                              | 3,011.94                              |
| 4,997.00                     | Office Equipment, Vehicle and Fixtures  | NIL                                   | NIL                                   |
| NIL                          | Prepayments                             | NIL                                   | NIL                                   |
|                              | Rent                                    | 5,083.33                              | 5,083.33                              |
| 1.00                         | Seller's Records                        | NIL                                   | NIL                                   |
| 10,000.00                    | Work in Progress                        | NIL                                   | NIL                                   |
|                              |   | 18,095.27                             | 18,095.27                             |
|                              | <b>COST OF REALISATIONS</b>             |                                       |                                       |
|                              | Rent Payable                            | 5,083.33                              | 5,083.33                              |
|                              |   | (5,083.33)                            | (5,083.33)                            |
|                              | <b>SECONDARY PREFERENTIAL CREDITORS</b> |                                       |                                       |
| (414,134.37)                 | HMRC                                    | NIL                                   | NIL                                   |
|                              |   | NIL                                   | NIL                                   |
|                              | <b>UNSECURED CREDITORS</b>              |                                       |                                       |
| (154,544.48)                 | Banks/Institutions                      | NIL                                   | NIL                                   |
| (571,181.83)                 | Designated Members                      | NIL                                   | NIL                                   |
| (308,312.00)                 | Former Partners                         | NIL                                   | NIL                                   |
| (270,356.26)                 | Trade Creditors                         | NIL                                   | NIL                                   |
|                              |   | NIL                                   | NIL                                   |
| <b>(1,626,984.45)</b>        |   | <b>13,011.94</b>                      | <b>13,011.94</b>                      |
|                              | <b>REPRESENTED BY</b>                   |                                       |                                       |
|                              | Barclays FL Current Acc                 |                                       | 13,011.94                             |
|                              |   |                                       | <b>13,011.94</b>                      |

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**DRAFT STATEMENT OF AFFAIRS AS AT 21 MARCH  
2023**

## STATEMENT OF AFFAIRS - DRAFT

|   |                                  |
|---|----------------------------------|
| Name of Company<br>Pardoes Solicitors LLP | Company Number<br>OC382819       |
| In the<br>High Court of Justice           | Court case number<br>000022-2023 |

Statement as to the affairs of

Pardoes Solicitors LLP

Units 1 - 3 Hilltop Business Park

Devizes Road

Salisbury

Wiltshire

SP3 4UF

on the 21 March 2023, the date that the company entered administration.

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### Statement of Truth

I believe the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named company as at 21 March 2023 the date that the company entered administration. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

Full Name \_\_\_\_\_

Signed \_\_\_\_\_

Dated \_\_\_\_\_

Pardoes Solicitors LLP  
Company Registered Number: OC382819  
Statement Of Affairs as at 21 March 2023

**A - Summary of Assets**

| Assets   | Book Value<br>£ | Estimated to<br>Realise<br>£ |
|--|-----------------|------------------------------|
| <b>Assets subject to fixed charge:</b>                             |                 |                              |
| Goodwill   | NIL             | 200,000.00                   |
| Lloyds Bank PLC  |                 | (171,467.45)                 |
|  |                 | <u>28,532.55</u>             |
|  |                 | 28,532.55                    |
| <b>Assets subject to floating charge:</b>                          |                 |                              |
| Office Equipment, Vehicle and Fixtures                             | 1,500.00        | 4,997.00                     |
| Seller's Records   | NIL             | 1.00                         |
| Business Contracts   | NIL             | 1.00                         |
| Business Intellectual Property Rights                              | NIL             | 1.00                         |
| Work in Progress   | 1,579,795.54    | 10,000.00                    |
| Monies Held by Third Parties                                       | 3,011.94        | 3,011.94                     |
| Prepayments  | 44,689.03       | NIL                          |
| Book Debts   | 112,227.83      | 45,000.00                    |
| Foot Anstey Monies   | 138,000.00      | Uncertain                    |
| <b>Uncharged assets:</b>   |                 |                              |
| <b>Estimated total assets available for preferential creditors</b> |                 | <u>91,544.49</u>             |

Signature \_\_\_\_\_ Date \_\_\_\_\_

Pardoes Solicitors LLP  
Company Registered Number: OC382819  
Statement Of Affairs as at 21 March 2023

**A1 - Summary of Liabilities**

|  | Estimated to<br>Realise<br>£ |
|--|------------------------------|
| <b>Estimated total assets available for preferential creditors (Carried from Page A)</b> | 91,544.49                    |
| <b>Liabilities</b>   |                              |
| Preferential Creditors:-   |                              |
|  | <u>NIL</u>                   |
| <b>Estimated deficiency/surplus as regards preferential creditors</b>                    | 91,544.49                    |
| 2nd Preferential Creditors:-   |                              |
| HMRC   | 414,134.37                   |
|  | <u>414,134.37</u>            |
| <b>Estimated deficiency/surplus as regards 2nd preferential creditors</b>                | (322,589.88)                 |
| Debts secured by floating charges pre 15 September 2003                                  |                              |
| Other Pre 15 September 2003 Floating Charge Creditors                                    | <u>NIL</u>                   |
|  | (322,589.88)                 |
| Estimated prescribed part of net property where applicable (to carry forward)            | <u>NIL</u>                   |
| <b>Estimated total assets available for floating charge holders</b>                      | (322,589.88)                 |
| Debts secured by floating charges post 14 September 2003                                 |                              |
|  | <u>NIL</u>                   |
| <b>Estimated deficiency/surplus of assets after floating charges</b>                     | <u>(322,589.88)</u>          |
| Estimated prescribed part of net property where applicable (brought down)                | <u>NIL</u>                   |
| <b>Total assets available to unsecured creditors</b>                                     | <u>NIL</u>                   |

Signature \_\_\_\_\_ Date \_\_\_\_\_

Pardoes Solicitors LLP  
Company Registered Number: OC382819  
Statement Of Affairs as at 21 March 2023

**A1 - Summary of Liabilities**

|  | Estimated to<br>Realise<br>£ |
|--|------------------------------|
| Shortfall to preferential creditors/F.C's pre 15 Sept 2003 (brought down)  | 322,589.88                   |
| Unsecured non-preferential claims (excluding any shortfall to floating charge holders)   |                              |
| Trade Creditors  | 270,356.26                   |
| Designated Members   | 571,181.83                   |
| Banks/Institutions   | 154,544.48                   |
| Former Partners  | 308,312.00                   |
|  | <u>1,304,394.57</u>          |
| <b>Estimated deficiency/surplus as regards non-preferential creditors<br/>(excluding any shortfall in respect of F.C's post 14 September 2003)</b> | <u>(1,626,984.45)</u>        |
| <b>Estimated deficiency/surplus as regards creditors</b>   | <u>(1,626,984.45)</u>        |
| Issued and called up capital   | NIL                          |
| <b>Estimated total deficiency/surplus as regards members</b>   | <u><u>(1,626,984.45)</u></u> |

Signature \_\_\_\_\_ Date \_\_\_\_\_

**Begbies Traynor (Central) LLP**  
**Pardoes Solicitors LLP**  
**Company Registered Number: OC382819**  
**B - Company Creditors**

| Key  | Name                                  | Address  | £          |
|------|---------------------------------------|--|------------|
| CA00 | Albion Chambers                       | Broad Street, Bristol, BS1 1DR   | 1,374.63   |
| CA01 | Austen Lloyd Legal Recruitment        | 16 Queen Square, Bristol, BS1 4NT  | 5,832.00   |
| CA03 | The Access Group                      | The Armstrong Building, 10 Oakwood Drive, Loughborough Science & Enterprise Park, Loughborough, Leicestershire, LE11 3QF | 8,286.99   |
| CB00 | Bewley Recruitment Ltd                | 48 Meadow Way, Horley, RH6 9JA   | 9,663.46   |
| CB01 | Bravo Benefits Limited                | Office 4 Swan Park Business Centre, Kettlebrook Road, Tamworth, Staffordshire, B77 1AG                                   | 311.58     |
| CB02 | Brook Street (UK) Ltd                 | 34 George Street, Luton, Bedfordshire, LU1 2AZ   | 0.54       |
| CB03 | BT Group plc                          | 1 Braham Street, London, E1 8EE  | 1,453.58   |
| CB04 | Bonnie Griffiths                      | Unknown  | 22.08      |
| CB05 | Lloyds Bank PLC - Bounce Back Loan    | PO Box 1000, Andover, BX1 1LT  | 33,711.02  |
| CC00 | Cansford Laboratories                 | Pentwyn Business Centre, 1A Wharfedale Road, Cardiff, CF23 7HB   | 1,481.70   |
| CC01 | Carter Brown                          | Suite 8 Enterprise Court, Oakham Business Park, Hamilton Way, Mansfield, Nottingham, NG18 5BU                            | 1,418.58   |
| CC02 | Channel Communication Services Ltd    | 87 Macrae Road, Ham Green, Pill, Bristol, BS20 0DD   | 1,206.78   |
| CC03 | Complete Business Solutions Group Ltd | 1st Floor, 1 Europa Drive, Sheffield, S9 1XT   | 2,015.51   |
| CC04 | Maeve Vickery                         | Cob Castle, Pyleigh, Lydeard St Lawrence, Taunton, Somerset, TA4 3RA   | 289,311.75 |
| CD00 | Dr W Ahmed                            | Unknown  | 1,859.40   |
| CD01 | D A Languages Ltd                     | Statham House, Talbot Road, Old Trafford, Stretford, Manchester, M32 0FP   | 2,016.00   |
| CD02 | DNA Legal Ltd                         | Unit G1, Business Park, Manor Road, Frome, BA11 4FN  | 762.90     |
| CD03 | DPS Software Ltd                      | Herewood House, 288 Southbury Road, Enfield, EN1 1TR   | 3,473.66   |
| CD04 | Dr Damian Gamble                      | Unknown  | 1,934.90   |
| CD05 | Dr Andrew Hitchcock                   | Unknown  | 600.00     |
| CD06 | Dr Indoe                              | Unknown  | 1,319.76   |
| CD07 | Dr R D Keenan                         | Unknown  | 663.40     |
| CD08 | Dr Joseph Ramsay                      | Unknown  | 1,500.50   |
| CD09 | Dr L C Sheppard                       | Unknown  | 1,840.32   |
| CD0A | Dr Tim Hull                           | Psych Experts, 75 Harborne Road, Birmingham, B15 3DH   | 1,582.80   |
| CF00 | G2 Legal Ltd                          | 80 Mosley Street, Manchester, M2 3FX   | 12,000.00  |

Signature \_\_\_\_\_

**Begbies Traynor (Central) LLP**  
**Pardoes Solicitors LLP**  
**Company Registered Number: OC382819**  
**B - Company Creditors**

| Key  | Name                             | Address   | £          |
|------|----------------------------------|---|------------|
| CF01 | Funding Circle                   | c/o Begbies Traynor, 31st Floor, 40 Bank Street, London, E14 5NR  | 120,833.46 |
| CG00 | Great Ormond Street Hospital     | Great Ormond Street, London, WC1N 3JH   | 651.00     |
| CG01 | Elizabeth Gates                  | Unknown   | 894.60     |
| CG02 | George Rylance                   | Unknown   | 418.50     |
| CG03 | Guy Adams                        | 8 Barford Close, Spaxton, Bridgewater, Somerset, TA5 IAE  | 51,029.21  |
| CH00 | HM Revenue & Customs             | (Insolvency Claims Handling Unit), Room BP3202 Warkworth House, Benton Park View, Longbenton, Newcastle Upon Tyne, NE98 1ZZ | 414,134.37 |
| CH01 | Hazelwoods                       | Castlemead, Lower Castle Street, Bristol, BS1 3AG   | 7,144.00   |
| CH02 | Healthcare South West Ltd        | 60 Staplegrove Road, Taunton, TA1 1DH   | 2,429.21   |
| CH03 | Hilton H P                       | Unknown   | 273.03     |
| CH05 | Bhavani Hogarty                  | The Old Rectory , Forge Lane, Weston Street, East Chinnock, Yeovil, BA22 9EQ  | 230,840.87 |
| CI00 | Dr Susan Jones                   | Unknown   | 1,053.00   |
| CJ00 | Jonathan Rich                    | Unknown   | 344.60     |
| CJ01 | Dr D L Robinson                  | Unknown   | 2,093.04   |
| CJ02 | John Sanford Medical Ltd         | 3 Broadway House, 32-35 Broad Street, Hereford, HR4 9AR   | 972.00     |
| CL00 | L&E Price Ltd                    | PO BOX 903, Exeter, Devon, EX6 7XB  | 5,871.52   |
| CL01 | Langport Leveller                | Westover Trading Estate, Huish Episcopi, TA10 9YQ   | 1,285.20   |
| CL02 | Lexis Nexis                      | 30 Farringdon Street, London, Greater London, EC4A 4HH  | 676.99     |
| CL03 | Lextox                           | The Maltings, E Tyndall Street, Cardiff, CF24 5EA   | 1,798.80   |
| CL04 | Legal Marketing Services Limited | Bickerton House, Lloyd Drive, Ellesmere Port, CH65 9HQ  | 48.00      |
| CL05 | Lloyds Bank PLC                  | PO Box 1000, Andover, BX1 1LT   | 171,467.45 |
| CM00 | MBL Seminars                     | 6 Worsley Road, Worsley, Manchester, M28 2NL  | 648.00     |
| CM01 | Mills & Reeves                   | 27 Park End Street, Oxford, OX1 1HU   | 2,528.20   |
| CM02 | Marketplace Merchant Solutions   | 124 City Road, London, EC1V 2NX   | 83.98      |
| CM03 | Morton Eaves Associates          | 32 Hendford, Yeovil, BA20 1TG   | 94.75      |
| CN00 | Nadira Huda                      | Unknown   | 604.50     |
| CN01 | NBA Solutions Ltd                | 39 Staplegrove Road, Taunton, TA1 1DG   | 1,792.50   |
| CN02 | Perry's Recycling                | Rimpton Road, Marston Magna, Yeovil, BA22 8DL   | 1,624.80   |
| CP00 | Paid Disbursements Account       | Various   | 21,802.28  |

Signature \_\_\_\_\_

**Begbies Traynor (Central) LLP**  
**Pardoes Solicitors LLP**  
**Company Registered Number: OC382819**  
**B - Company Creditors**

| Key                         | Name                                | Address  | £                   |
|-----------------------------|-------------------------------------|--|---------------------|
| CP01                        | PHS Group Limited                   | Block B, Western Industrial Estate, Caerphilly, CF83 1XH   | 380.40              |
| CP02                        | Psychology Associates Ltd           | 41-43 Lower Fore Street, Saltash, Cornwall, PL12 6JQ   | 1,963.03            |
| CP03                        | Psychology Consultancy Services Ltd | C/O Fruition Accountancy Ltd, Unit 4, Three Spires House, Station Road, Lichfield, WS13 6HX  | 1,586.52            |
| CP04                        | Psychology Experts                  | 5 Westbourne Grove, Hove, BN3 5PJ  | 2,015.80            |
| CQ00                        | Queen Square Chambers               | 56 Queen Square, Bristol, BS1 4PR  | 726.48              |
| CR00                        | Royal Mail                          | 185 Farringdon Road, London, EC1A 1AA  | 18.53               |
| CR01                        | Reynolds Porter Chamberlain         | Bridgewater House, Counterslip, Bristol, BS1 6BX   | 10,717.26           |
| CR02                        | Rebecca Bevan HR                    | 12 Drakes Crescent, Tatworth, PA20 2TE   | 36,207.36           |
| CS00                        | Southwest Digital Systems Ltd       | Unit 3 Suprema Industrial Estate, Edington, Somerset, TA7 9LF  | 1,126.13            |
| CS01                        | Smart Recruitment                   | 190a Bermondsey Street, London, SE1 3TQ  | 2,217.60            |
| CS02                        | SSE Energy Supply Limited           | No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH  | 4,428.69            |
| CS04                        | Christopher Jon Spencer (Deceased)  | C/O Thrings LLP 6 Drakes Meadow, Penny Lane, Swindon, SN3 3LL  | 1.00                |
| CS09                        | Ms C O'Brien                        | By Email Only  | 308,312.00          |
| CT00                        | Renvilles                           | Chandos House, Heron Gate, Hankridge Way, Taunton, TA1 2LR   | 7,722.93            |
| CT01                        | Thirsty Work                        | 25 - 26 Apple Lane, Sowton Industrial Estate, Exeter, EX2 5GL  | 243.00              |
| CT02                        | Thrings LLP                         | The Paragon, Counterslip, Redcliffe, Avon, Bristol, BS1 6BX  | 7,159.05            |
| CT03                        | Tailored Support Solutions Limited  | Unit F7 Walton Cornerstones, 2 Liston Street, Liverpool, L4 5RT  | 12,800.01           |
| CT06                        | The Cheviot Trust                   | Kingswood House, 58-64 Baxter Ave, Southend-on-Sea, SS2 6BG  | 10,272.00           |
| CT07                        | Thrings Solicitors LLP              | 6 Drakes Meadow, Swindon, SN3 3LL  | 24,976.17           |
| CV00                        | Venn Group                          | C/O Coltman Warner Cranston LLP, DX, Unit 3, Coventry Innovation Village, Coventry University Technology Park, 11203 Cheetah Road, Coventry, CV1 2TL | 18,209.82           |
| CV01                        | Water 2 Business                    | 21E Somerset Sqare, Nailsea, Bristol, BS48 1RQ   | 1,116.02            |
| CW00                        | Waterlogic GB Ltd                   | Shaw House, Shaw Road, Wolverhampton, WV10 9LE   | 391.00              |
| CW01                        | West Country Heating                | 98 Wembdon Road, Bridgewater, TA6 7QS  | 1,254.17            |
| CW03                        | Wesleyan Bank                       | 55 Bishopsgate, London, EC2N 3AS   | 7,069.72            |
| <b>78 Entries Totalling</b> |                                     |  | <b>1,889,996.39</b> |

Signature \_\_\_\_\_

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# **DRAFT STATEMENT OF AFFAIRS**

## **NOTES TO THE DRAFT STATEMENT OF AFFAIRS**

### **SECURED CREDITORS**

Lloyds were granted a fixed and floating charge over the Partnership's assets on 15 November 2016 and this was registered on 15 November 2016.

The amount outstanding to Lloyds as at the date of our appointment was £171,467.45.

### **ASSETS SUBJECT TO A FIXED CHARGE**

#### **Goodwill**

Eddisons valued the Partnership's goodwill with an in-situ value of £150,000.00 and an ex-situ value of nil. The goodwill was included in the sale that completed on 21 March 2023 to the connected party and it was sold for £200,000.00.

The Partnership's goodwill was valued on an in-situ and ex-situ basis of £150,000.00 and nil respectively. The goodwill comprised the sale to South West Advocates Limited ("SWA") for £200,000.00.

### **ASSETS SUBJECT TO A FLOATING CHARGE**

#### **Office Equipment, Vehicle and Fixtures**

The Partnership's office equipment, vehicle and fixtures were valued on an in-situ and ex-situ basis of £8,250.00 and £1,500.00 respectively. These assets are comprised in the sale to SWA for £4,997.00.

#### **Seller's Records**

There is considered to be no value in these records, however, they are comprised in the sale to SWA for £1.00.

#### **Business Contracts**

There is considered to be no value in these contracts, however, they are comprised in the sale to SWA for £1.00.

#### **Business Intellectual Property Rights**

There is considered to be no value in these rights, however, they are comprised in the sale to SWA for £1.00.

#### **Monies Held by Third Parties**

Funds totalling £3,011.94 were held by a firm of solicitors on behalf of the Partnership and have been received in full further to our appointment.

#### **Work in Progress**

The Partnership's WIP was not valued prior to our appointment and the amount owing to the Partnership was recorded as £1,579,795.54. However, it was considered that likely realisations from the outstanding ledger would be relatively nominal. The reasons for this are detailed in the enclosed SIP16 Report at Appendix 3.

The sale agreement with SWA provides that £10,000.00 is payable in respect of the first £100,000.00 of WIP. Thereafter, 10% of WIP realised up to £750,000.00 and 20% of WIP realised thereafter.

### **Prepayments**

The Partnership's records indicated that it was owed prepayments in the amount of £44,689.03. We are liaising with the Designated Member to obtain a breakdown of these monies. However, it is anticipated that these relate to items such as rental deposits or monies for services that have since been fulfilled.

### **Book Debts**

The Partnership's book debt ledger totalled £112,227.83 as at the date of our appointment. However, it was noted that a significant proportion of the debts was aged over 90 days. As such, the ledger was considered to have an uncertain realisable value.

The book debts comprised the sale to SWA for £45,000.00 with the provision that a further 60% of the total amount collected in excess of £150,000.00 would also be payable by SWA.

### **Foot Anstey Monies**

A number of the former partners had previously owned a property known as Chandos House, Units 1 and 2 Heron Gate Office Park, Taunton. This property was sold and the sale proceeds of £138,000.00 are held in an escrow account.

As part of the sale to SWA, the Designated Member and a former Designated Member assigned any interest that they had in the sale proceeds to the Partnership. The estimated to realise value is reflected as being uncertain.

## **PREFERENTIAL UNSECURED CREDITORS**

### **Primary Preferential Creditors**

There are no known primary preferential creditors.

### **Secondary Preferential Creditors**

HMRC are anticipated to be owed £414,134.37 in respect of VAT and PAYE liabilities.

## **NON-PREFERENTIAL UNSECURED CREDITORS**

The Partnership's non-preferential unsecured creditors are estimated to total £1,304,394.57 and comprise:

- |                      |             |
|----------------------|-------------|
| • Trade Creditors    | £270,356.26 |
| • Designated Members | £571,181.83 |
| • Banks              | £154,544.48 |
| • Former Partners    | £308,312.00 |

## **OTHER**

1. The Partnership's assets (excluding the book debts and WIP) were professionally valued by Messrs Kevin McAndrew RICS on 21 December 2022 on an open market valuation.
2. Section 176A(2) of the Act requires the Administrators to set aside the prescribed part of the Partnership's net property for the satisfaction of unsecured debts. "**Net property**" means the amount which would, if it were not for this provision, be available to floating charge holders (i.e. after accounting for preferential debts and the costs of realisation). The **prescribed part** is 50% of the first £10,000 and 20% of the remaining net property (up to a maximum of either £600,000 or £800,000).

We will not be required to set aside the prescribed part of net property if:

- a. The net property is less than £10,000 and we think that the cost of distributing the prescribed part would be disproportionate to the benefit;
  - b. Or if the net property is more than £10,000, if the provision is disapplied by the court on the application of the administrator on cost-benefit grounds.
3. The indebtedness to Lloyds is supported by a personal guarantee from Bhavani Hogarty.
  4. Creditors' claims are subject to agreement and will not be prejudiced by omission from the Statement of Affairs or by inclusion in a different amount from that claimed.
  5. The estimated total deficiency, including the calculation of the prescribed part of the Partnership's net property, is subject to the costs of Administration and distribution for which no provision is made in the statement of affairs.
  6. Transactions with Designated Members and associates.

Standard practice requires disclosure to the creditors of any transactions (other than in the ordinary course of business) between the Partnership (including any of its subsidiaries or any other entity in which it has or had an interest) and any of its Designated Members or their associates (as defined in Section 435 of the Act) in the period of **two years** prior to the commencement of administration, and in the period since the commencement of the administration, or proposed to be undertaken.

The Administrators have not been made aware of any such transactions.

## REMUNERATION AND EXPENSES

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Total time spent on this assignment amounts to 72.70 hours at an average composite rate of £390.65 per hour resulting in total time costs of £28,400.50 to 28 April 2023.

To assist creditors in determining this matter, the following further information appears in this appendix:

- ☐ Begbies Traynor (Central) LLP's charging policy
- ☐ Pre-administration work, costs and proposed remuneration with Pre-Administration Time Costs Analysis is attached.
- ☐ Summary of work to be undertaken, payments and expenses
- ☐ Table of time spent and charge-out value
- ☐ The Administrators' fees estimate
- ☐ Details of the expenses that the Administrators consider will be, or are likely to be, incurred

In addition, a copy of 'A Creditors Guide to Administrators' Fees (E&W) 2021' which provides guidance on creditors' rights can be obtained online at [www.begbies-traynor.com/creditorsguides](http://www.begbies-traynor.com/creditorsguides). Alternatively, if you require a hard copy of the Guide, please contact my office and I will arrange to send you a copy.

Finally, the Association of Business Recovery Professionals (R3) has set up a website that contains a step-by-step guide designed to help creditors navigate their way through an insolvency process which includes information in relation to remuneration. You can access the website at the following address: <http://www.creditorinsolvencyguide.co.uk/>

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## **BEGBIES TRAYNOR CHARGING POLICY**

### **INTRODUCTION**

This policy applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on either of the bases allowed under The Insolvency (England and Wales) Rules 2016. These are either:

- As a percentage of the value of the assets realised and/or distributed
- On a time costs basis or
- As a set amount.

In this case we are seeking to be remunerated on a time costs basis. Different rates can be used for individual assets or types of assets. Where we would like to realise assets on variable bases we will provide further information explaining why we think that this is appropriate and ask creditors to approve the variables.

Within our fee estimate creditors can see how we propose to be remunerated.

In addition, this policy applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. It also applies where payments are to be made to parties other than the firm, but in relation to which the office holder, the firm or any associate has an interest. Best practice guidance\* indicates that such charges should be disclosed to those who are responsible for approving the basis of the office holder's remuneration, together with an explanation of how those charges are calculated.

### **OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES**

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of their staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded in 6 minute units at the individual's hourly rate in force at that time which is detailed below.

### **EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES**

Expenses are payments from the estate which are neither an office holder's remuneration nor a distribution to a creditor or a member. Expenses also include disbursements, which are expenses that are initially paid by the office holder's own firm, but which are subsequently reimbursed from the estate when funds are available.

Best practice guidance classifies expenses into two broad categories:

- ❑ *Category 1 expenses (approval not required)* - Specific expenditure that is directly related to the case and referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- ❑ *Category 2 expenses (approval required)* - Items of expenditure that are directly related to the case and either:
  - (i) include an element of shared or allocated cost and are based on a reasonable method of calculation, but which are not payable to an independent third party; or

- (ii) are items of expenditure which are payable to an associate of the office holder and/or their firm.

Shared or allocated costs (pursuant to (i) above)

The following expenses include an element of shared or allocated cost and are charged to the case (subject to approval).

- ☐ Internal meeting room usage for the purpose of physical meetings of creditors is charged at the rate of £100 (London £150) per meeting; and
- ☐ Car mileage which is charged at the rate of 45 pence per mile.

Payments anticipated to be made to associates (pursuant to (ii) above)

**Services provided by other entities within the Begbies Traynor group**

The following expenses which relate to services provided by entities within the Begbies Traynor group, of which the office holder's firm is a member, are also to be charged to the case (subject to approval):

Eddisons Commercial Limited

Eddisons Commercial Limited may be instructed to provide valuation services and to dispose of any residual Partnership assets. They charge £750 plus expenses plus VAT for completing the valuation report. They also charge 10% of realisations plus expenses plus VAT for disposing of the Partnership's assets.

In addition to the services detailed above, it may become necessary to instruct Eddisons Commercial Limited to provide additional services, not currently anticipated, during the course of the case. In such circumstances and to avoid the costs associated with seeking further approval, the charges for such services will be calculated on a time costs basis at the prevailing hourly rates for their various grades of staff which are currently as follows:

| <b>Grade of staff</b> | <b>Charge-out rate (£ per hour)</b> |
|-----------------------|-------------------------------------|
| Director              | £275                                |
| Associate             | £180                                |
| Surveyor              | £120                                |
| Graduate              | £100                                |
| Administration        | £80                                 |
| Porters               | £35                                 |

Eddisons Insurance Services

Instruction of Eddisons Insurance Services Limited ("EIS") to provide insurance broking services and specifically open cover insurance for the insurable risks relating to the case. The cost of open cover insurance will vary during the course of the case depending upon the value of the assets and liability risks. The costs of insurance cover for subsequent quarter periods will be dependent upon prevailing insurance market conditions and the ongoing insurable risks on the case. Where relevant, administration fees may be charged.

In accordance with standard insurance industry practice, EIS will receive payment of commission for the services it provides from the insurer. The commission is calculated as a percentage of the insurance premiums payable and such percentage will depend upon the class or classes of assets being insured. EIS will invoice the insolvent estate for the premium(s) due on the insurer's behalf and receive payment from the estate. EIS will in turn, account to the insurer for the premium(s) payable after deducting any commission payable by the insurer.

Where EIS have initially been consulted on a policy, but the policy has not been taken out, EIS will charge an administration fee of £150.

**Additional payments received by Eddisons Commercial Limited from purchasers where assets are disposed of by way of auction**

In addition to the charges of Eddisons Commercial Limited detailed above for providing the services to the office holder, where any machinery and business assets (other than freehold/leasehold property) are disposed of by way of auction, Eddisons Commercial Limited will also receive a payment from the purchaser, known as a buyer's premium, equivalent to 15% of the successful bid. Where any freehold/leasehold property is disposed of by way of auction, Eddisons Commercial Limited will also receive a payment from the purchaser, known as a buyer's administration fee, in the sum of £600. It is standard auction industry practice for a buyer's premium and buyer's administration fee to be charged. The buyer's premium and buyer's administration fee is paid by the purchaser of the assets and is not paid by the office holder from the assets of the estate.

General Office Overheads.

The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 expense*:

- ☐ Telephone and facsimile
- ☐ Printing and photocopying
- ☐ Stationery

**BEGBIES TRAYNOR CHARGE-OUT RATES**

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the Milton Keynes office as at the date of this report are as follows:

| Grade of staff       | Charge-out rate (£ per hour)<br>1 January 2022<br>until further notice |
|----------------------|--|
| Partner              | 545  |
| Director             | 490  |
| Senior Manager       | 435  |
| Manager              | 380  |
| Assistant Manager    | 275  |
| Senior Administrator | 240  |
| Administrator        | 195  |
| Junior Administrator | 155  |
| Cashier              | 155  |
| Secretarial          | 155  |

Time spent by support staff such as secretarial, administrative and cashiering staff is charged directly to cases. It is not carried as an overhead. As detailed above, time is recorded in 6 minute units.

**DETAILS OF THE WORK CARRIED OUT PRE ADMINISTRATION, THE ASSOCIATED COSTS AND THE PROPOSED REMUNERATION FOR THE WORK**

CASE NAME: PARDOES SOLICITORS LLP

CASE TYPE: ADMINISTRATION

OFFICE HOLDERS: JULIE ANNE PALMER AND STEPHEN MARK POWELL

DATE OF APPOINTMENT: 21 MARCH 2023

**1 CASE OVERVIEW**

1.1 This overview is intended to provide sufficient information to enable the body responsible for the approval of pre-administration costs to consider the level of those costs in the context of the case.

**1.2 Time costs information**

Details of the time spent by each grade of staff prior to the appointment of the administrators and the overall average hourly charge out rate for the pre-administration work are set out in the attached table.

Full details of the work undertaken by the Administrators and their staff prior to appointment are set out below and in the Administrators' Statement of Proposals.

**1.3 Overview of work undertaken prior to appointment**

The following work has been carried out in the pre-appointment period:

- Carrying out internal ethics and conflicts checks;
- Carrying out searches at Companies House;
- Setting up case files;
- Advising the Partnership in the lead up to the Administration;
- Liaising with Lloyds as the secured creditors and other creditors such as the Barclays Bank PLC;
- Dealing with and assisting with employee queries;
- Dealing with the marketing and proposed sale of the Partnership's business and assets as part of the Administration process;
- Liaising with the instructed agents;
- Liaising with the instructed solicitors;
- Assisting with negotiations with interested parties;
- Assisting with the provision of information as part of the due diligence process in an attempt to help the sale process;
- Liaising with the Designated Members regarding the strategy prior to the commencement of the Administration;
- Collecting and reviewing the Partnership's books and records and overseeing / reviewing day to day financial information in the lead up to Administration to understand any funding requirements of the Partnership.

This work was carried out before the Partnership entered Administration because we considered that it would further the achievement of the objective of Administration being pursued, namely realising property in order to make a distribution to one or more secured or preferential creditors. Full details of this work and the reasons why it was required are included in Section 9 of the Proposals.

**1.4 Complexity of work undertaken prior to appointment**

There were no unusual complexities to this work. However, it should be noted that significantly more time was required to be incurred in dealing with the matter as a result of the negotiation process taking longer than would ordinarily be the case.

Please see our Proposals for further information on the work completed prior to our appointment as Administrators.

**1.5 Exceptional responsibilities**

There were no unusual responsibilities to this work. However, please see our proposals for further information on the work completed prior to our appointment as Administrators.

**1.6 The proposed Administrators' effectiveness**

Our work was effective as we managed to sell the business and assets via a pre-packaged Administration which will enable a distribution to the Partnership's secured creditors. This work has also mitigated primary preferential and non-preferential claims in respect of employee entitlements following the partial transfer of employees from the Partnership to the Purchaser in accordance with TUPE.

**1.7 The views of the creditors**

Throughout the pre-appointment period we were in regular communication with the Partnership's secured creditor (Lloyds) to confirm the proposed strategy for dealing with the Partnership's assets. The secured creditor has confirmed that they were in agreement with the proposed strategy.

**1.8 Approval of fees, and expenses incurred in the period prior to appointment**

The following resolution is being put forward for creditors to approve:

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

**1.9 Expenses incurred in the period prior to appointment where payment is proposed to be made to Begbies Traynor and/or another entity with Begbies Traynor Group**

Category 2 Expenses

None

Expenses treated as Category 2 Expenses

Pursuant to the resolution being sought in relation to the unpaid pre-administration costs, the following Category 2 expenses are proposed to be charged in relation to the period prior to appointment:

Eddisons Commercial Limited were instructed to assist in reviewing the Partnership's assets, providing a valuation, liaising with the Partnership's Designated Member to prepare a Sales Pack for distribution to interested parties, marketing the assets on the open market, liaising and negotiating with interested parties and liaising with finance providers. Their fee has been agreed as a fixed fee of £750.00 plus 10% commission (capped at £15,000.00) plus expenses and is considered to be reasonable in the context of the case.

| Other amounts paid or payable to the office holder's firm   |                             |                  |                 |                   |
|---|-----------------------------|------------------|-----------------|-------------------|
| Description   | Name of recipient           | Net amount<br>£  | VAT<br>£        | Gross amount<br>£ |
| Agent's fee in respect of reviewing the Partnership's assets at the trading premises, providing a valuation of the assets, liaising with the Partnership's Designated Member to prepare a Sales Pack for distribution to interested parties, marketing the assets on the open market, liaising and negotiating with interested parties and liaising with finance providers. <ul style="list-style-type: none"> <li>• £750.00: Valuation</li> <li>• £15,000.00: 10% Sales Commission and capped at £15,000.00</li> </ul> | Eddisons Commercial Limited | 15,750.00        | 3,150.00        | 18,900.00         |
| Agent's expenses incurred for marketing the business and assets for sale.   | Eddisons Commercial Limited | 245.00           | 49.00           | 294.00            |
| <b>TOTAL CATEGORY 2 PRE-ADMINISTRATION COSTS</b>  |                             | <b>15,995.00</b> | <b>3,199.00</b> | <b>19,194.00</b>  |

#### 1.10 Other professionals employed & their costs

TLT LLP were instructed to assist in preparing the relevant appointment documentation, filing the relevant notices of intention to appoint on various parties, preparing the sale and purchase agreement, liaising with the Purchasers' solicitors with regards to proposed changes to the sale agreements and preparing the relevant deed of release in respect of Bibby's charge.

TLT LLP have significant insolvency experience and they are also on Lloyds' approved panel of solicitors. Their charge-out rates are lower than other comparable law firms that sit on Lloyds' approved panel meaning there is a direct financial benefit to creditors by instructing them as legal fees are significantly less than they would have otherwise been in this case due to the need to file multiple notices of intention to appoint administrators.

| Description   | Name of recipient | Net amount<br>£ | VAT<br>£ | Gross amount<br>£ |
|---|-------------------|-----------------|----------|-------------------|
| Legal Fees incurred in preparing the relevant appointment documentation, filing the relevant notices of intention to appoint on various parties, preparing the sale and purchase agreement, liaising with the purchasers' solicitors with regards to proposed changes to the sale agreements and preparing the relevant deed of release in respect of Lloyds' charge. | TLT LLP           | 33,008.00       | 6,601.60 | 39,609.60         |

|  |         |                  |                 |                  |
|--|---------|------------------|-----------------|------------------|
| Legal Expenses in relation to the preparation of the Notices of Intention to Appoint Administrators and the Notice of Appointment of Administrators which comprise Court fees. | TLT LLP | 163.50           | 32.70           | 196.20           |
| <b>TOTAL CATEGORY 1 PRE-ADMINISTRATION COSTS</b>   |         | <b>33,171.50</b> | <b>6,634.30</b> | <b>39,805.80</b> |

#### 1.11 Staffing and management

The staff used on this assignment were chosen based on their level of experience of insolvency procedures, specifically Administrations. Primarily the work was carried out by Managers and a Licensed Insolvency Practitioner.

## 2 EXPLANATION OF OFFICE HOLDERS' CHARGING POLICY

- 2.1 Begbies Traynor (Central) LLP's policy for charging fees and expenses incurred by office holders is attached at Appendix 3.

| Staff Grade                      |  | Consultant/<br>Partner | Director | Snr Mngr  | Mngr | Asst Mngr | Snr Admin | Admin  | Jnr Admin | Support | Total Hours | Time cost £ | Average hourly<br>rate £ |
|----------------------------------|--|------------------------|----------|-----------|------|-----------|-----------|--------|-----------|---------|-------------|-------------|--------------------------|
| Administration                   | Administration                             | 1.3                    |          | 0.4       |      |           |           | 3.4    |           |         | 5.10        | 1,545.50    | 303.04                   |
|                                  | Case planning                              | 7.4                    |          | 27.1      |      |           |           |        |           |         | 34.50       | 15,821.50   | 458.59                   |
| Assets                           | Negotiation of sale of business +/- assets | 54.3                   |          | 15.7      |      |           |           |        |           |         | 70.00       | 36,423.00   | 520.33                   |
| Creditors                        | Other creditors                            |                        |          |           |      |           |           |        |           |         |             |             |                          |
|                                  | Secured - correspondence and meetings      |                        |          |           |      |           |           |        |           |         |             |             |                          |
| Other Matters                    | Meetings and correspondence with directors | 35.8                   |          | 0.2       |      |           |           |        |           |         | 36.00       | 19,598.00   | 544.39                   |
|                                  | Travel                                     | 4.0                    |          |           |      |           |           |        |           |         | 4.00        | 2,180.00    | 545.00                   |
| Total hours by staff grade       |  | 102.8                  |          | 43.4      |      |           |           | 3.4    |           |         | 149.6       |             |                          |
| Total time cost by staff grade £ |  | 56,026.00              |          | 18,879.00 |      |           |           | 663.00 |           |         |             | 75,568.00   |                          |
| Average hourly rate £            |  | 545.00                 |          | 435.00    |      |           |           | 195.00 |           |         |             |             | 505.13                   |
| Total fees drawn to date £       |  |                        |          |           |      |           |           |        |           |         |             | 0.00        |                          |

## **SUMMARY OF WORK TO BE UNDERTAKEN, PAYMENTS AND EXPENSES**

This summary, which should be read in conjunction with the Time Costs Analysis for the period of the report attached, is intended to provide sufficient information to enable the body responsible for the approval of our fees and the payment of certain expenses to make an informed judgement about the reasonableness of our request for approval of the same.

### **What work has been done since we were appointed, why was that work necessary and what has been the financial benefit (if any) to creditors?**

To assist creditors we have used the headings from our Fees Estimate and Time Costs Analysis attached, to categorise the work that has been and will be undertaken in the administration.

Details of the types of work that generally fall into the headings mentioned below are available on our firm's website - <http://www.begbies-traynorgroup.com/work-details>. Under the following headings we have explained the specific work that has been and will be undertaken on this case. Not every piece of work has been described, but we have sought to give a proportionate overview which provides sufficient detail to allow creditors to understand what has been and will be done, why it was and is necessary and what financial benefit (if any) the work has provided and will provide to creditors.

The costs incurred in relation to each heading are set out in the Time Costs Analysis which is attached.

#### General case administration and planning

Insolvency Practitioners are required to maintain records to demonstrate how the case is administered, and to document any decisions that materially affect the case.

At the onset of the case we will form a strategy for how the case will be managed. This will take into consideration the level of assets to be realised, how those assets will be realised, and whether there will be sufficient realisations to make a distribution to the Partnership's creditors.

The case will be subject to regular reviews to ensure case progression and the files will be kept up to date. Time recorded under this category to date has included:

- Preparing documents and dealing with the formalities of our appointment;
- Filing;
- Dealing with general calls;
- Dealing with routine correspondence and emails;
- Maintaining electronic records;
- Opening and maintaining with Administrators' bank account;
- Case planning and devising a case strategy;
- Requesting information from the Partnership's bank and accountant;
- Opening physical case files and electronic records;
- Instructing the necessary professionals to complete work on behalf of the Administrators such as de-registering the Partnership from VAT.

Whilst this does not benefit creditors financially, it is necessary to ensure the efficient and compliant progressing of the administration, which ensures that the joint administrators and their staff carry out their work to high professional standards.

#### Compliance with the Insolvency Act, Rules and best practice

The Insolvency Practitioners are governed by the Insolvency Act and Rules, together with following best practice guidelines known as Statements of Insolvency Practice. We have certain statutory obligations and duties to fulfil whilst in office which include the regular filing of progress reports with Companies

House and the filing of a final report at the end of the period. We are also required to notify various bodies of our appointment, including creditors, Companies House, and advertise our appointment in the London Gazette.

We are also duty bound to correspond with creditors and issue notice of the insolvency event to the likes of the pensions departments, banks and other parties who would have an interest in the proceedings. There is also the duty to investigate the Designated Member's conduct, bond the case appropriately and instruct professionals such as property agents and solicitors to assist where necessary.

Specific work includes:

- Undertaking the initial appointment tasks including notifications to Companies House, the Partnership, shareholders and creditors;
- Calculating, arranging and monitoring a statutory insurance bond;
- Advertising appointment and ensuring notification in the London Gazette;
- Reviewing documents in relation to the Partnership's affairs;
- Preparing and circulating the Proposals and Progress Reports to creditors and other stakeholders;
- Preparing and circulating a Final Report to creditors and stakeholders;
- Requesting Statement of Affairs from Designated Members and liaising with them in relation to the preparation and completion of the same.

This work does not benefit creditors financially but is necessary in accordance with the Insolvency Act, Rules and best practice.

#### Investigations

Within three months of our appointment, we are required to submit an online conduct report in accordance with the Company Directors Disqualification Act. In order to fulfil this duty, we will seek to recover the Partnership books and records, both hard copy and electronic, from the Designated Member in order to carry out our investigations. Any person who is or has been a Designated Member, or is considered as a de facto or shadow Designated Member of the Partnership in the three years prior to the insolvency event are also asked to complete a questionnaire to assist with our investigations.

We have a duty to examine the conduct of the Partnership and its Designated Members in order to identify what assets may be available for realising, including any actions against Designated Members or other parties which may lead to further recoveries into the estate. Such investigations may include analysis of the Partnership's bank statements, reviewing information provided by third parties and analysis of the Partnership's management accounting systems.

Where appropriate creditors or other parties may be asked to come forward with information.

Specific work includes:

- Writing to the Designated Member and former Designated Members / de facto Designated Members and requesting completed questionnaires and additional information regarding the Partnership's trading history;
- Continuing investigation of the Partnership's affairs;
- Requesting the Partnership's bank statements and financial records;
- Undertaking preliminary investigations and recording points to note for DCAS reporting on Designated Members' conduct;
- Carrying out a bank analysis of transactions with various third parties;
- Reviewing the Partnership's books and records to identify whether there are any claims that may be brought against third parties;
- Discussing issues for investigation with key stakeholders (where appropriate);

- Instructing solicitors to assist with identification of claims against third parties that may be brought for the benefit of creditors (where appropriate);
- Reviewing accounts, advice and reports provided by professional advisors prior to the commencement of the Administration;
- Writing to HMRC to request copies of pre-appointment returns; and
- Writing to creditors to request further information regarding the Partnership.

Any financial benefit to creditors in carrying out the above work is unclear at present however creditors will receive updates on these matters in our progress reports.

#### Realisation of assets

Insolvency Practitioners are required to maximise realisations for the benefit of the Partnership's creditors. In order to do this we may need to consider instructing professional agents to carry out negotiations, provide inventories and valuations. We may also need to instruct solicitors to complete sales. We may need assistance with debt collection exercises.

Specific work includes:

- Liaising with instructed solicitors and the prospective purchasers regarding the completion of the sale of the business and assets;
- Liaising with Eddisons and the prospective purchasers regarding the sale and the completion of the sale of the business and assets;
- Liaising with the landlord for the trading premises regarding payment of monies due under the license to occupy;
- Liaising with the landlord for the trading period regarding details of their claim which may be set off against the repayment of any rent deposit held;
- Liaising with the Designated Member regarding the collection of the Partnership's outstanding debtors and WIP;
- Liaising with the Purchaser regarding the collection of deferred consideration payments;
- Liaising with our instructed solicitors as regards pursuing our interest in the Foot Anstey monies;
- Reviewing the Partnership's records to establish if there are any potential claims that may be brought against third parties.

All work carried out in respect of the asset realisation is for the purpose of realising property and assets for the benefit of the creditors generally.

#### Dealing with all creditors' claims (including employees), correspondence and distributions

If there is likely to be a distribution, the relevant class of creditors will be made aware of this at the earliest possibility, whether it be detailed in our initial correspondence, a progress report or by notice of intended dividend issued during the course of administering the case.

Creditors' claims will be dealt with in accordance with the order of priority, and therefore only if there is a prospect of a dividend in the insolvency proceedings, will those specific claims be adjudicated on.

The government will initially review and make payment of the claims of the employees, (up to their maximum allowances), and any shortfall on those claims will be a claim in the insolvency proceedings.

Specific work includes:

- Dealing with creditor correspondence, emails and telephone conversations;
- Maintaining creditor claims and updating electronic records; and
- Reconciling creditor claims for inclusion in the Statement of Affairs.

Time will be spent dealing with all creditor queries as and when required.

Other matters which include, seeking decisions from creditors (via DCP and/or via Decision Procedures), tax, litigation, pensions and travel

During the course of administering the case, the Insolvency Practitioner will be required to seek decisions from creditors on various proposed resolutions, including the basis of our remuneration and whether a creditors committee is formed.

We are also required to submit VAT and Tax returns when appropriate in order to reclaim monies for the estate and pay over any taxes due to HMRC. As detailed above, we are also duty bound to provide notifications and further assistance to pensions departments where applicable.

We may be required to travel to the Partnership's premises, or to a meeting external to our office if it assists with our realisation of assets, investigations or another aspect of the case.

Time will be spent dealing with all creditor queries as and when required.

There may not be any obvious financial benefit to creditors, but all work carried out would likely be considered necessary for the administration and progression of the case. Creditors will be notified of all of our actions in the progress and/or final reports issued.

#### **Time Costs Analysis**

An analysis of time costs for the period of the report is attached showing the time spent by each grade of staff on the different types of work involved in the case, and giving the total costs and average hourly rate charged for each work type.

Please note that the analysis provides details of the work undertaken by us and our staff following our appointment only.

#### **Pre-Administration costs**

Details of the pre appointment work carried out, together with our costs and proposed remuneration are found within the Proposal document and are also detailed separately in within this Appendix.

#### **Expenses**

Details of all of the expenses incurred since the date of our appointment are attached at appendix 3.

#### **Why have subcontractors been used?**

No subcontractors have been used.

#### **What work remains to be done, why is this necessary and what financial benefit (if any) will it provide to creditors?**

The following work remains to be completed:

1. Reviewing and reconciling the collection of the book debts that comprised the sale to SWA so as to establish if any additional funds are payable to the Partnership;
2. Reviewing and reconciling the collection of the WIP that comprised the sale to SWA so as to establish if any additional funds are payable to the Partnership;
3. Realising the balance due in respect of deferred consideration;
4. Liaising with our instructed solicitors as regards claiming an interest in the Foot Anstey monies;
5. Liaising with the landlord as regards payment due under the license to occupy;

6. Liaising with the landlord to establish if there is any balance to collect in respect of any rent deposit deed held;
7. Completing our investigations into the Partnership's affairs and submitting our confidential report to the Insolvency Service on the Designated Member's conduct;
8. Distributing funds to the secured creditors;
9. Seeking approval of our Proposals;
10. Preparing, filing and circulating statutory reports and notices to creditors and other stakeholders;
11. Seeking tax advice as regards any tax due on the disposal of the Partnership's assets;
12. Seeking extensions of the Administration; and
13. Moving the Partnership to dissolution as part of the closure process.

#### General case administration and planning

The following work is likely to be completed:

- Filing;
- Dealing with general calls;
- Dealing with routine correspondence and emails;
- Maintaining physical case files and electronic records;
- Monitoring case strategy;
- Maintaining the creditor portal; and
- Maintaining the Administrators' bank account.

The majority of the work will derive no financial benefit for creditors. However, the Insolvency profession is a highly regulated industry and we are required to maintain records to demonstrate how the case was administered and to document the reasons for any decisions that materially affect the case.

#### Compliance with the Insolvency Act, Rules and best practice

The following work is likely to be completed:

- Undertaking statutory notifications to Companies House and the creditors;
- Conducting bond reviews;
- Preparing statutory reports and returns;
- Maintaining estate bank account;
- Undertaking periodic reviews in line with statutory compliance and regulation requirements;
- Preparing necessary documentation to move the Partnership to dissolution;
- Dealing with receipts and payments through the Estate account.

The majority of the above work will derive no financial benefit for creditors. However, the Insolvency profession is a highly regulated industry and we are required to maintain records to demonstrate how the case was administered and to document the reasons for any decisions that materially affect the case. All of the work is required under the Insolvency Act and the Rules.

#### Investigations

The following work is likely to be completed:

- Reviewing the Partnership's bank statements and listing all connected party transactions / unusual transactions that require further investigations;
- Producing our statutory report to the Department of Business, Innovation and Skills on the Designated Member's conduct and trading history;
- Correspondence with the Partnership's bank in relation to any investigation points;
- Correspondence with the Partnership's accountants regarding statutory records and ongoing investigations;

- Liaising with the Designated Member with regards to ongoing investigations and obtaining further information (if required);
- Reviewing the Partnership's electronic records.

We have a statutory duty to investigate the Partnership's affairs and to report to the Department of Business, Innovation and Skills. This work may result in additional asset realisations although we are not suggesting any wrongdoing by the Designated Member or any other party.

#### Realisation of assets

The following work is likely to be completed:

- Reviewing and reconciling the collection of the book debts that comprised the sale to SWA so as to establish if any additional funds are payable to the Partnership;
- Reviewing and reconciling the collection of the WIP that comprised the sale to SWA so as to establish if any additional funds are payable to the Partnership;
- Realising the balance due in respect of deferred consideration;
- Liaising with our instructed solicitors as regards claiming an interest in the Foot Anstey monies;
- Reviewing the Partnership's records to establish if there are any potential claims that may be brought against third parties.

All work carried out in respect of the asset realisation is for the purpose of realising property and assets for the benefit of the creditors generally.

#### Dealing with all creditors' claims (including employees), correspondence and distributions

The following work is likely to be completed:

- Dealing with creditor correspondence, emails and telephone conversations;
- Maintaining up to date creditor information and amending claims;
- Distributing funds to primary preferential creditors;
- Dealing with employees' claims.

We are required to distributing any funds. Best practice also means that we should respond to creditor queries in a timely manner.

#### Other matters which include seeking decisions from creditors (via DCP and/or via Decision Procedures) tax, litigation, pensions and travel

The following work is likely to be completed:

- Submitting VAT returns;
- Submitting corporation tax returns;
- Completing the necessary pension forms to comply with statutory requirements;
- Seeking a decision from preferential creditors in relation to the Joint Administrators' remuneration.

This work is required so that we can close the case in due course.

#### **How much will this further work cost?**

The 'further work' detailed above has always been anticipated, but at this point in the proceedings, it has not yet been completed. As you know, this work is necessary in order that I may complete the administration as envisaged. The cost of completing this work is expected to be in line with the fee estimate in Appendix 3.

## **Expenses**

Details of the expenses that we expect to incur in connection with the work that remains to be done referred to above, as well as expenses that we have already incurred, are set out in the estimate of anticipated expenses attached at appendix 3.

### **What is the anticipated payment for administering the case in full?**

We estimate that the cost of administering the case will be in the region of £67,610.00, and consequently we are seeking approval for us to draw our remuneration up to that level. However, as you are aware, the remuneration that we can draw is limited to the amount that is realised for the assets, (less any costs incurred in realising those assets). At this stage in the administration, I can estimate that total remuneration drawn will be £67,610.00. Costs incurred over and above the level approved will be written off.

However, please note that should there be additional or unexpected asset realisations, we will look to draw our remuneration from those too, capped at the level that the creditors approve.

SIP9 Pardoes Solicitors LLP - Administration - 25PA803.ADM : Time Costs Analysis From 21/03/2023 To 28/04/2023

| Staff Grade   |  | Consultant/Partner | Director | Snr Mngr  | Mngr   | Asst Mngr | Snr Admin | Admin    | Jnr Admin | Support | Total Hours | Time Cost £ | Average hourly rate £ |
|---|--|--------------------|----------|-----------|--------|-----------|-----------|----------|-----------|---------|-------------|-------------|-----------------------|
| General Case Administration and Planning  | Case planning  |                    |          | 1.9       |        |           |           |          |           |         | 1.9         | 828.50      | 435.00                |
|   | Administration   | 7.9                |          | 1.6       | 0.2    |           |           | 19.0     |           |         | 28.7        | 8,782.50    | 306.01                |
|   | Total for General Case Administration and Planning:  | 7.9                |          | 3.5       | 0.2    |           |           | 19.0     |           |         | 30.6        | 9,609.00    | 314.02                |
| Compliance with the Insolvency Act, Rules and best practice                               | Appointment  | 4.4                |          | 4.8       |        |           |           |          |           |         | 9.2         | 4,488.00    | 487.81                |
|   | Banking and Bonding  |                    |          |           |        |           |           | 1.5      |           | 1.8     | 3.3         | 571.50      | 173.18                |
|   | Case Closure   |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Statutory reporting and statement of affairs   | 3.2                |          | 14.2      |        |           |           |          |           |         | 17.4        | 7,821.00    | 455.23                |
|   | Total for Compliance with the Insolvency Act, Rules and best practice:                               | 7.6                |          | 19.0      |        |           |           | 1.5      |           | 1.8     | 29.9        | 12,978.50   | 434.06                |
| Investigations  | CDDA and Investigations  |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Total for Investigations:  |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
| Realisation of assets   | Debt collection  |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Property, business and asset sales   | 4.6                |          | 6.0       |        |           |           |          |           |         | 10.6        | 5,117.00    | 482.74                |
|   | Retention of Title/Third party assets  |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Total for Realisation of assets:   | 4.6                |          | 6.0       |        |           |           |          |           |         | 10.6        | 5,117.00    | 482.74                |
| Trading   | Trading  |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Total for Trading:   |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
| Dealing with all creditors claims (including employees), correspondence and distributions | Secured  |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Others   |                    |          | 1.6       |        |           |           |          |           |         | 1.6         | 696.00      | 435.00                |
|   | Creditors committee  |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Total for Dealing with all creditors claims (including employees), correspondence and distributions: |                    |          | 1.6       |        |           |           |          |           |         | 1.6         | 696.00      | 435.00                |
| Other matters which includes meetings, tax, litigation, pensions and travel               | Seeking decisions of creditors   |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Meetings   |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Other  |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Tax  |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Litigation   |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Total for Other matters:   |                    |          |           |        |           |           |          |           |         |             |             | 0.00                  |
|   | Total hours by staff grade:  | 20.1               |          | 30.1      | 0.2    |           |           | 20.5     |           | 1.8     | 72.7        |             |                       |
|   | Total time cost by staff grade £:  | 10,954.50          |          | 13,093.50 | 76.00  |           |           | 3,997.50 |           | 279.00  |             | 28,400.50   |                       |
|   | Average hourly rate £:   | 545.00             | 0.00     | 435.00    | 360.00 | 0.00      | 0.00      | 195.00   | 0.00      | 155.00  |             |             | 390.65                |
|   | Total fees drawn to date £:  |                    |          |           |        |           |           |          |           |         |             | 0.00        |                       |

## PARDOES SOLICITORS LLP

### THE ADMINISTRATORS' FEES ESTIMATE

Further to our appointment as Administrators, we are seeking to be remunerated on a time costs basis. Details of our firm's hourly charge-out rates are set out in the charging policy which accompanies this estimate. Prior to creditors determining the basis upon which we are to be remunerated, we are obliged to produce a fees estimate and to provide it to each creditor of whose details we are aware so that it can be approved at the same time as the basis of our remuneration.

Our fees estimate for the Administration is set out below. Please note that blended hourly rates have been used which take account of the various levels of staff that are likely to undertake each area of work. These can be seen in the average hourly rate column.

| Details of the work that the administrators and their staff propose to undertake  | Hours         | Time cost £      | Average hourly rate £ |
|---|---------------|------------------|-----------------------|
| General case administration and planning  | 25.50         | 4,812.50         | 188.73                |
| Compliance with the Insolvency Act, Rules and best practice   | 58.10         | 12,893.50        | 221.92                |
| Investigations  | 28.50         | 9,747.50         | 342.02                |
| Realisation of assets   | 43.10         | 10,278.50        | 238.48                |
| Trading   | -             | -                | -                     |
| Dealing with all creditors' claims (including employees), correspondence and distributions  | 93.40         | 19,524.00        | 209.04                |
| Other matters which include seeking decisions from creditors via Deemed Consent Procedures or Decision Procedures, tax, litigation, pensions and travel | 44.40         | 10,354.00        | 233.20                |
| <b>Total hours</b>  | <b>293.00</b> |                  |                       |
| <b>Total time costs</b>   |               | <b>67,610.00</b> |                       |
| <b>Overall average hourly rate £</b>  |               |                  | <b>230.75</b>         |

### What is the anticipated payment for administering the case?

Although the fees estimate indicates that the total time costs for this matter will be £67,610.00, we are aware that there are limited assets to realise and so the time costs that we will be able to draw will be limited to the amount that is realised for the assets. This is expected to be in the region of £67,610.00. However, please note that should there be additional or unexpected asset realisations, we will look to draw our fees from those too.

For the avoidance of any doubt, the above estimate relates to the period of administration only, it does not relate to any work that is to be undertaken in any insolvency procedure following the administration.

Should creditors require further information on how this estimate has been produced this can be obtained from our website at <http://www.begbies-traynorgroup.com/fee-estimates>. A more detailed explanation of the work that falls into the categories mentioned in the table above can be obtained from our website at <http://www.begbies-traynorgroup.com/work-details>. There is also a case specific explanation in the letter accompanying this fee estimate.

### ESTIMATE OF EXPENSES

|    | Type of expense  | Description   | Estimate<br>£ |
|----|------------------|---|---------------|
| 1. | Advertisements   | Of appointment, requisitioned meetings, dividends etc.  | 299.40        |
| 2. | Bond             | An Insolvency Practitioner is required to have a bond in place to protect the estate from misappropriation of funds   | 500.00        |
| 3. | Insurance        | An Insolvency Practitioner is required to ensure that there is sufficient insurance cover over the assets of the insolvent entity.<br><br>Administration fees may also be charged on the policy   | 2,000.00      |
| 4. | Storage costs    | An Insolvency Practitioner is required to retain relevant books and records of the insolvent entity in order to carry out his/her duties as office holder. In addition, following case closure the Insolvency Practitioner will retain his/her working papers to allow any queries or issues raised to be dealt with.                                       | 500.00        |
| 5. | Legal fees       | The fees of any solicitors and / or barristers instructed to assist the Insolvency Practitioner in preparing any extensions to the license to occupy in respect of the trading premises and in liaising with us and any third parties as regards the bringing of any claims on behalf of the Partnership. It should be noted that this is an estimate only. | 50,000.00     |
| 6. | Legal expenses   | The expenses incurred by any solicitors and / or barristers instructed to pursue claims identified against third parties. It should be noted that this is an estimate only.   | 2,500.00      |
| 7. | Postage          | The cost of sending statutory reports or notices to creditors.  | 600.00        |
| 8. | Accountancy Fees | The fees for any accountant for completing the financial statements to the date of administration and submitting corporation tax returns for the period of administration.  | 5,000.00      |
| 9. | Bank charges     | An Insolvency Practitioner is required to operate a separate bank account in relation to the insolvent entity's estate.   | 100.00        |

For the avoidance of any doubt, the above estimate relates to the period of administration only, it does not relate to any expenses that will or may be incurred in any insolvency procedure following the administration.

## SIP 16 STATEMENT

## APPENDIX 1

### SIP 16 Statement

**PARDOES SOLICITORS LLP (IN ADMINISTRATION) ("the Partnership")**

#### **INFORMATION ABOUT THE PARTNERSHIP AND THE PRE-PACKAGED SALE OF THE PARTNERSHIP'S ASSETS AND UNDERTAKING ON 21 MARCH 2023**

##### **Background Information**

Our proposals for achieving the purpose of the Administration, which will be sent to creditors as soon as practicable, will provide detailed information in relation to the Partnership. The following background information is provided to assist creditors who may have limited knowledge of the Partnership and its affairs to better understand the reasons for the pre-packaged sale.

The business began trading as a partnership in or around the 1920's, providing legal advice to clients in the Southwest region of the UK. The Partnership offered a range of specialisms, and it quickly began to develop an excellent reputation in the local area.

The Partnership's supportive customer base, combined with the employment of a number of key personnel, enabled the Partnership to grow over a period of time. Additional offices were opened across the region and the Partnership was able to trade successfully for a number of years, becoming the largest and longest serving legal firm in Bridgewater.

The Partnership became formally incorporated as a Limited Liability Partnership on 23 February 2013 with three Designated Members initially being appointed. Barclays Bank PLC ("Barclays") provided loans to both the Partnership to assist with the initial cashflow demands along with loans to the various partners to buy in to the Partnership. Security was granted to Barclays in respect of a fixed and floating charge.

The business was formally transferred to the newly incorporated entity on 03 April 2014.

The Partnership's extensive service lines, which included divorce, property and boundary dispute, residential and commercial conveyancing, wills and probate, criminal defence and employment law, enabled it to increase turnover and additional offices were secured in Yeovil and Taunton.

Additional finance was required towards the end of November 2016 to enable the continued growth of the business. This was secured as follows:

- A loan was secured from Lloyds Bank PLC ("Lloyds") who were granted a fixed and floating charge.
- The sale of the Partnership's Personal Injury department, which historically had been the least profitable service line.

The above generated sufficient funds to discharge the Partnership's liability to Barclays and to fund ongoing trade.

Extracts from the Partnership's accounts for the previous three years are set out below:

| <b>PROFIT &amp; LOSS ACCOUNT</b>                                   | <b>Management<br/>Accounts<br/>February<br/>2023<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2022<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2021<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2020<br/>£</b> | <b>Filed<br/>Accounts<br/>30 April<br/>2019<br/>£</b> |
|--|--|---|---|---|---|
| Turnover   | -  | 2,635,537   | 2,717,792   | 3,159,033   | 3,558,749   |
| Administration Expenses  | -  | (2,298,180)                                       | (2,504,697)                                       | (2,881,686)                                       | (3,344,789)   |
| Other Operating Income   | -  | -   | 92,183  | 26,316  | -   |
| Operating Profit   | -  | 337,377   | 305,278   | 302,662   | 213,960   |
| Interest Receivable / Similar Expenses                             | -  | 42,815  | 28,120  | 73,670  | 64,572  |
| Interest Payable / Similar Expenses                                | -  | (188,333)   | (435,424)   | (137,494)   | (118,656)   |
| Profit for the Year Before Members' Remuneration and Profit Shares | -  | 211,859   | 198,974   | 238,838   | 159,876   |
| Members' Remuneration  | -  | (211,859)   | (198,974)   | (238,838)   | (159,876)   |
| Profit / (Loss) for the Year                                       | -  | -   | -   | -   | -   |
| <b>BALANCE SHEET</b>   | <b>Management<br/>Accounts<br/>February<br/>2023<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2022<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2021<br/>£</b> | <b>Filed<br/>Accounts 30<br/>April 2020<br/>£</b> | <b>Filed<br/>Accounts<br/>30 April<br/>2019<br/>£</b> |
| Fixed Assets   | -  | -   | -   | -   | -   |
| Goodwill   | -  | -   | -   | -   | -   |
| Fixtures and Fittings  | 88,513   | 74,386  | 87,513  | 84,528  | 98,815  |
| Motor Vehicles   | 408  | 304   | 408   | 542   | 723   |
| Current Assets   | -  | -   | -   | -   | -   |
| Cash and Short-Term Deposits                                       | (173,976)  | -   | 44  | 80  | 282   |
| Trade Debtors  | 121,449  | 257,208   | 270,082   | 247,314   | 218,042   |
| Amounts Receivable on Contracts                                    | 1,468,116  | 1,342,110   | 1,445,857   | 1,530,018   | 1,532,314   |
| Other Debtors  | -  | 437,843   | 401,411   | 375,807   | 140,909   |
| Prepayments and Accrued Income                                     | 44,689   | 10,398  | 188,648   | 10,558  | 239,534   |
|  | 1,547,187  | 2,047,557   | 2,303,999   | 2,163,577   | 82,196  |
| Creditors: Falling Due Within 1 Year                               | (1,132,043,43)   | (1,378,025)                                       | (1,618,854)                                       | (1,319,803)                                       | (1,281,674)   |
| Net Current Assets   | -  | 669,532   | 685,145   | 843,774   | 931,533   |
| Total Assets Less Current Liabilities                              | -  | 744,229   | 773,108   | 928,844   | 1,026,121   |
| Creditors: Falling Due After 1 Year                                | -  | (498,544)   | (465,897)   | (622,091)   | (776,385)   |
| Net Assets Attributable to Members                                 | -  | 245,685   | 307,211   | 306,813   | 249,736   |
| <b>REPRESENTED BY:</b>   |  |   |   |   |   |
| Loans / Other Debts Due to Member Members' Capital                 | -  | 245,685   | 307,211   | 306,813   | 249,736   |
| Total Members' Interests   | -  | -   | -   | -   | -   |
| Amounts Due from Members   | -  | (141,800)   | (116,676)   | (119,679)   | (140,809)   |
| Loans / Other Debts Due to Members                                 | -  | 245,685   | 307,211   | 306,813   | 249,736   |
|  | -  | 103,885   | 190,535   | 187,134   | 108,927   |

By 2019, the Partnership was generating turnover in the region of £3.5million per annum. The Partnership was expecting to continue achieving similar annual turnover as the future of ongoing trade looked promising.

#### The reasons for the Partnership's insolvency

Whilst turnover had historically been high, the effects of the Pandemic resulted in a significant decrease from £3.5million to around £2.5million as a result of the Partnership's clients seeking to preserve their own financial position.

The Partnership implemented several cost-saving measures, which included changes to case management procedures in the hope of reducing non-recoverable work in progress (largely because of a number of legacy cases) and of placing staff members on furlough.

In addition to this, focus was placed on the tendering and acquisition of key contracts with the Legal Aid Agency ("LAA") for family and criminal work which were successful. The Partnership was also successful in retendering for a new 2022 Standard Crime Contract with the LAA.

However, these measures were insufficient to enable the Partnership to continue to meet its ongoing monthly overheads. As a result, it fell behind with payments to HM Revenue & Customs ("HMRC") and repayments to Lloyds. The Partnership was able to agree a Time to Pay Arrangement with HMRC, however, the agreed repayments significantly inhibited the available monthly cashflow.

Correspondence received from both HMRC and Lloyds referenced enforcement action and it was considered that the Partnership would ultimately be required to enter some form of insolvency procedure.

With increasing pressure from both HMRC and Lloyds, the Partnership sought advice from its financial advisors and talks were initiated with a competitor law firm as regards a potential acquisition. Discussions began with a potential acquirer in or around August 2022.

The proposed acquirer considered that any acquisition would need to be by way of an insolvency procedure (by virtue of the outstanding liabilities) and, as such, Tony Stockdale who worked for the proposed acquirer introduced the Partners to Julie Anne Palmer of Begbies Traynor for insolvency advice. An initial meeting took place between the various parties on 16 September 2022 to discuss the Partnership's financial position and how a pre-packaged Administration sale might take place.

Unfortunately, the anticipated sale to the above acquirer did not proceed.

The Partnership continued to trade in the meantime and in October 2022 the Board took further advice in respect of the options available. It was agreed that they would need to formally instruct Begbies Traynor to assist with a pre-packaged Administration sale of the Partnership's business and assets for the following reasons:

1. A pre-packaged sale via Administration would allow the insolvent but potentially profit-making business to escape the burden of historic debts as to give interested parties the opportunity to consider a business and / or asset purchase and to maximise the value for creditors.
2. The sale would result in the employees transferring to the purchaser under Transfer of Undertakings (Protection of Employment) Regulations ("TUPE"). This was anticipated to save 34 jobs and mitigate redundancy and payment in lieu of notice claims totalling approximately £425,500.00.

It was noted that a sale of business and assets would have to be concluded relatively quickly so as to preserve the goodwill in the Partnership and due to the fact that there were limited funds available to enable the Partnership to continue to trade whilst it was marketed for sale. The marketing strategy detailed below demonstrates that asset realisations were maximised on behalf of creditors as the sale price exceeded the estimated value of the Partnership's assets.

It is also noted that the alternative options available to the Partnership were considered, such as trading in Administration, Creditors' Voluntary Liquidation and a Partnership Voluntary Arrangement as detailed below in this report.

#### The reasons for the pre-packaged sale

A pre-packaged sale via Administration would allow the insolvent but potentially profit-making business to escape the burden of historic debts as to give interested parties the opportunity to consider a business and/or asset purchase and to maximise the value for creditors.

A review of the Partnership's list of creditors indicated that it was likely valueless within its present corporate structure given its level of debt which totalled £1,381,669.11, comprising the following:

| CREDITOR TYPE                      | DEBT<br>£           | STATUS                 |
|------------------------------------|---------------------|------------------------|
| Lloyds Bank PLC (Loan)             | 171,467.45          | Secured                |
| HM Revenue & Customs (VAT)         | 112,500.00          | Secondary Preferential |
| HM Revenue & Customs (PAYE)        | 301,634.37          | Secondary Preferential |
| Lloyds Bank PLC (Bounce Back Loan) | 33,711.00           | Unsecured              |
| Trade Creditors                    | 182,288.86          | Unsecured              |
| Other Loans                        | 154,544.48          | Unsecured              |
| Employees (Estimated Entitlements) | 425,522.96          | Unsecured              |
| <b>TOTAL</b>                       | <b>1,381,669.11</b> |                        |

A pre-packaged Administration appeared to benefit the Partnership's creditors as the in-situ asset valuation was greater than the ex-situ valuation. It was anticipated that this would maximise asset realisations compared to that of a liquidation scenario. The marketing strategy detailed below demonstrates this.

Other options available to the Partnership were considered, such as trading in Administration, a Partnership Voluntary Arrangement ("PVA") and a Creditors' Voluntary Liquidation ("CVL") as detailed below. However, none of these options would have maximised the asset realisations for creditors. There was no evidence that a CVA would be approved (particularly given the size and aged nature of HMRC's debt) or successfully completed (given the existing cashflow difficulties). There were also insufficient funds available to enable the Partnership to trade in Administration.

As a result of the pre-packaged sale a total of 34 of the Partnership's employees were automatically transferred to the purchaser under TUPE. This resulted in the mitigation of additional claims against the Partnership in relation to payment in lieu of notice, redundancy pay, holiday pay and wage arrears which are estimated to total £425,522.96.

#### The statutory purpose of administration that was pursued

It was not reasonably practicable to rescue the Partnership as a going concern as the secondary preferential and non-preferential unsecured creditors totalled £1,210,201.66 and its assets were only estimated to realise £158,250.00, plus any amounts recoverable in respect of book debts and work in progress. In a best-case scenario, in addition to this, the Partnership was estimated to make a loss for the current year. As such, it seemed unlikely that any offer would be received to rescue the business as a going concern.

Furthermore, it seemed unlikely that the second objective, namely to achieve a better result for the Partnership's creditors as a whole than would be likely if the Partnership were wound up (without first being in Administration), would be achieved. This was because secondary preferential creditors were estimated to total £414,134.37 (comprising VAT and PAYE arrears of £112,500.00 and £301,634.37 respectively). It was anticipated that the sale of the Partnership's assets would be insufficient to discharge the costs of the Administration and the Partnership's secondary preferential debts in full, resulting in there being insufficient funds available to distribute to the Partnership's unsecured creditors.

Therefore, the most appropriate objective to pursue in this case was to realise property in order to make a distribution to one or more secured or preferential creditors. In this case, a distribution to Lloyds as the Partnership's fixed charge holder and to HMRC as a secondary preferential creditor.

The purpose has already been achieved by virtue of the sale that completed to the purchaser on 21 March 2023 which has maximised the value of the Partnership's assets and is anticipated to result in sufficient funds being available to declare and pay a distribution to Lloyds under their fixed charge, and potentially to HMRC as a secondary preferential creditor.

#### **FURTHER INFORMATION IN RELATION TO THE PRE-PACKAGED SALE**

**Who was the source of Begbies Traynor (Central) LLP's initial introduction to the Partnership?**

A partner at a competitor law firm, who were in discussions with the Partnership as regards a proposed acquisition, initially contacted Begbies Traynor (Central) LLP to introduce the Board and to schedule a meeting to discuss the Partnership's financial position and insolvency options available. The meeting took place on 15 September 2022.

The Partner at the competitor firm was previously aware of Begbies Traynor's reputation for being able to assist with complex insolvency matters and it was noted that Julie Anne Palmer, and her team, specifically have extensive experience in working on pre-packaged Administrations.

We are not aware of any professional or personal relationship with the Partnership or its Designated members.

Please note that we sit on Lloyds' approved list of insolvency providers. However, this does not result in a material professional or personal relationship.

**What was the extent of Julie Anne Palmer and Stephen Mark Powell, their associates and Begbies Traynor (Central) LLP's involvement with the Partnership before appointment?**

Below are summarised details of Begbies Traynor's involvement with the Partnership prior to their appointment:

- Julie Anne Palmer was contacted by the proposed acquiring law firm in September 2022 and a meeting with the Partners was scheduled and held on 15 September 2022 whereby the various options available to the Partnership, specifically that of a pre-packaged Administration, were discussed.
- A conflict check was sent round Begbies Traynor Group to ascertain whether anyone within the Group had a significant professional or personal relationship with the entity or connected parties. I confirm that there were no positive responses.
- A request for information to enable the proposed marketing of the business and assets (as required by best practice) was made to the Board on 16 September 2022.
- Throughout September 2022 discussions between the Partners, Begbies Traynor and the proposed acquiring law firm as regards the potential acquisition continued. However, they ultimately ceased and the deal did not proceed.
- Around the same time, correspondence was received from Lloyds as regards the arrears due and it was confirmed that the overdraft facility would be withdrawn on 30 September 2022. Discussions were held with the Partners and their advisors as regards how best to liaise with Lloyds and they were able to negotiate an extension with Lloyds whilst they sought further advice on the practicalities of a pre-packaged Administration.

A strategy meeting was held between Julie Anne Palmer and Stephen Powell of Begbies Traynor and the Partners on 17 November 2022 and an advice note was circulated thereafter.

- Begbies Traynor's Letter of Engagement was issued to the Partners on 22 November 2022.

- Progress of the proposed Administration was delayed for a number of weeks by two Legal Aid audits which needed to be prioritised and which were carried out at in the first weeks of December 2022.
- A further strategy meeting was held between Stephen Powell of Begbies Traynor, the Partners and Mike Miller (the Partnership's financial advisor) on 14 December 2022 and, on the advice provided by Begbies Traynor, the decision was made to formally proceed with a pre-packaged Administration.
- Eddisons Commercial Limited ("Eddisons") were instructed by the Partners to commence the marketing of the business and assets on 21 December 2022 and Begbies Traynor assisted with the provision of various information required for the Data Room in this regard.
- A further strategy meeting was held with the Partners on 22 December 2022, the purpose of which was to agree upon a proposed timeline for the Partnership entering into Administration. The initial time line was as follows:

- 22 December 2022: Strategy Meeting and Set out Timeline.
- 23 December 2022: Commence 2-week marketing campaign to establish interest
- 23 December 2022: Consider need to file Notice of Intention to Appoint Administrators
- 06 January 2023: Liaise with Lloyds and Barclays as regards proposed strategy \*
- 06 January 2023: Deadline for Best and final offers and look to accept an offer
- 09 January 2023: Successful bidder to instruct Evaluator (if applicable)
- 11 January 2023: File Notice of Intention to Appoint Administrators
- 12 January 2023: Notify the Solicitors' Regulatory Authority ("SRA")
- 20 January 2023: Proposed date for appointment and completion of sale

\* It should be noted that, whilst there was no remaining liability due to Barclays by the Partnership, a fixed and floating charge remained outstanding in respect of their previous indebtedness. As such, it was considered appropriate to ensure strategy meetings were held with Barclays so as to either secure their cooperation to release their charge or to seek confirmation of any objections as to the registration of a Deed of Satisfaction in respect of the charge.

- The draft marketing teaser document was circulated to the Partners on 22 December 2022 and duly approved on 23 December 2022.
- Eddisons formally commenced marketing the business and assets for sale on 23 December 2022 which included general marketing to Begbies Traynor's group of contacts, advertising on IP.Bid and the creation of a data room for potential interested parties to review key information relating to the Partnership.
- As Joint Administrators we have a duty to ensure that any sale of the business and assets is sold for fair value and at arm's length. It is noted that Eddisons are a member of Begbies Traynor Group, however, the primary reason for instructing them is that Eddisons is one of the largest firms of specialist insolvency agents in the UK and it is considered that, with their extensive experience in this regard, they were best placed to conduct the valuation and marketing process.

As such, we are of the opinion that the sale and marketing process has been carried out at arm's length and for the following reasons:

- The marketing process was carried out by Eddisons over a period of more than 3 weeks, which would enable any interested parties to sign and return non-disclosure agreements, review the Partnership's assets, gather additional information from the Partners and make an offer for the purchase of those assets;
- A teaser document detailing key Partnership information was circulated to approximately 30,000 contacts of Eddisons. These contacts have experience in purchasing insolvent businesses and appreciate the speed at which they have to move to secure the purchase including limited due diligence.

- o LinkedIn posts on a no names basis;
  - o The teaser was also circulated to all Begbies Traynor Group (approximately 1,000 recipients) to determine whether any contacts know of anyone interested in purchasing the business;
  - o The business was advertised for sale on www.ip-bid.com. This is a specialist website that has over 1,000 potential buyers;
  - o Contacted specific parties that are or were previously involved in the Partnership to establish if they had any interest in purchasing the business and assets; and
  - o Contacted certain solicitor contacts to ascertain whether their practice had any interest in acquiring the business and assets.
- It was noted that Guy Adams, one of the Partnership's Designated Members, was the sole shareholder of South West Advocates Limited ("SWA"), a limited company which could potentially look to purchase the Partnership's business and assets. Following a meeting between Guy Adams, Bhavani Hogarty (a Partner of the Partnership and a shareholder of SWA) and Mike Miler on 05 January 2023, it was agreed that Bhavani would approach potential investors with a view to financing a purchase of the business and assets.
- It was noted that, in order to ensure the viability of the newly trading entity, that changes to the trading premises may be required, namely:
  - o Relocation of the Bridgewater office;
  - o Retention of the Taunton office; and
  - o Vacation of the Yeovil office to be replaced with newer, fit for purpose, offices.
- Joe Coles was subsequently identified as a potential financier and he subsequently agreed to invest in the business by way of a pre-packaged sale, using SWA as the acquiring vehicle.
- An initial offer was formulated and discussed with Begbies Traynor. At the same time, on the basis that he was not continuing as an owner or in the management of SWA, an agreement was struck with Guy Adams to transfer his ownership of SWA to Bhavani Hogarty.
- As part of the marketing campaign, an initial deadline for best and final offers was set for 06 January 2023.
- Additional information was requested by various interested parties and this was requested from the Partners and provided to Eddisons.
- The deadline for best and final offers was initially extended to 12 January 2023 to enable additional information requested by interested parties to be provided.
- A further extension was provided to the deadline for best and final offers until 16 January 2023.
- On 16 January 2023 one offer was received for the Partnership's business and assets.
 

Offer from South West Advocates Limited ("SWA") (Received on 16 January 2023): £350,000 to be paid on a quarterly deferred consideration basis over a period of 5 years. This would also include the assumption of certain liabilities.
- Internal meetings were held between Begbies Traynor and our instructed solicitors, TLT LLP ("TLT"), between 17 January 2023 – 19 January 2023 to discuss the merits and terms of the offer.
- There remained a number of queries as to the collectability of the Partnership's work in progress ledger and a report was received from the Partnership's financial advisor on 23 January 2023 setting out the various issues as regards collections.

- On 25 January 2023 amended terms of the sale were received from SWA which were reviewed. Key improved terms included the payment of £10,000.00 on completion with a further payment of £50,000.00 shortly thereafter. The remaining balance being payable on the same terms.
  - The revised offer from SWA was considered and, whilst the sale consideration was considered to be for fair value, it was noted that the terms of payment needed to be improved. As such, the offer was duly accepted on 27 January 2023, subject to the revision of certain clauses which were not considered to be acceptable.
  - On 30 January 2023 Begbies Traynor and TLT spoke with both the Financial Conduct Authority and the SRA as regards the proposed pre-packaged Administration of the Partnership and any preconditions as to the sale that they may require.
  - On 01 February 2023 discussions were held between Begbies Traynor and Lloyds as regards the Partnership's Client Monies accounts and how these would likely be dealt with on our appointment.
  - On 02 February 2023 an initial meeting was held with Barclays, followed up by a further meetings on 10 February 2023 and 13 February 2023, whereby the proposed strategy was discussed. Barclays confirmed that they had no residual claim against the Partnership and confirmed that they had no objection to the filing of a Deed of Satisfaction in this regard.
  - On 02 February 2023 initial correspondence setting out the nature of the proposed sale took place with Lloyds.
  - On 08 February 2023 Fretens LLP were approached in respect of their instruction to prepare and Evaluator's report.
  - Meetings were held with TLT between 10 February 2023 and 14 February 2023 as regards proposed amendments to the offer and these proposed amendments were forwarded to SWA.
  - A meeting was held between Begbies Traynor and the SRA on 22 February 2023 to discuss the proposed transfer and management of the Partnership's client files and how the acquirer intended to notify the clients.
  - On 13 February 2023 a further and final amendment was received as to SWA's offer which resulted in the reduction of the initial sale consideration from £350,000.00 to £260,000.00 but with £30,000.00 being payable on completion and £30,000.00 being payable within 60 days. The offer comprised £200,000.00 in respect of goodwill, £45,000.00 in respect of the book debt ledger, £5,000.00 in respect of office equipment and fixtures and fittings and £10,000.00 in respect of work in progress. In addition, it was considered that there should be additional protection for the Partnership's creditors in respect of the sale of the work in progress. As such, further discussions took place between SWA and the proposed Administrators as regards acceptable terms. It was agreed that a percentage of the WIP realised would be paid into the Administration, the basis being 10% of realised work in progress after the first £100,000.00 increasing to 20% after £750,000.00 during the first year after the sale completed.
- The amended terms were discussed with Eddisons and TLT and, for the reasons set out below, considered to still represent the best value for creditors. The revised terms were duly agreed upon on 01 March 2023 and TLT commenced drafting the sale and purchase agreement on the same day.
- On 15 February 2023 discussions took place with TLT as regards the ability for one of the Partners to swear the relevant Notice of Intention to Appoint Administrators on behalf of the others under a Power of Attorney. It was subsequently concluded that the Power of Attorney could not be relied upon and the relevant Partners signed the Notice accordingly.
  - Fretens LLP were formally engaged by SWA on 20 February 2023.

- The Administrators sent formal notification of the proposed sale to the SRA on 21 February 2023.
- Notice of Intention to Appoint Administrators was filed on 21 February 2023 and duly served on the Partnership and Lloyds as the only outstanding qualifying floating charge holder registered at Companies House.
- A further Notice of Intention to Appoint Administrators was filed on 08 March 2023 and duly served on the Partnership and Lloyds as the only outstanding qualifying floating charge holder registered at Companies House. The second notice was required to provide additional time to finalise the terms of the sale.
- Notice of Appointment of Administrators was filed on 21 March 2023. The sale of the Partnership's business and assets completed on the same day, shortly following our appointment.

It should be noted that, prior to their appointment, the proposed Administrators advised the Partnership and not the Partners on their personal position, the Partners were encouraged to take independent advice.

Please note that negotiations with the purchaser in relation to the pre-packaged sale were conducted by Julie Anne Palmer and Stephen Mark Powell prior to their formal appointment as Administrators and not by the Partners of the Partnership. It was made clear to the Partners that once Julie Anne Palmer and Stephen Mark Powell were appointed as Administrators that their responsibilities would be to act in the best interests of the Partnership's creditors. This would mean that they could no longer provide advice to the Partnership and that their duties to the Partnership would cease. They would be required to take custody or control of the Partnership's property and assets and to manage the affairs, business and property of the Partnership in accordance with the approved proposals of the Administrators.

Was the business or were the assets of the Partnership acquired from an insolvency practitioner prior to this pre-packaged sale?

No

Details of the marketing of the business and assets of the Partnership that were undertaken prior to the pre-packaged sale

The proposed Administrators instructed Kevin McAndrew of Eddisons to value and market the Partnership's business and assets in accordance with SIP16. I confirm that the following marketing activities were completed to ensure the business and assets were advertised to the widest possible parties:

- Circulated a teaser document detailing key Partnership information to approximately 30,000 contacts of Eddisons. These contacts have experience in purchasing insolvent businesses and appreciate the speed at which they have to move to secure the purchase including limited due diligence.
- Circulated a teaser document to all Begbies Traynor Group (approximately 1,000 recipients) to determine whether any contacts know of anyone interested in purchasing the business.
- Advertising the business for sale on [www.ip-bid.com](http://www.ip-bid.com). This is a specialist website that has over 1,000 potential buyers.
- Contacted specific parties that are or were previously involved in the Partnership to establish if they had any interest in purchasing the business and assets; and
- Contacted certain solicitor contacts to ascertain whether their practice had any interest in acquiring the business and assets.

The accelerated merger and acquisition process commenced on 23 December 2022 and the key milestones were:

- Data room set up for potential interested parties to review key information relating to the Partnership on 23 December 2022;
- Teaser document advertised and circulated (as detailed above) on 23 December 2022;
- Deadline set for indicative offers together with proof of funding by 01 July 2022;
- Deadline set for best and final offers by 06 January 2023;
- Two extensions were subsequently granted as to the deadline to 12 January 2023 and 18 January 2023;
- An initial offer was received from SWA on 16 January 2023 with improved offers being received on 17 January 2023 and 13 February 2023;
- The sale was completed on 21 March 2023 after notice of our appointment as Administrators had been filed at Court.

The above marketing activity resulted in 27 expressions of interest and 18 non-disclosure agreements being returned. However, only one offer (as detailed above and below) was received.

The accepted offer from SWA was £260,000.00 and broken down as follows:

| ASSET   | SALE PRICE<br>£   |
|---|-------------------|
| Goodwill  | 200,000.00        |
| Book Debts  | 45,000.00         |
| Work in Progress                                    | 10,000.00         |
| Office Equipment, Vehicle and Fixtures and Fittings | 5,000.00          |
| <b>TOTAL</b>  | <b>260,000.00</b> |

Payment for the Partnership's business and assets will be as follows:

- £30,000.00 – Payable on completion
- £30,000.00 – Payable within 60 days of completion
- £200,000.00 – Payable over quarterly instalments of £10,000 for a period of 5 years

In addition, the following provisions were made:

- **Additional Work in Progress ("WIP") Consideration:**
  - (i) 10% of the total amount that SWA collects in respect of the WIP (having converted it from WIP to debt) within the first calendar year from the Completion Date in excess of the WIP Threshold of £100,000.00 and up to a total of £750,000; and
  - (ii) 20% of the total amount that SWA collects in respect of the WIP (having converted it from WIP to debt) within the first calendar year from the Completion Date above £750,000;
- **Additional Book Debt Consideration:** 60% of the total amount that SWA collects in respect of the book debts in excess of the book debt threshold of £150,000.00.

The above work was carried out to ensure that we had fully tested the market as much as possible so as to maximise asset realisations on behalf of creditors. The sale was considered to be the best available outcome as the sale price was greater than the ex-situ value of the assets and the mitigation of employee claims for redundancy pay and payment in lieu of notice of approximately £425,522.95.

The length of the marketing campaign (over 3 weeks) was sufficient given the expression of interest from 27 independent parties and a total of 18 non-disclosure agreements being returned. However, it was considered that there was no commercial benefit to extending the marketing period as no offers had been made other than that received from SWA. It was also noted that the Partnership had insufficient funds available to enable it to continue to trade and that to do so on a limited basis was likely to damage the value of its goodwill.

**What valuations of the Partnership's undertaking and assets were obtained?**

Eddisons, a division of Beggles-Traynor Group, were instructed to value the Partnership's assets. This work was conducted by Kevin McAndrew (MNAVA) and it commenced upon Eddisons' instruction on 21 December 2022. The final valuation was provided to the proposed Administrators on 24 February 2023. Eddisons are a professional valuation firm and a member of the National Association of Valuers and Auctioneers (MNAVA). Eddisons have significant experience in dealing with insolvent assets and the appropriate level of professional indemnity insurance is held.

Eddisons valued the Partnership's assets on both a going concern basis and a break-up basis. The valuation was provided on 24 February 2023. The table below shows the total valuation attributable to the Partnership's assets:

| CATEGORIES OF ASSETS                                | CATEGORY OF ASSET | VALUATION £ (GOING CONCERN BASIS) | VALUATION £ (BREAK-UP BASIS) | SALE PRICE £      |
|---|-------------------|-----------------------------------|------------------------------|-------------------|
| Goodwill *  | Fixed             | 150,000.00                        | NIL                          | 200,000.00        |
| Book Debts **                                       | Floating          | Uncertain                         | NIL                          | 45,000.00         |
| Work In Progress ***                                | Floating          | Uncertain                         | NIL                          | 10,000.00         |
| Office Equipment, Vehicle and Fixtures and Fittings | Floating          | 6,250.00                          | 1,500.00                     | 5,000.00          |
| <b>TOTAL</b>  |                   | <b>156,250.00</b>                 | <b>1,500.00</b>              | <b>260,000.00</b> |

\* Eddisons noted that the Royal Institute of Chartered Surveyors advises caution when valuing goodwill and recommends the exclusion of turnover or profits which are attributed solely to the personal skill and / or reputation of the existing management. In addition, goodwill can be described as a wasting asset in insolvency situations.

\*\* The Partnership's book debt ledger was discussed with the Designated Members and it was noted that a significant proportion of the debts was aged over 90 days. As such, it was considered to have an uncertain realisable value.

\*\*\* It is noted that Eddisons did not conduct a valuation of the Company's WIP. Whilst the Partnership's WIP was recorded as £1,579,795.54, it was considered that likely realisations from the outstanding ledger would be relatively nominal. The reasons for this are detailed below. The sale agreement with SWA provides that £10,000.00 is payable in respect of the first £100,000.00 of WIP and thereafter 10% of WIP realised up to £750,000.00 and 20% of WIP realised thereafter.

The ledger comprises the below which equates to approximately £1,312.13 per case.

| Matter Type  | Matter Count | Current          | 7 - 31 Days       | 31 - 61 Days      | 61 - 90 Days     | > 90 Days           |
|--------------|--------------|------------------|-------------------|-------------------|------------------|---------------------|
| <b>TOTAL</b> | <b>1,204</b> | <b>38,905.18</b> | <b>157,593.71</b> | <b>150,358.94</b> | <b>83,209.76</b> | <b>1,149,727.85</b> |

Prior to accepting the offer, the proposed Joint Administrators were provided with a breakdown of the work in progress ledger together with a report provided by the financial advisor to the Partnership which commented on the recoverability on certain cases.

Key matters identified which are considered to have a significant effect on recoverability are:

- The Partnership files are primarily paper files and not electronic files. As a result, it's likely that any third-party purchaser would need to incur significant time and expense in reviewing the files as part of any handover which will have a direct effect on profit margin on the case.
- The majority of the cases concern individuals, meaning that the eventual payment for the case would be made by that individual who may require payment to be made by way of affordable instalments as opposed to an insurance company.
- The majority of the residential conveyancing and private client files have an agreed fixed fee and much of the time on those files has already exceeded the agreed fixed fee. As such, work in progress above that agreed fee is not recoverable.
- It is noted that post-completion time is accrued, but not billed, on residential conveyancing files and probate work. As such, many of these files reflect time incurred (or will incur additional time) that cannot be billed.
- Time charged to the clients by junior members of staff is yet to be reviewed and corrections made by senior members of staff. As such, it's anticipated that there are likely to be reductions to the final work in progress figure.
- Where cases have been referred to Partnership by the Law Firm Services there is no abortive fee allowable. As such, time incurred for cases that will not be commenced cannot be written off and, as such, there is a distortion to the work in progress figure.
- The Partnership's time charging system automatically adds one unit (six minutes) every time there is an email received from the client and / or a third party as well as internally. It's noted that time cannot be charged for emails received (as per the SRA guidelines).
- It is noted that the Partnership's billing guides have to be reviewed for each matter and that the emails received in on the matter have to be manually uncharged. This is a time costly, but necessary, task which is anticipated to have a further negative effect on profit margins for those cases.
- There are examples of unallocated time to invoices which have already been paid and, effectively, needs to be written off.
- It's noted that success fees are rarely charged and, where they are available on certain personal injury cases, this is limited to 25%. Many of the cases do not have any success fees.
- For matters charged on an hourly basis such as Dispute Resolution, and unless fee estimates are updated in a timely manner (which it is understood has not been the case) additional time charged to the case cannot be recovered.
- On litigation files, it is noted that there is a risk costs that have not been properly budgeted for are at risk of requested reductions by the client. This is a common issue where costs updates have not been properly managed and, typically, may result in costs being reduced by approximately one third.
- Staff shortages in both the Commercial Property and Family teams have meant that expensive locum staff have been employed, resulting in additional costs to the client which cannot be recovered.
- It is noted that there are a total of Circa 1,204 cases which equates to an average of £1,312.13 per case. This is before a material reduction in the recorded time has been made (for the reasons set out above).

- It is noted that Family and Private Client files are primarily charged on a fixed fee basis and that, for the most part, Invoices have already been raised.

Finally, it is noted that no other interested parties have made any offers for the Partnership's work in progress.

However, and so as to provide additional protection to the Partnership's creditors, an additional clause has been included as part of the sale and in respect of the sale of the work in progress. It is agreed that SWA will pay a percentage of the work in progress billed above a threshold of £100,000.00 in the period of 12 months following completion. Payment will be as follows:

- £100,001.00 to £750,000.00 10%
- Above £750,000.00 20%

Reviews of the work in progress billed will be conducted on day 183 and 365 following completion with payments being due on day 215 and at day 385 respectively.

As such, and for the reasons set out above, the Joint Administrators consider that the sale price of £10,000.00 plus the agreed percentage payments is a fair value for the Partnership's work in progress and that this represents best value for the Partnership's creditors.

**What security (if any) has the Partnership provided to its creditors?**

The Partnership granted a fixed and floating charge to Barclays Bank PLC on 12 September 2013 and this was registered on 24 September 2013. This was duly satisfied on 15 February 2023.

The Partnership also granted a fixed and floating charge to Lloyds Bank PLC on 15 November 2016 and this was registered on 15 November 2018.

**What alternative courses of action were considered by Julie Anne Palmer and Stephen Mark Powell?**

#### Trading On

It was noted that the Partnership could do nothing and continue trading with the likelihood that, eventually, one of the creditors would likely take action to petition for the Partnership to be wound up by the Court. It was considered that action was likely to be taken by HMRC as one of the Partnership's largest creditors, although amounts outstanding to Lloyds also meant there was a risk that they would look to appoint their own Administrator under their floating charge.

It was noted that the continuation of trade and any increase to the Partnership's liabilities could potentially result in the Partners being pursued for wrongful trading claims and potentially actions being taken against them as a result.

In addition, it was noted that there appeared to be a viable business that could be rescued, and which was at risk if no action was taken on the part of the Partners.

Therefore, and without further investment, it did not appear to be appropriate to continue to trade in the short term without some form of protection or insolvency procedure being put in place.

#### Refinance / Alternative Investors

Refinance could have potentially provided additional working capital to allow the new strategy and restructuring process to proceed. However, it was noted that the existing level of debt would likely put off potential investors. In addition, and from discussions with the existing Partners, it was concluded that further investment from them was not an option. We understand that Mike Miller explored the possibility of alternative lenders to fund the Partnership, primarily with a view to refinance Lloyds. Whilst these conversations were carried on through most of January 2023, they ultimately proved to be unfruitful.

### New Statutory Moratorium

There was no viable solution of rescuing the Partnership as no party would have been interested in investing in the business given the level of liabilities.

### Partnership Voluntary Arrangement ("PVA")

A PVA would facilitate a formal restructuring of the Partnership under a binding agreement between the Partnership and its creditors. Whilst it was noted that this route did have benefits, namely achieving a potential write off of part of the existing debt, it was also noted that:

1. A PVA would need to offer a certain acceptable return to the unsecured creditors. It was considered that the Partnership would be unlikely to generate sufficient trading profits which could be made available to creditors;
2. HMRC's secondary preferential debt, which totalled £414,134.37, would need to be paid in full before there were any funds available to distribute to unsecured creditors. As such, it was considered that the likely required term of the PVA would result in this not being considered to be a viable option;
3. A proposal would require the approval of 75% of unsecured creditors in attendance and voting at the decision procedure. Given the historic arrears due to HMRC (and the anticipated breach of the Time to Pay Arrangement), it was noted that HMRC may not support the proposal; and
4. A proposal would require the Nominee to conclude that there was a reasonable likelihood that the arrangement would complete successfully. Given the difficulties experienced by the Partnership to date, it was concluded that a Nominee may not be able to recommend a PVA to the Partnership's creditors as a viable alternative to that of Liquidation or Administration.

In addition to the above, it's noted that the SRA would likely have concerns as regards continued trade under a PVA and that there would have been a risk that they take direct action to protect the interests of clients.

### Creditors' Voluntary Liquidation

This procedure is appropriate where an entity has reached the end of its useful life and where there is little or no prospect of a disposal of its business as a going concern.

In this case, there was considered to be a likelihood of significantly enhanced value of the business and assets in the event that a willing buyer could be found for the all or part of the business and assets.

Whilst it is possible to achieve a sale as a going concern by way of a Liquidation sale, it was considered that a Liquidation process could potentially have a detrimental effect on the Partnership's creditors and could result in the redundancy of all of the Partnership's employees.

As such, it was considered that this would not provide the best result for creditors for the following main reasons:

1. This is a terminal procedure resulting in the employees being made redundant. Therefore, creditor claims would increase as detailed above;
2. The ex-situ value of assets was less than the sale price achieved by the pre-packaged Administration; and
3. There was a viable business to save which would not be salvageable in a Liquidation scenario.

Why was it not appropriate to trade the business during the administration in order to offer it for sale as a going concern?

We did not consider that it was appropriate to trade the business for the following reasons:

1. Professional fees for trading in Administration were likely to be significantly higher and these costs would reduce the funds available to creditors;
2. It was considered that sufficient marketing was carried out prior to our appointment to demonstrate that the offer we proceeded with was in the best interests of creditors;
3. The Evaluator's report confirmed that the offer received appeared to be for fair value; and
4. There was no guarantee that trading in Administration would increase the value of the assets.

Specifically, it should be noted that trading the Partnership in Administration would have incurred significantly higher professional fees as a result of the regulatory requirements that would have been imposed on the Administrators by the SRA.

In particular, we would likely have need to employ a Solicitor Manager to ensure that the SRA were satisfied with the handling of the cases and daily reconciliations of the Client monies accounts would need to have been carried out.

For these reasons in particular, it was considered that trading the Partnership in Administration would not have provided any additional benefit to creditors.

**What requests were made to potential funders to fund working capital requirements during the administration?**

No requests were made as the Administrators could not recommend to any potential funder that there would be a benefit in funding an Administration due to the level of professional fees that would be incurred.

There would also be no reasonable prospect of enhancing asset realisations given Eddisons' asset valuation and our marketing process.

However, the Administrators are aware that previous requests for funding had been made to various funders and that it was confirmed no further investment would be made.

**What efforts were made to consult major creditors?**

The following efforts were made to consult with major creditors:

- **Lloyds:** An initial telephone call was held with Lloyds on 31 January 2023 to advise them of our proposed instruction and the proposed pre-packaged Administration. Regular updates were provided to Lloyds in the form of emails and telephone conversations which also included the provision of strategy notes and estimated outcome statements.

It was important to ensure that the Lloyds, as the Partnership's secured creditor was agreeable to the proposed strategy as their consent would be required to enable the sale of the business and assets to complete.

- **Barclays:** Whilst Barclays have subsequently confirmed that they have no residual claim against the Partnership and their charge has been satisfied at Companies House, an initial telephone conference call was held Barclays, along with a number of follow up calls, so that they were aware of our instruction and the proposed pre-packaged Administration.

**What was the date of the transaction?**

21 March 2023

**What were the assets sold and what was the nature of the transaction?**

The sale of the business and assets was a sale as a transfer of a going concern. The following assets were included in the sale:

- Goodwill
- Book debts
- Work in progress
- Office equipment
- Vehicle
- Fixtures and fittings

The Partnership potentially has an interest in funds held in escrow and which are estimated to total £138,000.00. This asset has been excluded from the sale.

**What was the consideration for the sale, including payment terms, and other conditions of the contract that could materially affect the consideration?**

The purchase price of £260,000.00 is payable as follows:

- £30,000.00 – Payable on completion
- £30,000.00 – Payable within 60 days of completion
- £200,000.00 – Payable over quarterly instalments of £10,000 for a period of 5 years

The asset realisations were split between each category of asset based on our agent's professional valuation:

| CATEGORIES OF ASSETS                                | CATEGORY OF ASSET | VALUATION £ (GOING CONCERN BASIS) | VALUATION £ (BREAK-UP BASIS) | SALE PRICE £      |
|---|-------------------|-----------------------------------|------------------------------|-------------------|
| Goodwill *  | Fixed             | 150,000.00                        | NIL                          | 200,000.00        |
| Book Debts  | Floating          | Uncertain                         | NIL                          | 45,000.00         |
| Work in Progress **                                 | Floating          | Uncertain                         | NIL                          | 10,000.00         |
| Office Equipment, Vehicle and Fixtures and Fittings | Floating          | 8,250.00                          | 1,500.00                     | 5,000.00          |
| <b>TOTAL</b>  |                   | <b>158,250.00</b>                 | <b>1,500.00</b>              | <b>260,000.00</b> |

\* An additional clause has been included as part of the sale and in respect of the sale of the work in progress. It is agreed that SWA will pay a percentage of the work in progress billed above a threshold of £100,000.00 in the period of 6 months following completion. Payment will be as follows:

- £100,001.00 to £750,000.00 10%
- Above £750,000.00 20%

Reviews of the work in progress billed will be conducted on day 183 and 365 following completion with payments being due on day 215 and at day 395 respectively.

From Eddisons' valuation, it was noted that the majority of the value of the assets comprised the Partnership's goodwill. Furthermore, the allocation of the consideration was in line with the offer received and Eddisons confirmed this to be an appropriate apportionment.

Given that the majority of the sale proceeds are to be paid by way of deferred consideration, a first fixed and floating charge has been provided by SWA. However, it should be noted that there is a provision in the sale agreement that will allow the addition of a prior charge to sit ahead of the Administrator's interest up to the value of £100,000.00 and to allow for additional funding to be secured by the purchaser to assist with ongoing trading costs.

It should be noted that no personal guarantee has been provided by the Director of SWA in respect of the deferred consideration payments. Discussions with the Director of SWA took place in this regard, however, they confirmed that they were not prepared to provide any such guarantee, the reason being that personal guarantees had already been provided to Lloyds.

In accordance with best practice, an Administrator is required to consider security to protect creditors' interests where there is a deferred element to the sale. Whilst no personal guarantee is being provided, it is noted that security has been obtained by way of a fixed and floating charge over SWA. Given that the majority of the assets being sold will be protected by a fixed charge made in favour of the Administrators, it is considered that this should offer sufficient protection to creditors should deferred payments fall into arrears.

**Is the sale part of a wider transaction? If so a description of the other aspects of the transaction**

No

**Who was the purchaser?**

South West Advocates Limited

**Is there a connection between the purchaser and the directors, shareholders or secured creditors of the Partnership or their associates?**

The Joint Administrators have been made aware of the following connections between the Partnership and the purchaser:

- Bhavani Hogarty – A Designated Member of the Partnership and a Director and Shareholder of the purchaser.
- Guy Adams – A Designated Member of the Partnership and a retired Director of the purchaser.
- Maeve Vickery – A retired Designated Member of the Partnership and a retired Director of the purchaser.

**Are any directors, or former directors, of the Partnership or their associates involved in the management, financing or ownership of the purchaser, or of any other entity into which any of the assets have been transferred? If so, who are they?**

From information obtained at Companies House and from information provided by the Partners, the Joint Administrators are not aware of the Partners, or former Partners of the Partnership being involved in the financing of the purchaser.

However, and as detailed above, it's noted that Bhavani Hogarty is the sole Director and Shareholder of the purchaser.

**The Evaluator's qualifying report**

Where a sale of the Partnership's assets involves a substantial disposal to a connected party within the eight-week period after the appointment of an Administrator, the purchaser must obtain a qualifying report from an Evaluator.

The report was provided to us on 21 March 2023. The Evaluator is Malcolm Niekirk who is a qualified and regulated solicitor, specialising in insolvency legislation. As such, it is considered that he has considerable experience and knowledge in both the legal services industry but also of the relevant insolvency legislation.

The Joint Administrators confirm that, having regard to the date on which the report was made (21 March 2023), they are satisfied that Malcolm Niekirk has sufficient relevant knowledge and experience to make the report, and that the content of the report complies with 'The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021'.

A copy of the report is attached at Annexure 1. The report confirms that the Evaluator was satisfied that the consideration to be provided for the relevant property and the grounds for the substantial disposal are reasonable in the circumstances.

**The purchaser's viability statement**

The Joint Administrators have received a viability statement. However, the purchasers have requested that this not be circulated given that it contains commercially sensitive information. The Joint Administrators have requested a summarised version which can be provided in due course.

**Had any Directors of the Partnership given guarantees for amounts due from the Partnership to a prior financier? Is that financier financing the new business?**

The Partners have informed the Joint Administrators that a guarantee has been provided to Lloyds who are a prior financier of the Partnership. It is confirmed that Lloyds are not financing the new business.

**What options, buy-back arrangements, deferred consideration or other conditions are attached to the contract of sale?**

None

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## **QUALIFYING REPORT**

**Court Reference No. CR-2023-BRS-000014**

**In the High Court of Justice**

**Business and Property Courts of England and Wales**

**Insolvency and Companies List (ChD)**

**In the matter of Pardoes Solicitors LLP**

**And in the matter of the Insolvency Act 1986**

**The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021**

**Proposed substantial disposal to:**

**South West Advocates Limited**

**Buyer**

**21 March 2023**

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**Evaluator's statutory report**

**by**

**Malcolm Paul Thomas Niekirk**

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**Frettons LLP**

**(ref: Mr M Niekirk – 86425/1)**

**The Saxon Centre**

**Christchurch**

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| <b>9</b>  | <b>The buyer – and how they are connected</b>                 | <b>10</b> |
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## **Appendices**

**Appendix 1** The administrator's SIP 16 report

**Appendix 2** Valuation report, from:

- Eddisons

**Appendix 3** Heads of terms for the sale / Draft sale agreement

**Appendix 4** The buyer's plans for the future of the business:

- The buyer's viability statement.

**Appendix 5** Confirmation of the buyer's identity and that it is a connected party

**Appendix 6** The small print – limitations on the legal liability of the evaluator

**Appendix 7** Confirmation of statutory compliance

## **1 Summary**

- 1.1 I have been appointed to prepare this report, as an independent, statutory evaluator of the proposed sale of a substantial part of the LLP's business to the buyer.
- 1.2 In the circumstances of this sale, the administrator needs a report of this type (or creditor approval). This is because it is a sale soon after the administration opened, to a purchaser with a connection to the LLP in administration.
- 1.3 I am reporting on the information I have been given about:
  - 1.3.1 The way the assets being sold have been valued.
  - 1.3.2 The way the assets have been marketed.
  - 1.3.3 The buyer's viability.
- 1.4 Please note the limits on this report (particularly those set out in appendix 6). Please note that the buyer commissioned this report, and I have delivered it to the administrator. Although the administrator has a duty to deliver a copy of it to creditors, neither I nor Frettens accept any duty of care to creditors of either the LLP or the buyer. If you are reading this with the intention of extending credit to the buyer, I invite you to raise further enquiries with the buyer before doing so.
- 1.5 My fee for this report was paid, in full, by the buyer before I issued it. There is no direct cost to the creditors in preparing it. Advance payment is an assurance of my independence (and see more on that in part 4.6).
- 1.6 For the reasons given in part 10, I have concluded (as set out in part 11) that the consideration and grounds are reasonable.

## **2 Glossary**

- 2.1 I have used these words and phrases in this report:

|               |   |  |
|---------------|---|--|
| Administrator | : | Either (or both, according to context) of the joint and several administrators of the LLP, being Julie Anne Palmer and Stephen Mark Powell of Begbies Traynor.   |
| Assets        | : | The assets the Buyer wishes to buy. They are identified in appendix 3 (which contains the most complete information I have about the proposed terms of the sale, in the form of a draft sale agreement). |
| Buyer         | : | South West Advocates Limited (company number 9043550; England and Wales), which wishes to buy the assets from the company.   |

**Case Not Made Opinion :** A statement as described in r7(h)(ii) of the Pre-Pack Regulations (that the evaluator is not satisfied that the consideration to be provided for the relevant property and the grounds for the substantial disposal are reasonable in the circumstances). In such a case, the administrator could still proceed with the sale, but would have to say why they were doing so<sup>1</sup>.

**Evaluator :** Myself, Malcolm Paul Thomas Niekirk, a practising solicitor and (non-appointment taking) insolvency practitioner.

**Frettons :** Frettons LLP (registered number OC318659; England & Wales) The Saxon Centre, 11 Bargates, Christchurch BH23 1PZ.

**LLP :** Pardoes Solicitors LLP (registered number OC382819; England and Wales) (in administration).

**Pre-Pack Regulations :** The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021 (SI 427 of 2021).

**SIP 16 report :** The administrator's report on the proposed sale, prepared in accordance with Statement of Insolvency Practice (SIP) 16. A copy of the SIP 16 report is in appendix 1.

**Viability report :** The buyer's report on the plans for the business in the future are in appendix 4.

### 3 Statutory purpose and intent to this report

- 3.1 I have been commissioned by the Buyer to make this report<sup>2</sup>.
- 3.2 The Buyer has instructed me to give this report to the administrator<sup>3</sup>.
- 3.3 When I and the administrator have authenticated this report, it will be a 'qualifying report'<sup>4</sup>.
- 3.4 By law, the administrator needs a 'qualifying report' (or creditor approval) to dispose of:

#### 3.4.1 A substantial part of the LLP's business or assets;

<sup>1</sup> That would be required by r9(4) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

<sup>2</sup> This is required by r6(1)(a)(i) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

<sup>3</sup> This is required by r6(1)(a)(iii) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

<sup>4</sup> As described in r5 of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021. Appendix 1 summarises how this report complies with the statutory requirements to be a 'qualifying report'.

3.4.2 Within the first eight weeks of the administration.

3.4.3 To a connected party.

3.5 The Buyer has confirmed to me that it is a connected party. See appendix 5 for the details of that.

3.6 The acceptance of this report by the administrator therefore clears a legal obstacle to the sale of the assets to the buyer.

#### **4 My qualifications to give this report as 'Evaluator'**

4.1 I am making this report as an Evaluator within the meaning given by Part 3 of the Pre-Pack Regulations.

4.2 A person reporting as an Evaluator has to be<sup>1</sup>:

4.2.1 Knowledgeable and experienced.

4.2.2 Insured.

4.2.3 Independent.

4.2.4 Not disbarred.

4.3 My knowledge and experience.

4.3.1 I was admitted to the Roll as a solicitor in 1988.

4.3.2 I worked on insolvency cases, for insolvency practitioners (acting as receivers, liquidators and trustees in bankruptcy) and debtors and company directors both before and after I qualified as a solicitor.

4.3.3 I began to practise in insolvency law, as my main area of professional interest around 1992.

4.3.4 I set up the insolvency team at Lester Aldridge, solicitors and became a partner at that firm.

4.3.5 While there, I also spent about five years on a part-time secondment to the recoveries department of a bank.

4.3.6 In 1997 I passed JIEB (the professional insolvency examination) at first sitting.

4.3.7 Since 1998 I have been authorised to act as an insolvency practitioner.

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<sup>1</sup> This is required by r10 The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

- 4.3.8 I joined Coffin Mew, solicitors as a partner in 2006 and set up the insolvency team at that firm.
- 4.3.9 I set up Insolvency Guru as an insolvency consultancy practice (primarily advising insolvency practitioners) in 2016. Through that I worked as a consultant for Neil Taylor Insolvency (NTI, the leading organisation providing professional insolvency training) and part-time at two insolvency practices.
- 4.3.10 I joined Fretzens, solicitors as a partner in 2020 and set up the insolvency team at this firm.
- 4.3.11 I normally present at several insolvency conferences each year, hosted by organisations such as R3, ICAEW, SESCA and NTI.
- 4.3.12 Over some three decades of advising insolvency practitioners and others involved in insolvency, I have regularly worked on all the main insolvency procedures (and occasionally on some of the more obscure ones).
- 4.3.13 My main interest has been in non-contentious insolvency work, particularly transactional (selling the assets of insolvent businesses) and advisory.
- 4.3.14 My in-house work at the bank (and more recently, at two insolvency practices) has given me an additional breadth to my experience, beyond what I have seen in practice as an insolvency solicitor.
- 4.4 I am satisfied that my relevant knowledge and experience is sufficient for making a qualifying report, as evaluator.
- 4.5 The insurance arrangements I have in place are described in part 5 of this report.
- 4.6 Independence.
- 4.6.1 To the best of my knowledge, having checked my firm's records and sought confirmation from the buyer, I am (and my firm and partners are) not:
- a Connected with the LLP<sup>6</sup>;
  - b An associate of the buyer<sup>7</sup>; or
  - c Connected with the buyer<sup>8</sup>.

<sup>6</sup> This is a requirement of r12(1)(a) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021. 'Connected' in this context is defined in s249 Insolvency Act 1986.

<sup>7</sup> This is a requirement of r12(1)(b) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021. 'Associate' in this context is defined in s435 Insolvency Act 1986.

<sup>8</sup> This is also a requirement of r12(1)(b).

4.6.2 To the best of my knowledge, having checked my firm's records and sought confirmation from the buyer, I (and my firm and partners) have not, in the last twelve months, advised<sup>9</sup>:

- a The buyer; or
- b Any person connected with the buyer.

4.6.3 I am not aware of any conflict of interest<sup>10</sup> that might prejudice my independence in reporting as an evaluator. In particular:

- a My firm's fee for preparing this report is a fixed fee, and will be the same, whatever I conclude;
- b The buyer paid the fee to my firm before I issued this report.

4.7 I am not disbarred from acting as evaluator in this case.

4.8 In particular:

4.8.1 I, my firm and my partners are not<sup>11</sup>:

- a An associate of the administrator; or
- b Connected with a company with which the administrator is connected.

4.8.2 I have never been convicted of any criminal offence<sup>12</sup>.

4.8.3 I have never been insolvent<sup>13</sup> (in the UK or elsewhere).

4.8.4 I have never been disqualified as a director<sup>14</sup> (in the UK or elsewhere).

4.8.5 I have never been removed as a charity trustee<sup>15</sup> (in the UK or elsewhere).

4.8.6 I am of sound mind<sup>16</sup>.

<sup>9</sup> The requirement of r12(1)(d) is slightly narrower than this.

<sup>10</sup> This is a requirement of r12(1)(c) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021. See also r12(2).

<sup>11</sup> This is a requirement of r13(a) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

<sup>12</sup> The requirement of r13(b) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021 is narrower than this.

<sup>13</sup> The requirements of r13(c)-(f) & (k) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021 are more specific and narrower than this.

<sup>14</sup> The requirement of r13(g) & (k) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021 is narrower than this.

<sup>15</sup> The requirement of r13(h) & (k) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021 is narrower than this.

<sup>16</sup> The requirements of r13(i)-(j) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021 are narrower than this.

## 5 The Evaluator's Insurance

5.1 In making this report, I am covered by Fretten's professional indemnity insurance;

5.2 As required by the Pre-Pack Regulations, the details of the policy are:

5.2.1 Insurer's name<sup>17</sup>:

HDI Global Speciality SE – UK Branch (registered in Germany; HRB 211924).

5.2.2 Policy number<sup>18</sup>:

Contract: B0808621016

Risk reference: B0808P1A76059

5.2.3 Risks covered<sup>19</sup>:

Civil liability arising from Fretten's legal practice for claims:

- first made against Fretten's while that policy is in force; or
- first notified to the insurer while that policy is in force.

5.2.4 Amount covered<sup>20</sup>:

£3,000,000.

5.2.5 Exclusions from the cover<sup>21</sup>:

The exclusions are normal for professional indemnity cover for a solicitors' practice in this jurisdiction, so the policy does not cover claims:

- Already covered by other insurance;
- For death or bodily injury;
- For damage to property (unless caused by breach of duty in doing legal work);

<sup>17</sup> This is a requirement of r7(c)(i) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

<sup>18</sup> This is a requirement of r7(c)(ii) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

<sup>19</sup> This is a requirement of r7(c)(iii) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

<sup>20</sup> This is a requirement of r7(c)(iv) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

<sup>21</sup> This is a requirement of r7(c)(v) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

- Arising from partnership disputes (within Frettons);
- For breach of employment law claims (by Frettons, as employer);
- For compensation for payment defaults (for debts due to Frettons);
- In the nature of fines and penalties;
- From fraud or dishonesty (but only if all members of Frettons are complicit);
- From war, terrorism, or asbestos (unless caused by breach of duty in doing legal work);
- That should be covered by a directors' or officers' liability insurance policy;
- Arising from Frettons operating from an office outside England and Wales.

5.3 The SRA has confirmed that a solicitor who acts as an evaluator (under the Pre-Pack Regulations) is within the scope of work properly done by a regulated legal practice.

## **6 The property being sold**

6.1 The assets proposed to be sold are described in appendix 3.

6.2 The buyer and the administrator think the assets to be sold are a substantial part of the LLP's assets or business.

## **7 Previous evaluators' reports on this proposed disposal**

7.1 I am satisfied that r8 does not apply (and there has been no Previous Report)<sup>22</sup>.

## **8 The sale price**

8.1 I will now summarise the consideration payable, as set out in the heads of terms or sale agreement (in appendix 3).

8.2 Amount

£260,000.00

8.3 How paid

In cash, in instalments.

- £30,000 on completion.

<sup>22</sup> If the buyer has told me there has been no previous report – and I have no reason to doubt them – I must accept what they say (see r8(2)).

- £30,000 within 60 days.
- £200,000 in quarterly instalments of £10,000 over five years.

#### 8.4 What security

The administrator proposes to take a debenture from the buyer (presumably, containing the usual battery of fixed and floating charges).

It will be a second-ranking debenture, with the buyer's funder taking first priority to a limit of £100,000.

The administrator sought personal guarantees to secure the instalments, but the directors of the buyer were not willing to give these in addition to their other personal guarantees.

There is a real risk that this security will prove inadequate if the buyer should default.

#### 8.5 Valuations – of tangible assets and goodwill

One "going concern" valuation of tangible assets, and goodwill, from Eddisons, for £158,250.00.

This is split as:

- Goodwill - £150,000.00
- Tangible assets - £8,250.00

A copy of that valuation is in appendix 2.

#### 8.6 Valuations – of intangible assets

The main intangible assets (other than goodwill) are the debtors and the work in progress. The administrator has worked from the book values for both of those. Both are considered overstated, but there is no independent assessment of what the true value of both may be.

- Book debts

The book value of book debts is below £100,000.00. The proposed price paid for those debts, £45,000.00, therefore seems reasonable, given that it is highly probable that the realisable value of them will be less, perhaps significantly less, than £100,000.00.

- Work in progress

The work in progress has a book value of over £1M.

The parties propose to deal with it, by an arrangement that will pay the administrator a percentage of the realised value above an agreed threshold. I consider this a pragmatic and effective alternative to the lack of a valuation for the work in progress.

## **8.7 Marketing**

The administrator has described the marketing of the business for sale in their SIP 16 report. A copy of that is in appendix 1.

The administrator has explained that their involvement first arose in connection with a proposed sale to Metamorph Group in or around August 2022. That sale would have had to have been through a quick administration sale, similar to this. Those negotiations ended in September 2022.

For various reasons, explained by the administrator in the SIP16 statement, it was a couple of months after that that the buyer's interest was then confirmed, and a decision made to proceed with an administration and pre-packaged sale.

The administrator has explained, in the SIP16 statement, that the practice had to complete two legal aid audits before proceedings with the planned administration.

Formal marketing started on 23 December 2022, with a request for best and final offers set for 6 January 2023. As this coincided with seasonal business closures for Christmas and the New Year, I cannot regard this timing as ideal. However, I note that 27 interested parties requested information about the MLP, which was provided by Eddisons. I note also that 18 interested parties signed non-disclosure agreements, and the initial marketing period was extended by a further ten days, to 16 January 2023.

My comments about the timing of publicising the availability of the practice for sale have to be read in the context of a business that was struggling financially and under the threat of enforcement action from both HMRC and its bank.

## **8.8 Offers from other parties**

The administrator reports, in their SIP 16 report, that, sadly, there have been no other offers to buy these assets.

## **8.9 Administrators' SIP 16 report**

A copy is attached, as appendix 1.

## **9 The buyer – and how they are connected**

9.1 The buyer has confirmed its identity and how it is connected with the LLP.

9.2 The letter confirming that is in appendix 5.

## **10 Reasons for the Evaluator's conclusion**

- 10.1** Transactions such as this – early sales by an administrator to a connected party – are regulated mainly by professional standards, particularly SIP 13 and SIP 16.
- 10.2** The government's Insolvency Service has also published guidance (30 April 2021) on the Information I should ask for to prepare this report.
- 10.3** The Pre-Pack Regulations require this report to contain certain technical content. In appendix 7 I have cross-referred this report to those requirements, to show that it complies with them.
- 10.4** The Pre-Pack Regulations do not otherwise guide me in the Information I should review, or the manner in which I should review it, to reach either of the only two permitted conclusions.
- 10.5** I therefore have followed this approach. I have reviewed the administrator's SIP 16 report (attached, in appendix 1) to check it covers the points mentioned in SIPs 13 and 16 and the guidance from the Insolvency Service. Additionally, I have used my own professional judgement to form my own opinion about the subjective explanations, reasons and opinions expressed in the SIP 16 report.
- 10.6** I have taken at face value the facts, assumptions and opinions presented in the SIP 16 report and the supporting documents (the valuations in appendix 2, the terms of the sale shown in appendix 3, the buyer's viability report in appendix 4, and the buyer's statement in appendix 5). I have not verified them, checked them or audited them. I am not in any way endorsing their contents or the opinions expressed in them. Please note the exclusions in appendix 6.
- 10.7** Here is my review of compliance with SIPs 13 and 16. To keep the review succinct, I have used a 'traffic light' code:
- ☒ A green tick indicates that I am satisfied with the information supplied.
  - ☒ A green cross indicates a deficiency from the checklist, but I consider it immaterial in the context of the proposed sale, viewed as a whole.
  - ☒ An amber tick indicates that I am broadly satisfied with it, but consider it no more than adequate.
  - ☒ An amber cross indicates that I am not satisfied with it, but it has not – by itself – affected my conclusion.
  - ☒ A red tick shows that some information is absent, or deficient, but it has not – by itself – affected my conclusion.
  - ☒ A red cross indicates that the absence or deficiency in the information supplied requires me to give a Case Not Made Opinion.

| Item   | Summary   | Assessment                          |
|--------|---|-------------------------------------|
| (i)    | Clear explanation of the nature and role of the administrator as pre-appointment advisor. (§6 of SIP 13; §7 & §9 of SIP 16)   | <input checked="" type="checkbox"/> |
| (ii)   | Pre-appointment, the administrator should make it clear that the role is not to advise any parties connected with the buyer. (§6 of SIP 13; §7 & §9 of SIP 16)  | <input checked="" type="checkbox"/> |
| (iii)  | Pre-appointment, the administrator should encourage the buyer to take independent advice. (§6 of SIP 13; §7 & §9 of SIP 16)   | <input checked="" type="checkbox"/> |
| (iv)   | The administrator should provide sufficient (detailed) information that a reasonable and informed third party would conclude that the sale was appropriate. (§7 of SIP 13; §8 of SIP 16)  | <input checked="" type="checkbox"/> |
| (v)    | The administrator should provide sufficient (detailed) information that a reasonable and informed third party would conclude that the administrator acted with due regard for the creditors' interests. (§7 of SIP 13; §8 of SIP 16)                    | <input checked="" type="checkbox"/> |
| (vi)   | Pre-appointment, the administrator should have advised appropriately whether the LLP should have commissioned any formal valuations. (§8 of SIP 13; §14 of SIP 16)  | <input checked="" type="checkbox"/> |
| (vii)  | The administrator should disclose whether any valuation relied on was made other than by an appropriate independent valuer or advisor with adequate professional indemnity. (§8 of SIP 13; §14-15 of SIP 16)  | <input checked="" type="checkbox"/> |
| (viii) | Suppose any valuation relied on was made other than by an appropriate independent valuer or advisor with adequate professional indemnity. The administrator should say why they were used. (§8 of SIP 13; §14-15 of SIP 16)                             | <input checked="" type="checkbox"/> |
| (ix)   | Suppose any valuation relied on was made other than by an appropriate independent valuer or advisor with adequate professional indemnity. The administrator should say why their valuation is considered satisfactory. (§8 of SIP 13; §14-15 of SIP 16) | <input checked="" type="checkbox"/> |
| (x)    | What alternatives (to the sale to this buyer) were considered? (§10, §11 & §13 of SIP 13)   | <input checked="" type="checkbox"/> |
| (xi)   | What is the reason for the sale to this buyer? (§10, §11 & §13 of SIP 13)   | <input checked="" type="checkbox"/> |

| Item    | Summary   | Assessment                          |
|---------|---|-------------------------------------|
| (xii)   | How can the administrator demonstrate they have met their duties under the legislation when considering the manner of disposal? (§10 of SIP 13)   | <input checked="" type="checkbox"/> |
| (xiii)  | Credit taken pre-appointment: what advice did the administrator give to the LLP? (§10 of SIP 16)  | <input checked="" type="checkbox"/> |
| (xiv)   | Credit taken pre-appointment: what did the LLP do to avoid incurring credit in the absence of a good faith belief it would be repaid? (§10 of SIP 16)                                       | <input checked="" type="checkbox"/> |
| (xv)    | Credit taken pre-appointment: when did the administrator (or any other person) give the appropriate advice to the LLP? (§10 of SIP 16)  | <input checked="" type="checkbox"/> |
| (xvi)   | Has the buyer written a viability statement? (§12 of SIP 16)  | <input checked="" type="checkbox"/> |
| (xvii)  | Has the buyer commissioned a viability review? (§12 of SIP 16)  | <input checked="" type="checkbox"/> |
| (xviii) | Contents of the SIP 16 report:<br>Confirm which statutory purpose was pursued.<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |
| (xix)   | Contents of the SIP 16 report:<br>Confirm how the sale enables the statutory purpose to be achieved.<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |
| (xx)    | Contents of the SIP 16 report:<br>Confirm why the outcome will be the best available outcome for creditors as a whole in all the circumstances.<br>(SIP 16 Appendix (Marketing Essentials)) | <input checked="" type="checkbox"/> |
| (xxi)   | Contents of the SIP 16 report:<br>Who introduced the LLP to the administrator?<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |
| (xxii)  | Contents of the SIP 16 report:<br>When was the LLP introduced to the administrator?<br>(SIP 16 Appendix (Marketing Essentials))   | <input checked="" type="checkbox"/> |
| (xxiii) | Contents of the SIP 16 report:<br>What was the administrator's (firm's) pre-appointment involvement?<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |

| Item     | Summary   | Assessment                          |
|----------|---|-------------------------------------|
| (xxiv)   | Contents of the SIP 16 report:<br>What non-Insolvency options were considered?<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |
| (xxv)    | Contents of the SIP 16 report:<br>What other Insolvency options were considered?<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |
| (xxvi)   | Contents of the SIP 16 report:<br>What results would the other options have offered?<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |
| (xxvii)  | Contents of the SIP 16 report:<br>Which creditors were consulted?<br>(SIP 16 Appendix (Marketing Essentials))   | <input checked="" type="checkbox"/> |
| (xxviii) | Contents of the SIP 16 report:<br>If creditors were consulted, what happened?<br>(SIP 16 Appendix (Marketing Essentials))   | <input checked="" type="checkbox"/> |
| (xxix)   | Contents of the SIP 16 report:<br>If no creditors were consulted, why?<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |
| (xxx)    | Contents of the SIP 16 report:<br>Why did the administrator not trade the business to try to sell it as a going concern?<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |
| (xxxi)   | Contents of the SIP 16 report:<br>Secured creditors; what security do they hold?<br>(SIP 16 Appendix (Marketing Essentials); IS 57.1)   | <input checked="" type="checkbox"/> |
| (xxxii)  | Contents of the SIP 16 report:<br>Secured creditors; when were they given security?<br>(SIP 16 Appendix (Marketing Essentials))   | <input checked="" type="checkbox"/> |
| (xxxiii) | Contents of the SIP 16 report:<br>Previous insolvencies; did the company buy the business or assets from an insolvent business (in the last couple of years, perhaps longer)?<br>(SIP 16 Appendix (Marketing Essentials)) | <input checked="" type="checkbox"/> |

| Item     | Summary  | Assessment                          |
|----------|--|-------------------------------------|
| (xxiv)   | Contents of the SIP 16 report:<br>Previous insolvencies; if 'yes' to the last question, disclose the details of the purchase.<br>(SIP 16 Appendix [Marketing Essentials])  | <input checked="" type="checkbox"/> |
| (xxv)    | Contents of the SIP 16 report:<br>Previous insolvencies; if 'yes' to the question before last, disclose any involvement of the administrator (or their firm).<br>(SIP 16 Appendix [Marketing Essentials])                        | <input checked="" type="checkbox"/> |
| (xxvi)   | Contents of the SIP 16 report – Marketing:<br>Broadcast – How was the availability of the assets made known to the widest group of potential purchasers?<br>(SIP 16 Appendix [Marketing Essentials])                             | <input checked="" type="checkbox"/> |
| (xxvii)  | Contents of the SIP 16 report – Marketing:<br>Strategy justification – What are the reasons for the marketing and media strategy?<br>(SIP 16 Appendix [Marketing Essentials])  | <input checked="" type="checkbox"/> |
| (xxviii) | Contents of the SIP 16 report – Marketing:<br>Independence – Did the LLP market the assets before the administrator's involvement?<br>(SIP 16 Appendix [Marketing Essentials])   | <input checked="" type="checkbox"/> |
| (xxix)   | Contents of the SIP 16 report – Marketing:<br>Independence – If 'yes' to the last question, say how effective and independent that marketing was?<br>(SIP 16 Appendix [Marketing Essentials])                                    | <input checked="" type="checkbox"/> |
| (xi)     | Contents of the SIP 16 report – Marketing:<br>Publicise; don't just publish – for how long were the assets marketed?<br>(SIP 16 Appendix [Marketing Essentials])   | <input checked="" type="checkbox"/> |
| (xii)    | Contents of the SIP 16 report – Marketing:<br>Publicise; don't just publish – following the last question, does the administrator think that was long enough to get the best result?<br>(SIP 16 Appendix [Marketing Essentials]) | <input checked="" type="checkbox"/> |
| (xiii)   | Contents of the SIP 16 report – Marketing:<br>Publicise; don't just publish – following the last question, why was that duration of marketing settled upon?<br>(SIP 16 Appendix [Marketing Essentials])                          | <input checked="" type="checkbox"/> |

| Item    | Summary   | Assessment                          |
|---------|---|-------------------------------------|
| (xiii)  | Contents of the SIP 16 report – Marketing:<br>Connectivity: How was the Internet used to market the assets; if it wasn't, why not?<br>(SIP 16 Appendix [Marketing Essentials])                        | <input checked="" type="checkbox"/> |
| (xiv)   | Contents of the SIP 16 report – Marketing:<br>Have the marketing activities (pre and post-appointment) been fully explained?<br>(SIP 16 Appendix [Marketing Essentials])                              | <input checked="" type="checkbox"/> |
| (xv)    | Contents of the SIP 16 report – Marketing:<br>What were the results of the marketing activities (pre and post-appointment)?<br>(SIP 16 Appendix [Marketing Essentials])                               | <input checked="" type="checkbox"/> |
| (xvi)   | Contents of the SIP 16 report – Marketing:<br>Did the marketing activities diverge from the 'essentials' (listed at the start of the appendix to SIP 16)?<br>(SIP 16 Appendix [Marketing Essentials]) | <input checked="" type="checkbox"/> |
| (xvii)  | Contents of the SIP 16 report – Marketing:<br>If 'yes' to the last question, why?<br>(SIP 16 Appendix [Marketing Essentials])   | <input checked="" type="checkbox"/> |
| (xviii) | Contents of the SIP 16 report – Marketing:<br>Why is the administrator relying on the marketing done?<br>(SIP 16 Appendix [Marketing Essentials])   | <input checked="" type="checkbox"/> |
| (xix)   | Contents of the SIP 16 report – Valuations:<br>Valuers: Who are they?<br>(SIP 16 Appendix [Marketing Essentials])   | <input checked="" type="checkbox"/> |
| (i)     | Contents of the SIP 16 report – Valuations:<br>Valuers: What are their qualifications?<br>(SIP 16 Appendix [Marketing Essentials])  | <input checked="" type="checkbox"/> |
| (ii)    | Contents of the SIP 16 report – Valuations:<br>Valuers: Have they confirmed their independence?<br>(SIP 16 Appendix [Marketing Essentials])   | <input checked="" type="checkbox"/> |
| (iii)   | Contents of the SIP 16 report – Valuations:<br>Valuers: Do they carry adequate PI insurance?<br>(SIP 16 Appendix [Marketing Essentials])  | <input checked="" type="checkbox"/> |

| Item    | Summary  | Assessment                          |
|---------|--|-------------------------------------|
| (iii)   | Contents of the SIP 16 report – Valuations:<br>Valuers: Suppose any of the previous answers about them are unsatisfactory. Why were they used?<br>(SIP 16 Appendix [Marketing Essentials])       | <input checked="" type="checkbox"/> |
| (liv)   | Contents of the SIP 16 report – Valuations:<br>Produce the valuations.<br>(SIP 16 Appendix [Marketing Essentials]; IS 57.1)  | <input checked="" type="checkbox"/> |
| (lv)    | Contents of the SIP 16 report – Valuations:<br>Goodwill: Has the goodwill been valued?<br>(SIP 16 Appendix [Marketing Essentials])   | <input checked="" type="checkbox"/> |
| (lvi)   | Contents of the SIP 16 report – Valuations:<br>Goodwill: If valued, give an explanation and basis for its value.<br>(SIP 16 Appendix [Marketing Essentials])                                     | <input checked="" type="checkbox"/> |
| (lvii)  | Contents of the SIP 16 report – Valuations:<br>What was the basis for valuations?<br>(SIP 16 Appendix [Marketing Essentials])  | <input checked="" type="checkbox"/> |
| (lviii) | Contents of the SIP 16 report – Valuations:<br>Why was that basis chosen for the valuations?<br>(SIP 16 Appendix [Marketing Essentials])   | <input checked="" type="checkbox"/> |
| (lix)   | Contents of the SIP 16 report – Valuations:<br>How does the price compare to the valuations?<br>(SIP 16 Appendix [Marketing Essentials])   | <input checked="" type="checkbox"/> |
| (lx)    | Contents of the SIP 16 report – Valuations:<br>If no valuations, why?<br>(SIP 16 Appendix [Marketing Essentials])  | <input checked="" type="checkbox"/> |
| (lxi)   | Contents of the SIP 16 report – Valuations:<br>If no valuations, how is the administrator satisfied with the price?<br>(SIP 16 Appendix [Marketing Essentials])                                  | <input checked="" type="checkbox"/> |
| (lxii)  | Contents of the SIP 16 report – Transaction (with the buyer):<br>When is it to complete?<br>(SIP 16 Appendix [Marketing Essentials])   | <input checked="" type="checkbox"/> |
| (lxiii) | Contents of the SIP 16 report – Transaction (with the buyer):<br>Any known connection between buyer and seller other than that shown in this report?<br>(SIP 16 Appendix [Marketing Essentials]) | <input checked="" type="checkbox"/> |

| Item     | Summary  | Assessment                          |
|----------|--|-------------------------------------|
| (lxiv)   | Contents of the SIP 16 report – Transaction (with the buyer):<br>Suppose there is a group transaction. Is the disclosure clear enough (for example, about allocation of the price paid)?<br>(SIP 16 Appendix (Marketing Essentials)) | <input checked="" type="checkbox"/> |
| (lxv)    | Contents of the SIP 16 report – Transaction (with the buyer):<br>Did any of the LLP's directors give personal guarantees to a financier?<br>(SIP 16 Appendix (Marketing Essentials))   | <input checked="" type="checkbox"/> |
| (lxvi)   | Contents of the SIP 16 report – Transaction (with the buyer):<br>If 'yes' to the last question, is that financier involved with the buyer?<br>(SIP 16 Appendix (Marketing Essentials))   | <input checked="" type="checkbox"/> |
| (lxvii)  | Contents of the SIP 16 report – Sale Consideration:<br>Allocation: How is the price allocated to asset classes?<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |
| (lxviii) | Contents of the SIP 16 report – Sale Consideration:<br>Allocation: Why that allocation?<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |
| (lxix)   | Contents of the SIP 16 report – Sale Consideration:<br>Allocation: How is the price allocated to fixed and floating charge realisations?<br>(SIP 16 Appendix (Marketing Essentials))   | <input checked="" type="checkbox"/> |
| (lxx)    | Contents of the SIP 16 report – Sale Consideration:<br>Payment terms: Any options, buy-back agreements, deferred consideration, or other conditions?<br>(SIP 16 Appendix (Marketing Essentials))                                     | <input checked="" type="checkbox"/> |
| (lxxi)   | Contents of the SIP 16 report – Sale Consideration:<br>Payment terms: What security is there for deferred consideration?<br>(SIP 16 Appendix (Marketing Essentials))   | <input checked="" type="checkbox"/> |
| (lxxii)  | Contents of the SIP 16 report – Sale Consideration:<br>Payment terms: If deferred consideration, and no security, why?<br>(SIP 16 Appendix (Marketing Essentials))   | <input checked="" type="checkbox"/> |
| (lxxiii) | Contents of the SIP 16 report – Sale Consideration:<br>If other, related transactions, are they fully described and reported?<br>(SIP 16 Appendix (Marketing Essentials))  | <input checked="" type="checkbox"/> |

10.8 I have also assessed the SIP 16 report (and its supporting documents in Appendices 2, 3 and 4) and the information given to me by the buyer, against the Items listed in the guidance published by the Insolvency Service (30 April 2021) where not already covered:

| Item       | Summary   | Assessment                          |
|------------|---|-------------------------------------|
| (lxxiv)    | The name of the LLP   | <input checked="" type="checkbox"/> |
| (lxxv)     | Registered number of the LLP  | <input checked="" type="checkbox"/> |
| (lxxvi)    | The nature of its business  | <input checked="" type="checkbox"/> |
| (lxxvii)   | List its creditors (showing if secured, and amounts owed)   | <input checked="" type="checkbox"/> |
| (lxxviii)  | Personal guarantees given for debts, funding and guarantee limits.  | <input checked="" type="checkbox"/> |
| (lxxix)    | Details of all charges registered against the LLP's assets  | <input checked="" type="checkbox"/> |
| (lxxx)     | Number of staff   | <input checked="" type="checkbox"/> |
| (lxxxi)    | Summary of events leading to the current situation  | <input checked="" type="checkbox"/> |
| (lxxxii)   | Steps taken to avoid administration   | <input checked="" type="checkbox"/> |
| (lxxxiii)  | Buyer's name  | <input checked="" type="checkbox"/> |
| (lxxxiv)   | Buyer's company number  | <input checked="" type="checkbox"/> |
| (lxxxv)    | Names of all the buyer's directors  | <input checked="" type="checkbox"/> |
| (lxxxvi)   | Names of all the buyer's directors' other interests (if applicable)   | <input checked="" type="checkbox"/> |
| (lxxxvii)  | List of all the connected persons in the sale   | <input checked="" type="checkbox"/> |
| (lxxxviii) | Nature of their connection to the LLP   | <input checked="" type="checkbox"/> |
| (lxxxix)   | Details – for all connected parties – of their involvement (if any) with any other companies that have become insolvent | <input checked="" type="checkbox"/> |
| (xc)       | What will be different in the future.   | <input checked="" type="checkbox"/> |
| (xci)      | What personal guarantees are there for the buyer's debts (and what are the funding and guarantee limits)?               | <input checked="" type="checkbox"/> |
| (xcii)     | Why the buyer has offered this price for the assets.  | <input checked="" type="checkbox"/> |
| (xciii)    | Who will be disadvantaged, or favoured by the transaction   | <input checked="" type="checkbox"/> |

10.9 The Insolvency Service also list the following information as likely to be useful, if available:

| Item     | Summary  | Assessment                          |
|----------|--|-------------------------------------|
| (xciv)   | A viability study or statement from the buyer                        | <input checked="" type="checkbox"/> |
| (xcv)    | Summary financial accounts for the buyer (including a balance sheet) | <input checked="" type="checkbox"/> |
| (xcvi)   | A statement of affairs   | <input checked="" type="checkbox"/> |
| (xcvii)  | A business statement   | <input checked="" type="checkbox"/> |
| (xcviii) | Business plans   | <input checked="" type="checkbox"/> |
| (xcix)   | Business forecasts   | <input checked="" type="checkbox"/> |
| (c)      | Supporting documentary evidence                                      | <input checked="" type="checkbox"/> |

10.10 I have also assessed the SIP 16 report (and its supporting documents in Appendices 2, 3 and 4) against these additional criteria:

| Item   | Summary   | Assessment                          |
|--------|---|-------------------------------------|
| (ci)   | A clear description of the company's recent history, with particular emphasis on the circumstances leading to its insolvency. | <input checked="" type="checkbox"/> |
| (cii)  | A clear description of the reasons for the proposed sale to this buyer.   | <input checked="" type="checkbox"/> |
| (ciii) | A clear chronology of the main events in the LLP's recent history.  | <input checked="" type="checkbox"/> |
| (civ)  | Useful historical financial information.  | <input checked="" type="checkbox"/> |
| (cv)   | A clear estimated outcome statement.  | <input checked="" type="checkbox"/> |
| (cvi)  | Clear, plain, jargon-free language.   | <input checked="" type="checkbox"/> |

10.11 Points on which I anticipate the administrator may receive further questions from creditors are these:

**10.11.1 Other options for an insolvent law firm**

- a I am a practising solicitor and therefore have some familiarity with the regulation of law firms. I have also advised insolvency practitioners, and solicitors, on law firm insolvency.

- b The SRA (Solicitors Regulation Authority) has extensive powers. They include the power to intervene in a solicitors' practice. They can and will intervene very swiftly if they perceive a threat to client money, or if there are significant regulatory breaches (as just two examples). Intervention by the SRA would be likely to result in no residual realisable value for an administrator or liquidator to distribute to creditors.
- c The powers of the SRA make it almost impossible for a solicitors' firm to continue to practice once administrators have been appointed. This means that a pre-pack administration sale is normally the only realistic option for dealing with an insolvent law firm, where there is any prospect of preserving the goodwill, and continuity of work on clients' files.

#### 10.11.2 Valuation of debtors and work in progress

- a The administrator has not commissioned a formal valuation of either the debtors, or the work in progress. For both of those assets, they have worked from the LLP's own book figures. The administrator thinks it likely that both figures are overstated. I consider that a reasonable point of view.
- b The administrator is proposing to sell the book debts for just under half their book value. I think that is reasonable. The book value of them is less than £100,000.00. I also note that:
  - i The buyer will pay an extra 60% of the value of the debtors above £150,000; and
  - ii The buyer is paying £200,000.00 for the goodwill of the practice.
- c The value of the work in progress is significant. At book value, it is over £1M. The administrator thinks the true value is very much less than that. That's a subjective view, but an informed one, and I think their experience is likely to be proven right on that.
- d Although the headline figure for the work in progress is only £10,000, I note that the buyer will additionally pay (if the work in progress turns out to be more valuable than its present assessment):
  - i 10% of its value above £100,000; and
  - ii That rate doubles to 20% for its value above £750,000.

#### 10.11.3 The valuer's independence

- a I note that Eddisons, the valuer appointed by the administrator, is connected with Begbies Traynor Group, the administrator's firm. I comment on this because it gives at least an impression of a possible threat to independence. That impression is material in the context of a transaction of this nature; administration pre-packs are often controversial.

- b The administrator has given their reasons (in their SIP 16 statement) for appointing a connected firm. I think they are reasonable.
- c I note in this case that the valuer has appraised the tangible assets, and the goodwill. The valuer has not appraised the debtors or the work in progress.
- d For the reasons given above, I consider it reasonable for the administrator to sell the book debts of this LLP at the proposed price.
- e For the reasons given above, I consider the proposed "anti-embarrassment clauses" (to pay to the administrator a percentage of the value realised for the book debts and work in progress, if above a particular figure), are efficient and effective substitutes for a valuation. The administrator believes that a formal valuation of the work in progress would be difficult to obtain and costly. I think that is a reasonable and fair assessment.
- f Eddisons is a specialist valuation practice, properly regulated, and with its own trained and qualified personnel. I consider their engagement by the administrator in this case to be wholly appropriate.

## **11 The Evaluator's conclusion**

### **11.1 The Evaluator is satisfied that:**

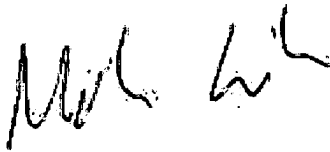
**11.1.1 the consideration to be provided for the relevant property and**

**11.1.2 the grounds for the substantial disposal**

**are reasonable in the circumstances.**

**11.2 The Evaluator's reasons for this conclusion are summarised in §10 of this report.**

Signed:



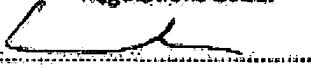
**Malcolm Paul Thomas Niekirk – Evaluator**

## **Administrators' certificate**

**(1) I have considered the contents of this report:**

(2) I am satisfied that this report:

- (i) Meets the requirements specified in regulation 6 of the Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021;
- (ii) Includes the content specified in regulation 7 of the Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021;
- (iii) Is therefore a qualifying report as described in regulation 5 of the Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

Signed: 

Date: 21 March 2023

Julie Anne Palmer or Stephen Mark Powell – joint administrator of Pardoes Solidtors LL