

AM03 (Scot)

Notice of administrator's proposals



Companies House

For further information, please
refer to our guidance at
www.gov.uk/companieshouse

1 Company details

Company number S C 2 7 6 1 7 5
Company name in full Morale Home Furnishings UK Limited

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

2 Administrator's name

Full forename(s) Alistair
Surname McAlinden

3 Administrator's address

Building name/number c/o Interpath Ltd
Street 5th Floor, 130 St Vincent Street
Post town Glasgow
County/Region
Postcode G 2 5 H F
Country

4 Administrator's name ①

Full forename(s) Blair Carnegie
Surname Nimmo

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

5 Administrator's address ②


Building name/number c/o Interpath Ltd
Street 5th Floor, 130 St Vincent Street
Post town Glasgow
County/Region
Postcode G 2 5 H F
Country

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

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

7	Qualifying report and administrator's statement	
	<input type="checkbox"/> I attach a copy of the qualifying report <input type="checkbox"/> I attach a statement of disposal	1 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 																	
Signature date	<table><tr><td>d</td><td>0</td><td>d</td><td>9</td><td>m</td><td>0</td><td>m</td><td>4</td><td>y</td><td>2</td><td>y</td><td>0</td><td>y</td><td>2</td><td>y</td><td>4</td></tr></table>	d	0	d	9	m	0	m	4	y	2	y	0	y	2	y	4	
d	0	d	9	m	0	m	4	y	2	y	0	y	2	y	4			

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Presenter information

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

Contact name Meadow Lees

Company name Interpath Ltd

Address 5th Floor, 130 St Vincent Street

Post town Glasgow

County/Region

Postcode G 2 5 H F

Country

DX

Telephone Tel +44 (0) 141 648 4300



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



Important information

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



Where to send

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

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh.



Further information

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

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

Joint Administrators' proposals

Morale Home Furnishings UK Limited -
in Administration

9 April 2024

Notice to creditors

We have made this document available to you to set out the purpose of the administration and to explain how we propose to achieve it.

We have also explained why the Company entered administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in the document such as the proposed basis of our remuneration.

A glossary of the abbreviations used throughout this document is attached (Appendix 5).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, www.ia-insolv.com/case+INTERPATH+MO215A3249.html.

Should you require a hard copy of this report or other document available on the insolvency portal, please contact Meadow Lees at Interpath Advisory, 5th Floor, 130 St Vincent Street, Glasgow G2 5HF, 0141 648 4291.

Please also note that an important legal notice about this statement of proposals is attached (Appendix 6).

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1 Executive summary

Morale Home Furnishings UK Limited (the 'Company' or 'Morale') was incorporated in November 2004. With its base in Glasgow, Scotland, it operated from leasehold premises as a home and garden furniture retailer.

Historically, the Company's trading was positive. The Company saw an initial bounce in trade post the CV19 pandemic, however reduced consumer spending meant trade was difficult during 2023.

Moving into 2024, trading and cash flow difficulties intensified due to a combination of: reduced levels of instore footfall, intense competition (particularly online with competitors offering a price match to customers), supplier price increases and rising overhead costs.

The cash and trading position was such that the Directors concluded they had no option but to appoint Administrators. Alistair McAlinden and Blair Nimmo were appointed Joint Administrators of the Company on 28 February 2024. (Section 2 - Background and events leading to the administration).

Immediately following our appointment, we made three redundancies and retained 6 members of staff to assist us with continuing to trade the Company post-appointment to retail the remaining stock. (Section 3 - Strategy and progress of the administration to date).

The Royal Bank of Scotland ('RBS') hold a security over the Company's assets. It is uncertain if RBS will receive a dividend (Section 4 - Dividend prospects).

It is uncertain if the ordinary preferential and secondary preferential creditors will receive a dividend. (Section 4 - Dividend prospects).

At this stage, it is uncertain if unsecured creditors will receive a dividend (Section 4 - Dividend prospects).

We are seeking approval of our Proposals by deemed approval. (Section 6 - Approval of proposals).

Our remuneration and expenses are to be approved by the secured and preferential creditors. We propose that our remuneration will be set and drawn on the basis of time properly given by us and the various grades of our staff in accordance with the charge-out rates included in Appendix 3. (Section 7 - Joint Administrators' remuneration, expenses and pre-administration costs).

Our proposals include provision for a number of routes to end the administration, however, the most likely route would be for the administration to come to an automatic end and for the Company to be dissolved thereafter. We would like to retain the flexibility of all options available. (Section 5 - Ending the administration).

This document in its entirety is our statement of proposals. A summary list of the proposals is shown in Section 8 together with all relevant statutory information included by way of appendices. Unless stated otherwise, all amounts in the proposals and appendices are stated net of VAT.



Alistair McAlinden
Joint Administrator

2 Background and events leading to the administration

2.1 Background information

The Company is family owned and was incorporated in November 2004, operating for nearly 20 years as a home and garden furniture retailer from its leasehold premises' in

Hillington Industrial Estate in Glasgow, Scotland. At the date of the appointment, the Company had 9 employees.

Morale also had an online presence, operating three websites under the Morale Home Furnishings and First Furniture branding which also sold home and garden furniture. Customer orders were placed with Morale who would subsequently order from the supplier. These would be delivered direct to the customer.

The Company was authorised by the Financial Conduct Authority ('FCA') as it introduced customers to finance providers who, in turn, provided finance to customers to let them spread the cost of purchases from the Company.

The Company currently operates from two leasehold premises. A showroom, in which the landlord is related to the Company by means of common shareholders, and an adjacent warehouse, in which the landlord is related to the Company through common beneficiaries.

2.2 Funding and financial position of the Company

Historically, the Company was profitable. Following the CV19 pandemic, the Company achieved annual revenue of £2.3 million and profits of c. £83,000 during the year ended 31 December 2022.

In line with many retailers, the Company has faced financial challenges following the initial post CV19 pandemic bounce in trade. During 2023, the Company's profit margins were eroded due to falling customer footfall, reduced consumer spending and online retailers offering a price match. This was coupled with supplier price increases and rising costs of business rates and overheads.

During the CV19 pandemic, the Company received support via a bounce back loan from RBS. At the date of appointment, the outstanding balance of the loan was £30,753.28.

The Company was also provided with an overdraft facility from RBS and, at the date of appointment, the overdrawn balance was £126,582.97. We understand that RBS hold a floating charge over the all the Company's property, undertaking, assets and rights owned.

We understand that the Directors had personally provided additional funding to the Company, during 2023 and in the first two months of 2024, to meet the ongoing running costs and ensure the Company could operate within its overdraft limit.

2.3 Events leading to the administration

As noted above, the Company experienced significant trading and cash flow pressures during 2023 and into 2024.

By late January / early February 2024, creditor arrears were building, with certain creditors taking initial debt recovery / enforcement steps. As a result, on 26 February 2024, having regard to the financial position of the Company and having assessed all other options, the Directors concluded that it would be in the best interest of creditors to file a notice of intention to appoint administrators.

2.4 Pre-administration work

Interpath has incurred pre-administration time (see Section 7.2) on: completing our internal conflict / client onboarding checks; liaising with solicitors on the appointment paperwork; and devising the post appointment strategy.

We are satisfied that the work Interpath carried out before our appointment has not resulted in any relationships which create a conflict of interest or which threaten our independence.

Furthermore, we are satisfied that we are acting in accordance with the relevant guides to professional conduct and ethics.

2.5 Appointment of Joint Administrators

The Directors resolved to appoint Administrators on 26 February 2024 and, following consent from the FCA, a notice of intention to appoint administrators was lodged at the Court of Session.

The notice of appointment was lodged at the Court of Session on 28 February 2024 and we were duly appointed.

3 Strategy and progress of the administration to date

3.1 Strategy to date

Strategy

The strategy determined for the administration has been to continue trading from the premises in Glasgow to sell the remaining stock to the public.

Other strategies were considered, including realising the stock as a bulk sale. However, this would have required a very deep discount to retail prices, potentially below cost prices. As such, it was ultimately concluded that continuing to trade over a number of weeks will maximise stock realisations for the benefit of all creditors.

At the date of appointment, we made 3 members of staff redundant and retained 6 employees to assist us with ingathering company information and to continue trading the store. Two further employees were made redundant on Friday 15 March 2024 and Sunday 31 March 2024, respectively.

Trading

The Company's assets largely comprise home and garden furniture plus associated accessories. We have engaged Hilco Capital Limited ('Hilco Capital'), who specialise in retail management in both solvent and insolvent scenarios, to assist us with the post-appointment trading strategy and its execution.

Whilst cost effective to do so, we will continue to realise the Company's remaining stock for a number of weeks during April 2024. Over this period, we will continue to meet the Company's payroll for retained employees and any other necessary realisation costs. Once we reach the point where ongoing trading is no longer cost effective, we will consider options to maximise realisations from any residual stock.

We identified that a number of customers had either paid a deposit or pre-paid for goods, which they had not received as at the date of Administration. We have contacted all impacted customers, advising them of the appointment of the Joint Administrators and outlining the appropriate action regarding their orders / deposits / prepayments.

A number of suppliers have contacted us and intimated that stock supplied to the Company is subject to 'retention of title' clauses in their supply contracts. We are assessing all such claims received and, where claims are found to be valid, will reach agreement with suppliers to settle their claim.

If you are a pre-paid customer or a supplier of the Company and have not received any correspondence to date, please make contact by writing to Meadow Lees at Interpath Advisory, 5th Floor, 130 St Vincent Street, G2 5HF or visit the Interpath Insolvency portal at <https://www.ia-insolv.com/case+INTERPATH+MO215A3249.html>.

3.2 Asset realisations

Realisations from the date of our appointment to 28 March 2024 are set out in the attached receipts and payments account (Appendix 2).

The most significant realisations to date are from the retail sale of the Company's stock as detailed below.

Stock

As at 28 March 2024, post-administration trading sales of £119,450.80 have been achieved.

With the support of Hilco Capital, the Company is able to accept payments via cash, bank transfer and a point-of-sale machine provided by SumUp.

Retention of title settlements and costs of realisations will be met from stock realisations.

Intellectual Property

We have engaged Hilco Valuation Services Ltd ('HVS') to review the Company's intellectual property assets to establish the potential value and realise if it is deemed appropriate to do so. The work of HVS is ongoing and we will provide creditors with a further update in our next report to creditors.

Investigations

We are reviewing the affairs of the Company to find out if there are any actions which can be taken against third parties to increase recoveries for creditors.

In this regard, if you wish to bring to our attention any matters which you believe to be relevant, please do so by writing to Meadow Lees at Interpath Advisory, 5th Floor, 130 St Vincent Street, Glasgow G2 5HF.

3.3 Costs

Payments made from the date of our appointment to 28 March 2024 are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant payments made to date are provided below.

Payroll

We retained 6 employees from the date of appointment, the cost to date for payroll is £14,005.59.

Property costs

We will continue to meet the property costs, primarily rent (where due), rates, insurance, and utilities for the leasehold premises' until these are vacated.

Agents' fees

As mentioned above, we have engaged Hilco Capital to assist with on-going trading management. As part of their services, an inventory of stock, at the date of appointment, has been prepared and provided to the Joint Administrators.

Hilco Capital's fees are calculated on the basis of an agreed day rate and any reasonable consultant out of pocket expenses. To date, no payments have been made as we have agreed that Hilco Capital will raise their fee at the end of the trading period.

Legal fees

Morton Fraser MacRoberts LLP ('MFMac') assisted with the preparation of the administration appointment paperwork and the filing of this at the Court. MFMac have been asked to review the validity of the RBS floating charge and may be engaged for further services as the administration progresses.

We have engaged Addleshaw Goddard LLP to undertake a review of the administration appointment documentation and to confirm the validity of the appointment.

No payments have been made to either firm to date and details will be provided in the Joint Administrators next report.

4 Dividend prospects

4.1 Secured creditor

RBS holds a floating charge security over the Company's business and assets. At the date of appointment, the overdrawn balance on the Company's overdraft facility with RBS was £126,582.97 and there were sums due under a bounce-back loan amounting to £30,752.28.

Based on current estimates, it is uncertain whether there will be a dividend to RBS.

4.2 Ordinary preferential creditors (employees)

Claims from employees in respect of (1) arrears of wages up to a maximum of £800 per employee, (2) unlimited accrued holiday pay and (3) certain pension benefits, rank preferentially (in advance of floating charge holders and ordinary unsecured creditors) and in priority to other preferential creditors (see 4.3 below). These claims are therefore referred to as "ordinary preferential creditors".

We estimate the amount of ordinary preferential claims at the date of our appointment to be £5,800.

Based on current estimates, it is uncertain whether there will be a dividend to ordinary preferential creditors.

4.3 Secondary preferential creditors (HMRC)

Certain claims from HMRC rank preferentially, but secondary to the employee, ordinary preferential creditors above. These claims are therefore referred to as "secondary preferential creditors".

The amount of secondary preferential claims is currently unknown. However, it is understood from the Company's books and records, that HMRC may have claim of approximately £47,600.

Based on current estimates, it is uncertain whether there will be a dividend to secondary preferential creditors.

4.4 Unsecured creditors

Based on current estimates, other than via the Prescribed Part, it is highly unlikely there will be a dividend to unsecured creditors

5 Ending the administration

5.1 Exit route from administration

We consider it prudent to retain all of the options available to us, as listed in Section 8 to bring the administration to a conclusion in due course.

However, at this stage we anticipate that the most likely exit route will be that the administration will come to an automatic end.

5.2 Discharge from liability

We propose to seek approval from the secured and preferential creditors that we will be discharged from liability in respect of any action as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

Discharge does not prevent the exercise of the Court's power in relation to any misfeasance action against us.

6 Approval of proposals

6.1 Deemed approval of proposals

The administrators' proposals will be deemed approved, with no requirement to seek deemed consent or use a decision procedure, as it appears that the Company has insufficient property to enable a distribution to the unsecured creditors other than by virtue of the Prescribed Part.

On expiry of eight business days from the date our proposals were delivered to the creditors, they will be deemed to have been approved by the creditors unless 10% in value of creditors request that a decision procedure is convened. Further details of the steps to convene a procedure are detailed below.

6.2 Physical meeting to be called where sufficient creditors request

We will summon a physical meeting if asked to do so by (a) creditors whose debts amount to at least 10% of the total debts of the Company, or (b) 10% in number of creditors, or (c) 10 creditors. Requests for a physical meeting must be made within five business days of the date on which notice of the decision procedure was delivered.

If you wish to request a physical meeting, please complete and return the physical meeting requisition form available on our Portal at www.ia-insolv.com/case+INTERPATH+MO215A3249.html.

7 Joint Administrators' remuneration, expenses and pre-administration costs

7.1 Approval of the basis of remuneration and expenses

We propose to seek approval from the secured and preferential creditors that:

our remuneration will be set and drawn on the basis of time properly given by us and various grades of our staff in accordance with the charge-out rates included in appendix 3;

category 2 expenses (as defined in Statement of Insolvency Practice 9) will be charged and drawn in accordance with Interpath Advisory's policy as set out in Appendix 3.

Agreement to the basis of our remuneration and expenses and the drawing of Category 2 expenses is subject to specific approval. It is not part of our proposals.

Should the circumstances of the administration change, we may seek future approvals from the unsecured creditors for the amount of remuneration and outlays and the drawing of Category 2 expenses.

Time costs

From the date of our appointment to 28 March 2024, we have incurred time costs of £87,404.00. These represent 222.10 hours at an average rate of £393.53 per hour.

Administrators' expenses

We have incurred expenses of £26.34 during the period. None of these have yet been paid.

Additional information

We have attached (Appendix 3) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by Interpath for the period from our appointment to 28 March 2024. We have also attached our charging and expenses recovery policy.

7.2 Pre-administration costs

The following pre-administration costs have been incurred in relation to the pre-administration work detailed in Section 2.4

Interpath time costs	22,811.60	22,811.60
Total	22,811.60	22,811.60

We do not intend to seek to recover any pre-administration time spent by Interpath or the Joint Administrators in the period prior to the administration of the Company.

8 Summary of proposals

Given that the Company's was unable to meet its debts as they fell due, the significant funding requirement to address ongoing losses and the absence of funding available to the Joint Administrators, it was deemed that rescuing the Company in accordance with Paragraph 3(1)(a) is not achievable.

Therefore, our primary objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up, in accordance with Paragraph 3(1)(b).

In addition to the specific itemised proposals below, this document in its entirety constitutes our proposals.

We propose the following:

General matters

- to continue to do everything that is reasonable, and to use all our powers appropriately, in order to maximise realisations from the assets of the Company in accordance with the objective as set out above;
- to investigate and, if appropriate, to pursue any claims the Company may have;
- to seek an extension to the administration period if we consider it necessary.

Distributions

- to make distributions to the secured and preferential creditors where funds allow;
- to make distributions to the unsecured creditors if funds become available, and to apply to the Court for authority to do so, where applicable.

Ending the administration

We might use any or a combination of the following exit route strategies in order to bring the administration to an end:

- apply to Court for the administration order to cease to have effect from a specified time and for control of the Company to be returned to the Directors;
- formulate a proposal for either a company voluntary arrangement (CVA) or a scheme of arrangement and put it to meetings of the Company's creditors, shareholders or the Court for approval as appropriate;
- place the Company into creditors' voluntary liquidation. In these circumstances we propose that we, Alistair McAlinden and Blair Nimmo, be appointed as Joint Liquidators of the Company without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by us may be taken by us individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- petition the Court for a winding-up order placing the Company into liquidation and to consider, if deemed appropriate, appointing us, Alistair McAlinden and Blair Nimmo, as Joint Liquidators of the Company without further recourse to creditors. Any action required or authorised under any enactment to be taken by us as Joint Liquidators may be taken by us individually or together;
- file notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. The Company will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

Joint Administrators' remuneration

We propose that:

- our remuneration will be set and drawn on the basis of time properly given by us and the various grades of our staff in accordance with the charge-out rates included in Appendix 3; and

category 2 expenses (as defined in Statement of Insolvency Practice 9) will be charged and drawn in accordance with Interpath Advisory's policy as set out in Appendix 3.

Discharge from liability

We propose that we shall be discharged from liability in respect of any action of ours as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

Appendix 1 Statutory information

Company and Trading name	Morale Home Furnishings UK Limited
Date of incorporation	18 November 2004
Company registration number	SC276175
Trading address	28 / 30 Watt Road, Hillington Industrial Estate Limited, Glasgow, G52 4RY
Previous registered office	24 Watt Road, Hillington Industrial Estate Limited, Glasgow, G52 4RY
Present registered office	Interpath Ltd, 5th Floor, 130 St Vincent Street, Glasgow, G2 5HF
Company Directors	Khalid Mahmood Ali Omar Farooq Ali Bilal Ali

Administration appointment	The administration appointment granted in Court of Session, P167 of 24
Appointor	Directors
Date of appointment	28 February 2024
Joint Administrators	Alistair McAlinden and Blair Nimmo
Purpose of the administration	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2).
Current administration expiry date	27 February 2025
Prescribed Part (Section 176A(2)(a))	The Prescribed Part is applicable on this case. It has been taken into account when determining the dividend prospects for unsecured creditors.
Estimated values of the Net Property and Prescribed Part	Estimated Net Property is uncertain at this time. The Prescribed Part is capped at the statutory maximum of £600,000.
Prescribed Part distribution	If funds do become available for a distribution under the Prescribed Part, the Joint Administrators may make a distribution to the unsecured creditors; or if appropriate, may apply to the Court to obtain an order that the Prescribed Part shall not apply on the grounds that the cost of making a distribution to the unsecured creditors would be disproportionate to the benefits.
Application of EU Regulations	EU Regulations apply and these proceedings will be the Proceedings to which the EU Regulation as it has effect in the law of the United Kingdom does not apply as defined in Article 3 of the EU Regulations.

Appendix 2

Joint Administrators' receipts and payments account

Morale Home Furnishings UK Limited - in Administration		
Trading accounts		
Statement of Affairs (£)	From 28/02/2024 To 28/03/2024 (£)	From 28/02/2024 To 28/03/2024 (£)
POST-APPOINTMENT SALES		
Sales	119,450.80	119,450.80
	119,450.80	119,450.80
PURCHASES		
Purchases	(2,934.24)	(2,934.24)
	(2,934.24)	(2,934.24)
OTHER DIRECT COSTS		
Direct labour	(14,005.59)	(14,005.59)
ROT creditors	(1,265.40)	(1,265.40)
	(15,270.99)	(15,270.99)
TRADING EXPENSES		
POS transaction fee	(1,740.99)	(1,740.99)
	(1,740.99)	(1,740.99)
Trading surplus/(deficit)	99,504.58	99,504.58

Appendix 3 Joint Administrators' charging and expenses policy

Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken by in-house Interpath Advisory Tax, VAT and employee specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "A Creditors' Guide to Joint Administrators Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

https://www.icas.com/_data/assets/pdf_file/0020/573221/SIP-9-Scot-April-2021.pdf

If you are unable to access this guide and would like a copy, please contact Meadow Lees on 0141 648 4291.

Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration, using a minimum time unit of six minutes.

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

Managing Director	780
Director	725
Associate Director	635
Manager	530
Senior Associate	370
Associate	265
Support	165

The hourly charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

Policy for the recovery of expenses

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

Expenses: These are any payments which are neither an office holder's remuneration nor a distribution to a creditor or a member. Expenses also includes disbursements which are payments first met by the office holder, and then reimbursed to the office holder from the estate.

Category 1 expenses: These are payments to persons providing the service to which the expense relates who are not an associate of the office holder. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

Category 2 expenses: These are payments to associates or which have an element of shared costs. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Associates: are defined in the insolvency legislation but also extends to parties where a reasonable and informed third party might consider there would be an association between the third party and the office holder or their firm.

Category 2 expenses charged by Interpath Restructuring include mileage. This is calculated as follows:

Mileage claims are charged at up to a maximum of 45p per mile, depending on the member of staff and vehicle type. When carrying Interpath passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have incurred the following expenses during the period 28 February 2024 to 28 March 2024.

Mileage	NIL	26.34	NIL	NIL	26.34
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We have the authority to pay Category 1 expenses without the need for any prior approval from the creditors of the Company.

Category 2 expenses are to be approved in the same manner as our remuneration.

Narrative of work carried out for the period 28 February 2024 to 28 March 2024

The key areas of work have been:

Statutory and compliance	collating initial information to enable us to carry out our statutory duties, including creditor information and details of assets; providing initial statutory notifications of our appointment to the Registrar of Companies, The Registrar of Inhibitions and Adjudications, FCA, creditors and other stakeholders and advertising our appointment;
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	<p>issuing a press release and posting information on a dedicated web page;</p> <p>preparing statutory receipts and payments accounts;</p> <p>arranging bonding and complying with statutory requirements; and</p> <p>ensuring compliance with all statutory obligations within the relevant timescales.</p>
Strategy documents, Checklist and reviews	<p>formulating, monitoring and reviewing the administration strategy, including the decision to trade and meetings with internal and external parties to agree the same;</p> <p>briefing of our staff on the administration strategy and matters in relation to various work-streams;</p> <p>regular case management and reviewing of progress, including regular team update meetings and calls;</p> <p>meeting with management to review and update strategy and monitor progress;</p> <p>reviewing and authorising junior staff correspondence and other work;</p> <p>dealing with queries arising during the appointment;</p> <p>reviewing matters affecting the outcome of the administration;</p> <p>allocating and managing staff/case resourcing and budgeting exercises and reviews;</p> <p>liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters; and</p> <p>complying with internal filing and information recording practices, including documenting strategy decisions.</p>
Reports to secured creditors	<p>providing written and oral updates to secured creditor regarding the progress of the administration and case strategy.</p>
Cashiering	<p>setting up administration bank accounts and dealing with the Company's pre-appointment accounts;</p> <p>preparing and processing vouchers for the payment of post-appointment invoices;</p> <p>creating remittances and sending payments to settle post-appointment invoices;</p> <p>preparing payroll payments for retained staff, dealing with salary related queries and confirming payments with the employees' banks;</p> <p>reviewing and processing employee expense requests;</p> <p>management of post-appointment cash sales and remittance of cash to bank;</p> <p>reconciling post-appointment bank accounts to internal systems; and</p> <p>ensuring compliance with appropriate risk management procedures in respect of receipts and payments.</p>
Tax	<p>gathering initial information from the Company's records in relation to the taxation position of the Company;</p> <p>submitting relevant initial notifications to HM Revenue and Customs;</p> <p>reviewing the Company's pre-appointment corporation tax and VAT position;</p> <p>analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations;</p> <p>working initially on tax returns relating to the periods affected by the administration;</p> <p>analysing VAT related transactions;</p> <p>reviewing the Company's duty position to ensure compliance with duty requirements; and</p> <p>dealing with post appointment tax compliance.</p>
Shareholders	<p>providing notification of our appointment; and</p> <p>responding to enquiries from shareholders regarding the administration.</p>
General	<p>reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9; and</p> <p>locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage.</p>
Trading	<p>preparing cash flow statements to monitor the cash position;</p> <p>attending to supplier and customer queries and correspondence;</p> <p>raising, approving and monitoring purchase orders and setting up control systems for trading;</p> <p>negotiating and making direct contact with various suppliers as necessary to provide additional information and undertakings, including agreeing terms and conditions, in order to ensure continued support;</p> <p>securing petty cash on site and monitoring spend;</p> <p>dealing with issues in relation to stock and other assets required for trading;</p> <p>communicating and negotiating with customers regarding ongoing supplies, including agreeing terms and conditions;</p> <p>monitoring stock and stock reconciliations; and</p> <p>ensuring ongoing provision of emergency and other essential services to site.</p>
Asset realisations	<p>collating information from the Company's records regarding the assets;</p> <p>engaging and liaising with agents regarding the sale of assets;</p> <p>dealing with issues associated with the sale of stock; and</p> <p>liaising with staff on-site to assist with the sale of stock post-appointment.</p>

Property matters	reviewing the Company's leasehold properties, including review of leases; communicating with landlords regarding rent, property occupation and other issues; and performing land registry searches.
Health and safety	liaising with health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with; and liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance.
Open cover insurance	arranging ongoing insurance cover for the Company's business and assets; liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place; and assessing the level of insurance premiums.
Employees	dealing with queries from employees regarding various matters relating to the administration and their employment; dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments; holding employee briefing meetings to update employees on progress in the administration and our strategy; administering the Company's payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns; communicating and corresponding with HM Revenue and Customs; dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office; and corresponding with employees who hold visas and issuing correspondence to the Home Office; managing claims from employees; and ensuring security of assets held by employees.
Pensions	collating information and reviewing the Company's pension schemes; calculating employee pension contributions and review of pre-appointment unpaid contributions; ensuring compliance with our duties to issue statutory notices; liaising with the trustees of the defined benefit pension scheme, the Pensions Regulator and the Pensions Protection Fund concerning the changes caused to the pension scheme as a result of our appointment; ensuring death-in-service cover for employees remains in place; and communicating with employees representatives concerning the effect of the administration on pensions and dealing with employee queries.
Creditors and claims	drafting and circulating our proposals; convening and preparing for the meeting of creditors; creating and updating the list of unsecured creditors; responding to enquiries from creditors regarding the administration and submission of their claims; reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records; and dealing with suppliers with retention of title claims, including reviewing supporting documentation and arranging and carrying out stock inspection visits; and dealing with pre-paid customer claims, including reviewing supporting documentation and issuing correspondence.
Investigations/ Directors	reviewing Company and directorship searches and advising the directors of the effect of the administration; liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies; arranging for the redirection of the Company's mail; reviewing the questionnaires submitted by the Directors of the Company; reviewing pre-appointment transactions;

SIP 9 – Time costs analysis

SIP 9 – Time costs analysis (28/02/2024 to 28/03/2024)							
	Hours				Time Cost (£)	Average Hourly Rate (£)	
	Managing Director	Manager	Administrator	Support			Total
Administration & planning							
Bankrupt/Director/Member							
General correspondence	0.30		0.10		0.40	260.50	651.25
Notification of appointment			2.30		2.30	609.50	265.00
Cashiering							
General (Cashiering)		0.70	5.00		5.70	1,895.50	332.54
Reconciliations (& IPS accounting reviews)			0.20		0.20	74.00	370.00
General							
Books and records		3.30	4.60		7.90	2,968.00	375.70
Fees and WIP			0.10		0.10	26.50	265.00
Statutory and compliance							
Appointment and related formalities	0.70	8.00	5.90		14.60	6,381.00	437.05
Bonding & Cover Schedule			0.60		0.60	190.50	317.50
Checklist & reviews		1.40	0.30		1.70	821.50	483.24
Reports to debenture holders			0.10		0.10	26.50	265.00
Statutory advertising			2.90		2.90	768.50	265.00
Strategy documents	2.60		2.70		5.30	2,743.50	517.64
Tax							
Initial reviews - CT and VAT		0.20			0.20	106.00	530.00
Post appointment corporation tax		0.20	0.70		0.90	291.50	323.89
Post appointment PAYE (Non Trading)			1.30		1.30	481.00	370.00
Post appointment VAT	0.40	0.20	1.60		2.20	842.00	382.73
Creditors							
Creditors and claims							
General correspondence		0.20	11.60		11.80	3,180.00	269.49
Notification of appointment			0.10		0.10	26.50	265.00

SIP 9 – Time costs analysis (28/02/2024 to 28/03/2024)

	Hours				Time Cost (£)	Average Hourly Rate (£)
	Managing Director	Manager	Administrator	Support	Total	
Pre-appointment VAT / PAYE / CT			0.10		0.10	26.50
ROT Claims	0.60	3.80	1.10		5.50	2,773.50
Secured creditors		0.20	0.50		0.70	238.50
Statutory reports		0.60	1.80		2.40	795.00
Employees						
Employee Correspondence	0.70	8.80	40.80		50.30	19,686.50
Pension funds			2.60		2.60	962.00
Pensions reviews			1.80		1.80	634.50
RPO redundancy payments service		0.10	1.20		1.30	497.00
Investigation						
Directors						
Correspondence with directors	0.20	1.60	1.80		3.60	1,481.00
Directors' questionnaire / checklist		0.60			0.60	318.00
Statement of affairs	0.90	1.40	2.40		4.70	2,080.00
Investigations						
Correspondence re investigations			0.50		0.50	132.50
Mail redirection		0.60			0.60	318.00
Review of pre-appt transactions			6.10		6.10	1,984.00
Realisation of assets						
Asset Realisation						
Cash and investments			0.40		0.40	106.00
Debtors			0.40		0.40	106.00
Health & safety		0.40	1.10		1.50	503.50
Insurance			2.80		2.80	742.00
Intellectual Property			1.40		1.40	371.00
Leasehold property	0.60	0.60	6.50		7.70	2,508.50
Plant and machinery			0.40		0.40	106.00
Recoveries from Investigations		2.50			2.50	1,325.00
Rent		0.30			0.30	159.00

SIP 9 – Time costs analysis (28/02/2024 to 28/03/2024)

	Hours					Time Cost (£)	Average Hourly Rate (£)
	Managing Director	Manager	Administrator	Support	Total		
Sale of business			0.10		0.10	26.50	265.00
Stock and WIP	2.90	0.40	0.70		4.00	2,659.50	664.88
Trading							
Cash & profit projections & strategy			4.20		4.20	1,113.00	265.00
Employee Matters / PAYE	0.40	10.70	9.30		20.40	9,298.00	455.78
Negotiations with customers		1.60	0.70		2.30	1,033.50	449.35
Negotiations with landlords		0.30			0.30	159.00	530.00
Negotiations with suppliers / landlords		1.30			1.30	689.00	530.00
Post trading related matters			10.50		10.50	2,782.50	265.00
Purchases and trading costs			0.90		0.90	238.50	265.00
Sales		2.70	5.70		8.40	2,941.50	350.18
Trading Management		12.90	0.30		13.20	6,916.50	523.98
Total in period	10.30	65.60	146.20	0.00	222.10	87,404.00	393.53
Brought forward time (appointment date to SIP 9 period start date)					0.00	0.00	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)					222.10	87,404.00	
Carry forward time (appointment date to SIP 9 period end date)					222.10	87,404.00	

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

All time shown in the above analysis is charged in units of six minutes.

Appendix 4 Statement of Affairs

The Director has provided the following Statement of Affairs for the Company as at the date of our appointment.

The Joint Administrators have not carried out anything in the nature of an audit on the information provided. The figures do not take into account the costs of the administration.

The Director has used information drawn from the Company's books and records. Actual asset realisations and sums due to creditors may vary from those estimated in the Statement of Affairs.

Rule 3.30

Statement of affairs

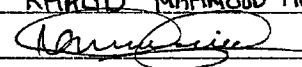
Name of Company Morale Home Furnishings UK Limited	Company number SC276175
In the Court of Session [full name of court]	Court case number P167 of 24

(a) Insert name and
address of registered
office of the
company

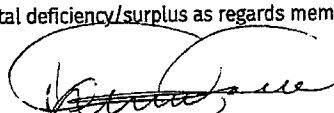
Statement as to the affairs of (a) Morale Home Furnishings UK Limited, 24 Watt Road,
Hillington Industrial Estate Limited, Glasgow, G52 4RY

(b) Insert date

on the (b) 28 February 2024, the date that the company entered administration.

Full name KHALID MAHMOUD ALI
Signed 
Dated 14/03/2024

A1 – Summary of Liabilities

	£	Estimated to realise
£		
Estimated total assets available for preferential creditors (carried from page A)		
Liabilities (Approved)	(6,000)	(6,000)
Ordinary preferential creditors:		
Ordinary preferential (employee) creditors (No.)		
Other preferential creditors		
Estimated total assets available for secondary preferential creditors	(40,000)	(40,000)
Secondary preferential creditors (HMRC) (Approved)		
Estimated deficiency/surplus as regards preferential creditors		
Less: uncharged assets		
Net Property		
Estimated prescribed part of net property where applicable (to carry forward)		
Estimated total assets available for floating charge holders	(125,000)	(125,000)
Debts secured by floating charges		
Estimated deficiency/surplus of assets after floating charges	402,500	993,000
Estimated prescribed part of net property where applicable (brought down)	(216,425)	
Uncharged assets		
Total assets available to unsecured creditors	186,075	993,000
Unsecured (trade) (non-preferential) creditors	402,500	
Unsecured (employee) creditors (No.)	(216,425)	(216,425)
Unsecured (pre-paid consumer) creditors (No.)		
Estimated deficiency/surplus as regards unsecured creditors	186,075	776,575
Shortfall to fixed charge holders (brought down)		
Shortfall to preferential creditors (brought down)		
Shortfall to floating charge holders (brought down)		
Estimated deficiency/surplus as regards creditors	(100)	(100)
Issued and called up capital	185,975	776,475
Estimated total deficiency/surplus as regards members		
Signature 		
Date 14/03/24		

A – Summary of Assets

Assets

Assets subject to fixed charge:

Stock (Approx)

Total assets subject to fixed charge

Less: Amount(s) due to fixed charge holder(s)

Shortfall/surplus to fixed charge holder(s) c/d

Assets subject to floating charge:

IRBS (Approx)

Total assets subject to floating charge

Uncharged assets

Total uncharged assets

Estimated total assets available for preferential creditors

Book Value £	Estimated to Realise £
573,000	1,289,000
573,000	1,289,000
(125,000)	(125,000)
(125,000)	(125,000)
-	-
-	-
-	-

Signature

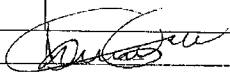
Date

14.03.24

COMPANY TRADE CREDITORS (Please refer to your payables) *This excludes Torelli Furniture Ltd*
- £510,119.08

Note: You must include all creditors WITH THE EXCEPTION OF employee creditors and pre-paid consumer creditors. You must confirm if any of the creditors are under hire-purchase, chattel leasing or conditional sale agreements by stating which of these (if any) are applicable in the column below. You must also identify any creditors claiming retention of title over property in the company's possession by including a tick in the ROT column below.

Name of creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £	HP/Chattel/Conditional Sale	Claiming ROT
		Total	216,415				

Signature 

Date 14/03/24

Name of Shareholder	Address (with postcode)	No. of shares held	Nominal Value	Details of Shares held
KHALID MAHMOOD ALI	[REDACTED]	70	@ £1	70%
OMAR FARUQ ALI	[REDACTED]	15	@ £1	15%
BILAL ALI	[REDACTED]	15	@ £1	15%
Totals				

Barry

Totals	
13103124	

Appendix 5 Glossary

Bank / RBS / Secured Creditor	Royal Bank of Scotland
Company / Morale	Morale Home Furnishings UK Limited- in Administration
Joint Administrators/we/our/us	Alistair McAlinden and Blair Nimmo
Interpath/Interpath Advisory	Interpath Ltd
Hilco Capital	Hilco Capital Limited
Morton Fraser MacRoberts LLP	MFMac

Any references in these proposals to sections, paragraphs and rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018 respectively.

Appendix 6 Notice: About this statement of proposals

This statement of proposals ('proposals') has been prepared by Alistair McAlinden and Blair Nimmo, the Joint Administrators of Morale Home Furnishings UK Limited – in Administration (the 'Company'), solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

These proposals have not been prepared in contemplation of them being used, and are not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company.

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.

Any person that chooses to rely on these proposals for any purpose or in any context other than under Paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of these proposals.

Alistair McAlinden and Blair Carnegie Nimmo are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland.

We are bound by the Insolvency Code of Ethics.

The Officeholders may be Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – www.interpathadvisory.com/privacy-insolvency.

The Joint Administrators act as agents for the Company and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, Interpath Advisory does not assume any responsibility and will not accept any liability to any person in respect of these proposals or the conduct of the administration.

www.interpathadvisory.com

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