

The Insolvency Act 1986

Administrator's progress report

Form 2.24B(CH)

Name of Company SHB Realisations Limited (formerly BHS Limited)	Company number 00229606
In the High Court of Justice (full name of court)	Court case number 2220 of 2016

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

I/We (a) Philip Duffy of Duff & Phelps Ltd , The Chancery, 58 Spring Gardens, Manchester, M2 1EW, Benjamin Wiles of Duff & Phelps Ltd , The Shard, 32 London Bridge Street, London, SE1 9SG, Geoffrey Rowley and Anthony Wright both of FRP Advisory LLP, 2nd Floor, 110 Cannon Street, London, EC4N 6EU

Administrator(s) of the above company attach a progress report for the period

(b) Insert dates

from	to
(b) 25 April 2016	(b) 24 October 2016

Signed _____
Joint Administrator

Dated 18/11/2016

Contact Details

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

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Progress Report to Creditors

18 November 2016

**SHB Realisations Limited (formerly
BHS Limited)
(In Administration)**

*Joint Administrators' Progress Report to Creditors
For the period from 25 April 2016 to 24 October 2016
Pursuant to Rule 2 47(1) of the Insolvency Rules 1986 (as amended)*

**Duff & Phelps Ltd.
32 London Bridge Street
London
SE1 9SG**

Definitions

Word or Phrase	Definition
the Act	The Insolvency Act 1986 (as amended)
the Appointment Date	25 April 2016 being the date of appointment of the Joint Administrators
the Agents	SIA Group (UK) London Limited, independent agents who were instructed to value and advise on the sale of the chattel assets located at non store locations and ad hoc matters including clearance of certain properties
Arcadia	Arcadia Group Limited, the holder of a fixed and floating charge over the Company's assets and principal provider of concession goods
Barclays	Barclays Bank Plc with whom the Company banked
SHB Realisations Limited	Formerly BHS Limited (In Administration) company number 00229606
BHS Group	BHS Group Limited the Company's parent holding company, company number 03858895
BHS IL / the Purchaser	BHS International Limited, the purchaser of the International business, trading rights and certain assets of the Company
SHB Properties	SHB Properties Realisations Limited (formerly BHS Properties Limited) (In Administration), which held certain leasehold interests in the Company's trading premises Company number 02139762
SHB Services	SHB Services Realisations Limited (formerly BHS Services Limited) (In Administration) which originally held the alcohol licences for the purposes of selling alcohol at store level Company number 06883328
BHS Jersey Limited	A 100% owned Jersey registered subsidiary of the Company Accounted for the trade of the St Helier store Parent company of Epoch Properties Limited
Carmen Properties	Carmen Properties Limited a Jersey registered property holding company which held certain leasehold interests in the Company's trading premises
Category 2 Disbursements	The Joint Administrators' internal costs and expenses in dealing with the Administration
the Company	SHB Realisations Limited (formerly BHS Limited), Company Number 00229606
Concurrent Administrators	Anthony Wright and Geoffrey Rowley of FRP Advisory LLP, 110 Cannon Street, London, EC4N 6EU
Concurrent Administrators' Appointment Date	22 July 2016 being the date of the appointment of the Concurrent Administrators

CVL	Creditors Voluntary Liquidation
Davenbush	Davenbush Limited (In Administration) a guarantor to the Company's pension scheme liabilities, Company Number 02341207
DBEIS	The Department for Business, Energy & Industrial Strategy
the Directors	The Directors of BHS Limited namely, Dominic Chappell Lennart Henningson (resigned 8 September 2016) Dominic Chandler (resigned 6 July 2016) Darren Topp
DLA	DLA Piper UK LLP, the Joint Administrators instructed legal advisors
EC Regulation	EC Regulation on Insolvency Proceedings 2000
Epoch	Epoch Properties Limited a Jersey based subsidiary of BHS Jersey Limited and a property company which held the interest in the St Helier store
ERA	ERA Solutions Limited, insolvency employment specialists engaged to assist with all employee matters including claims submission and handling
GB Europe	GB Europe Management Services Limited, the holder of fixed charge security in respect of the Bristol Cribbs Causeway property interest
the Group/BHS	BHS Group Limited and its subsidiaries
Grovepoint	Grovepoint Credit Funding 2 Limited, the holder of fixed charge security in respect of certain of the Company's property interests
Hill Dickinson	Hill Dickinson LLP, legal advisors instructed to deal with a specific debtor realisation claim
HMRC	HM Revenue and Customs
HRSL/Retail Agents	Hilco Retail Services Limited, appointed on 2 June 2016 to provide strategic advice at store level
HSBC	HSBC Bank Plc, the holder of fixed charge security within the Group in respect of certain property interests
Ikano	Ikano Bank UK, provided interest free credit facilities to customers as a method of paying for goods purchased in stores
the Joint Administrators	Philip Duffy of Duff & Phelps Ltd , The Chancery, 58 Spring Gardens, Manchester, M2 1EW and Benjamin Wiles of Duff & Phelps Ltd , The Shard, 32 London Bridge Street, London, SE1 9SG
Lowland	Lowland Homes Limited (In Administration)
PPF	Pension Protection Fund
Prescribed Part	Pursuant to Section 176A of the Act where a floating charge is created after 15 September 2003 a designated amount of the

	Company's net property (floating charge assets less costs of realisation) shall be made available to non-preferential unsecured creditors
the Property Agents	Savills Plc and CBRE Limited, independent agents who were instructed to value and advise on the sale of the proprietary interests of the Group
The Proposals	The Joint Administrators' Report and Statement of Proposals dated 6 June 2016 issued to all known creditors
Protocol	Agreement between the Joint Administrators and the Concurrent Administrators regarding <i>inter alia</i> , the delineation of their respective responsibilities and powers
RAL	Retail Acquisitions Limited, the ultimate shareholder of BHS Group
Rates Agents	GL Hearn and Allsops, rating agents appointed by the Company to review the rating liabilities and secure reductions and refunds where appropriate
Relativity	Document review platform utilised to store and host the documentation secured by the Joint Administrators in relation to the investigatory work
Reporting Period	The Period from 25 April 2016 to 24 October 2016
RPS	Redundancy Payments Service
the Rules	The Insolvency Rules 1986 (as amended)
Secured Creditors	The holders of a fixed and/or floating charge over the Company's assets
SIP 9	Statement of Insolvency Practice 9 – Industry best practice for Insolvency Practitioners in relation to disclosure of remuneration and disbursements
SOA	Statement of Affairs, documentation to be supplied by the Directors outlining the Company's financial position as at the Appointment Date
TIS	The Insolvency Service
TPR	The Pensions Regulator
TUPE	The Transfer of Undertaking (Protection of Employment) Regulations 2006

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Names of Joint Administrators: Philip Duffy
Benjamin Wiles
Date of Appointment 25 April 2016
Appointed by Directors of the Company
Court Reference High Court of Justice No 2220 of 2016

Names of Concurrent Administrators: Anthony Wright
Geoffrey Rowley
Date of Appointment: 22 July 2016
Appointed by: High Court Of Justice
Court Reference: High Court of Justice No 2220 of 2016
Date of Report: 18 November 2016

1. Introduction

- 1 1 The Joint Administrators were appointed on the Appointment Date by the Directors of the Company pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986
- 1 2 The Court Reference is High Court of Justice no 2220 of 2016
- 1 3 In accordance with Paragraph 100(2) of Schedule B1 to the Act the functions of the Joint Administrators may be exercised by any of the Joint Administrators
- 1 4 Following the resolution of creditors at the creditors' meeting held on 23 June 2016, and the subsequent order of the High Court of Justice granted on 22 July 2016, the Concurrent Administrators were appointed to act as concurrent Administrators of the Company to carry out certain specific duties
- 1 5 In accordance with the Protocol agreed between the Joint Administrators and the Concurrent Administrators, and attached to the Court Order granted on 22 July 2016, the Concurrent Administrators have 'sole and exclusive conduct of all investigations which may or may not lead to any claims for the benefit of creditors and legal proceedings arising out of those investigations' The Protocol states that the Joint Administrators shall have 'the sole and exclusive conduct of all matters in the Administration of the Company, save for the Concurrent Administrators' functions'
- 1 6 The purpose of this report is to provide creditors with details of the progress of the Administration for the Reporting Period, in accordance with Rule 2 47(1) of the Rules
- 1 7 This report should be read in conjunction with the Proposals and also the Concurrent Administrators' Progress Report, which is attached as an Appendix to this report
- 1 8 Although asset realisations are ongoing and the remaining trading liabilities are yet to be finalised, at the request of the PPF, the current largest unsecured creditor of the Company, the Joint Administrators are taking steps to move the Company into CVL by 24 November 2016
- 1 9 This will have a detrimental effect on the overall realisations for creditors, however, quantification of this is difficult The Joint Administrators have built up substantial knowledge and relationships since the Appointment Date which would result in better realisations and/or lower costs when finalising matters Examples include
- Assets – collection of debts, the Visa / MasterCard claim and concession trust monies,
 - Property – the Joint Administrators have had success in achieving surrenders in full and final settlement resulting in the saving of many millions of £'s in both expenditure and unsecured claims CVL might be necessary to finalise certain property issues but it is not imperative at this stage,
 - Trading expenses – there are still several complicated and unresolved trading issues where the Joint Administrators were acting for the counterparty Handing these over to a liquidator with no prior knowledge will increase the settlement risk and increases costs, and
 - Investigations – the Joint Administrators are sufficiently far advanced in the claim against RAL that it makes no sense for any new liquidator to take this over It is a duplication of effort and cost

1 10 Consequently, with the exception of the ongoing Investigations, the Joint Administrators believe it would be more efficient for them to continue to finalise all matters in the Administration, as had originally been agreed by the PPF

1 11 Statutory information on the Company is attached at Appendix 1

2. Joint Administrators' Report and Statement of Proposals

2 1 In accordance with Paragraph 51 of Schedule B1 to the Act, a creditors' meeting was held at the Park Plaza Westminster Bridge Hotel, 200 Westminster Bridge Road, London SE1 7UT on 23 June 2016. The Joint Administrators' Proposals were approved with modifications at that meeting.

2 2 As advised in the Proposals, the Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:

- Rescuing the Company as a going concern, or
- Achieving a better result for the Company's creditors as a whole than would be likely if the company were wound up (without first being in Administration), or
- Realising property in order to make a distribution to one or more secured or preferential creditors

2 3 In accordance with Paragraph 49(2) of Schedule B1 to the Act, the Joint Administrators note the following:

- The first objective will not be achieved as there are insufficient funds and assets available to enable the Company to be rescued as a going concern
- The Joint Administrators are pursuing the second objective. It is likely that a better result for the Company's creditors as a whole will be achieved than if the Company were wound up without first being in Administration for a number of reasons including but not limited to the following:
 - Continued trading providing the opportunity for the Joint Administrators to explore the possibility of a sale of the Company's business and assets as a going concern
 - The Company has continued to trade during the Administration thereby enhancing the realisations from stock held at Appointment date via retail sales through the stores and the online channel
 - The secondary objective of continued trading was to maximise realisations from goodwill and property assets
 - Continued trading preserved the International Business which was subsequently sold to BHS International Limited for a consideration of £2.5m
 - A sale of the International Business has assisted with the collection of the book debts associated with the franchisees
 - Continuity of trading has enabled negotiations with suppliers of goods and services which has both realised value for the estate and reduced claims against it
 - If the Company had been wound up it is likely that the employees would have been made redundant shortly after appointment resulting in an increase in both preferential

and non-preferential claims. Continued trading saw all employee arrears paid as an expense of the Administration.

- Based on current expectations it is likely that there will be sufficient net realisations from which to make a distribution to non-preferential creditors, following the enhanced realisations and ongoing mitigation of creditor claims.

- 2.4 The third objective should also be achieved as a dividend will be paid to the Secured Creditors. As detailed later in the report, payments to employees that otherwise would have ranked as Preferential claims of the Company were paid shortly after the appointment.

3 Progress of the Administration

- 3.1 The manner in which the affairs and business of the Company have been managed, since the appointment of the Joint Administrators and will continue to be managed is set out below.

Administration Trading Period

- 3.2 As detailed in the Proposals the Joint Administrators took control of the Company's assets and with the assistance of the incumbent retail operations board, the store portfolio continued to trade whilst a sale of the business and assets was pursued.
- 3.3 For various reasons potential purchasers were not able to complete a sale of the entire business. Although a number of parties reached the later stages of negotiations, the realisable value of the assets, combined with the working capital required to trade post purchase meant that no interested party could complete a purchase of the whole business.
- 3.4 On the 2 June 2016, immediately after the final interested party confirmed that it was withdrawing from negotiations, the Joint Administrators announced the orderly wind-down of all trading operations. It was viewed that the level of uncertainty and fragmented stock profile meant the initial increased trade following the announcement of the Administration was not sustainable so in order to achieve the best result for creditors, the orderly wind-down could no longer be delayed.
- 3.5 Following the announcement, the Retail Agents were appointed to provide specialist operational advice in respect of the strategy and implementation of the orderly wind-down process. This included store by store performance analysis, stock discount policy, staff retentions and provision of support to the staff at a store level during the process.
- 3.6 As part of this agreement, the Joint Administrators retained overall control and operational decisions taken by the Retail Agents were ratified by the Joint Administrators. Overall responsibility for trading including all purchase orders, invoices and payments continued to be administered by the Joint Administrators as agents of the Company.
- 3.7 The Retail Agents were selected and appointed following a competitive tender process which included two other prospective retail advisory firms.
- 3.8 The Joint Administrators considered various strategies to ensure the risks of continued trading were mitigated where possible. As part of the tender process the Retail Agents were asked to underwrite a minimum level of return from the remaining BHS stock in the business at 3 June 2016. This minimum was valued at £31.7m with an incentive mechanism for net realisations above this, to benefit the estate.
- 3.9 This certainty enabled the Joint Administrators to de-risk the transaction for creditors. Store related costs were locked into the agreement at an agreed level and therefore the risk of any negative movement as a result of cost increases, prolonged trading and reduced margin was transferred to the Retail Agents.

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- 3 10 To enable the Retail Agents to underwrite the stock at this level, the stock mix had to be improved. This ensured customers would continue to visit the stores and the gross margin could be held at a higher level for longer to maximise store contribution.
- 3 11 The Joint Administrators entered into a stock augment agreement with the Retail Agents. The Retail Agents bore the risk of sourcing, purchasing, funding and selling new stock through the store portfolio. The Company benefited from a commission payment linked to sales from this, as it continued to do with concession operators.
- 3 12 The Joint Administrators held regular meetings with the senior operations board and representatives of the Retail Agents to monitor on-going trading performance, agree the continued trading strategy and devise the strategy for individual stores closures. All stores were wound down within the optimum timeframe balancing income to the estate versus ongoing costs to the estate ensuring maximum benefit to creditors.
- 3 13 The first tranche of stores closed on 23 July 2016 and the final store closed on 28 August 2016. During this time all 163 trading stores were closed certain stores were passed to landlords or the respective purchaser.
- 3 14 During the orderly wind-down the Company's human resource team implemented a bespoke employee consultation programme and with the assistance of ERA, ensured that employees had the support to enable claims to be submitted to the RPS.
- 3 15 The Joint Administrators sent representatives to attend stores to ensure all staff had the opportunity to raise questions directly and to support the employee claims process.
- 3 16 Employees at the Company's head office were similarly consulted with redundancies mirroring the orderly wind down of the store portfolio. Final redundancies were made at head office on 16 September 2016 once all store related matters had been finalised.
- 3 17 The Joint Administrators traded the business from 25 April 2016 to 28 August 2016 inclusive, a period of 17 weeks. Receipts from trading are expected to total £247m inclusive of VAT. The Receipts and Payments Account at Appendix 2 includes a breakdown of trading receipts totalling £185m net of VAT and inclusive of the third party stock commissions. All VAT for the trading period has been accounted for and paid to HMRC.
- 3 18 The following amounts have been retained by third parties in order to deal with any future disputes from customers and to mitigate the refunds exposure. It is anticipated that the majority of these remaining funds will be released by 31 March 2017.
- Paypal - £291,530
 - Amex £500,734
 - Worldpay £2,158,000
 - Newday £1,178,780
 - Ikano £194,269
- 3 19 The income generated from the sale of store fixtures and fittings totalled £929,897 and is shown within Fixtures and Fittings on the Receipts and Payments Account.
- 3 20 The Joint Administrators are in the process of settling trading liabilities incurred during the Administration trading period. This involves contacting all suppliers with outstanding liabilities, primarily landlords, utility companies, councils and general trade suppliers, to agree the final accounts for the trading period.
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- 3 21 The Joint Administrators expect that the trading period will result in a surplus of approximately £47m.
- 3 22 This figure does not include the Joint Administrators' or the Concurrent Administrators' time costs in performing their functions. This figure is also dependent upon future realisations and final payment of supplier costs.
- 3 23 The Joint Administrators are finalising the reconciliation of trading receipts and the final position will be set out in a future report to creditors.

Sale of business and assets

- 3 24 The Proposals included details of the sale of business process following their Appointment and formal offers that had been received.
- 3 25 As previously reported, none of the going concern offers received for the Company's UK business proved to be viable.
- 3 26 Whilst no interested party could acquire the whole business previous expressions of interest were revisited and offers were received for certain parts of the business.
- 3 27 After an initial review, three offers for the BHS trading name and international business were considered further.
- 3 28 Parties were invited to submit best and final offers supported by proof of funding by 21 June 2016. In order to assist with this up to date financial information was provided.
- 3 29 Three similar offers were received. However, one of the offers was intrinsically linked to a sale of part of the Company's UK store portfolio.
- 3 30 In order to maximise the realisations from the international debtors the assistance of a purchaser was necessary. The Joint Administrators sought from both parties proof of financial standing and funding required to continue to service those customers.
- 3 31 One of the parties was not able to provide acceptable proof of funding and this offer was not actively progressed, however, information continued to be provided.
- 3 32 As discussions progressed the focus centred on the UK target stores and in order to progress and secure a sale of the International business, it was agreed that the Joint Administrators would explore the possibility of a combination of two of the offers.
- 3 33 It was proposed that a sale of the international business and the trading rights excluding the UK & Eire could be sold to one party and the UK & Eire rights, web business and certain target stores could be sold in a separate transaction to another party.
- 3 34 Detailed discussions took place between all parties and sale agreements were progressed. However, despite the best endeavours of the Joint Administrators it was not possible to combine the offers as originally discussed.
- 3 35 A sale of the world-wide trading rights, International business and web assets was completed on 30 June 2016 to BHS IL an unconnected third party.
- 3 36 The sale included the transfer of 17 staff who worked in the international business and some members of the senior BHS management board were retained by the Purchaser.
- 3 37 Details of the assets subject to the sale are as follows

Business Intellectual Property	2,265,990
Goodwill, Customer Contracts, Books and Records	3
International Equipment	33,995
Web Assets	199,990
	<u>2,499,978</u>

- 3 38 In addition to the above stock specifically assigned to the International business including a significant amount of slower moving stock with a cost value of £839,356, was sold to BHS IL for £500,000
- 3 39 SHB Services Limited and BHS Group Limited were also party to the agreement to capture the sale of any intellectual property owned by these parties
- 3 40 As part of the sale the Company was granted a licence at nil consideration to continue to trade using the BHS brand and intellectual property until 30 September 2016 to allow the Joint Administrators to complete the orderly wind-down
- 3 41 BHS IL also consented to the continued use of the web domain for trading purposes which allowed the Joint Administrators to maximise the realisations from the remaining web stock
- 3 42 The Joint Administrators granted the Purchaser a licence to occupy certain areas of the head office for a period of six months and allowed BHS IL the continued use of certain infrastructure to the extent it was being retained for the benefit of the Administration

International Franchise Debtors

- 3 43 As detailed in the Proposals, £6 5m was outstanding at the Appointment Date
- 3 44 In order to maintain and preserve the international business whilst a sale was pursued, stock with a value of £1 3m at cost was sold to the franchisees
- 3 45 To date £4 5m has been received and agreements have been secured regarding a further £1 7m
- 3 46 Discussions and recovery actions are on-going and a further update will be provided in the next report

Inter-Company Debtors

- 3 47 The Company is owed the following amounts from Group companies

	£'000
Carmen Properties	4,817
BHS Group	48,793
	<u>54,610</u>

- 3 48 At this stage it is uncertain whether Carmen Properties will have the ability to repay the amount owed. It is understood that property sales are in process which could provide Carmen Properties with liquidity
- 3 49 The Company is the sole unsecured creditor of BHS Group. It is currently unknown if there will be funds available to the Company from BHS Group which will be dependent upon future realisations from any successful antecedent transaction claim
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Other Debtors

- 3 50 At the Appointment Date amounts were due to the Company from various trading related third parties. This was in respect of various items including rebates, concession income and consumable disposals.
- 3 51 To date, amounts totalling £1,002,761 have been collected.
- 3 52 Collections are still underway and a further update will be provided in the next report to creditors.

Freehold and Leasehold Property

- 3 53 The Company held the freehold, long leasehold and leasehold interest in 141 properties of which 135 were used for trading purposes.
- 3 54 Prior to the orderly wind-down and due to their extensive background knowledge and experience of the property portfolio, Savills were engaged to carry out a valuation of the property portfolio that could be used to benchmark any offers received and also provide an indication of the level of likely realisations in any wind-down.
- 3 55 During the extensive process of marketing the business and assets, the Property Agents were engaged on a joint agency basis to market the properties for sale, in the event that a sale of the business and assets as a going concern could not be completed.
- 3 56 Prior to the involvement of the Joint Administrators the Company was in the process of negotiating a sale of its long leasehold interest in the Milton Keynes property to the landlord.
- 3 57 The Joint Administrators revisited this and due to the uncertainty created by the Administration, the offer was reduced substantially. The Property Agents began negotiations with other parties, however, discussions with the landlord continued during this time and an agreement was reached at a revised level. The terms of the new deal agreed with the landlord, including continued occupation for the benefit of the Administration, were fully supported by the Property Agents.
- 3 58 Hermes CMK Nominees No1 Limited completed on 21 July 2016 for £10,000,000 + vat. The purchaser is an independent unconnected third party who took independent legal advice during the sale.
- 3 59 The property was subject to the Grovepoint charge and the net sale proceeds were remitted to Grovepoint under the terms of its security.
- 3 60 During the marketing process a number of landlords expressed an interest in paying a premium if the Company agreed to a surrender of the lease back to them to enable them to re-let or redevelop the properties.
- 3 61 In the initial period of the sale process the level of interest was high, however, following the announcement of the orderly wind-down and the result of the subsequent Brexit referendum, levels of interest reduced significantly.
- 3 62 To date the Joint Administrators have realised premiums on 4 stores totalling £680,000 and a premium agreed prior to their appointment totalling £633,136 has been received into the Administration account.
- 3 63 In addition to the lease premiums secured the Joint Administrators have negotiated a number of surrenders. Amounts totalling £5.6m that would have ranked as an expense of the Administration in certain circumstances and £55.9m that would have been admitted as an unsecured claim have been mitigated which has increased amounts available to unsecured.

creditors

- 3 64 In order to achieve the premiums and as a condition of the surrenders, additional site clearance costs of £146,786 were incurred
- 3 65 A sale of certain fixtures & fittings was completed to a landlord for £17,500 as part of one of the surrenders

Sub-Tenant Rent

- 3 66 The Company had entered into a number of sub-leases with various occupiers of stores or parts of stores that the business did not use for trading
- 3 67 Amounts totalling £268,606 have been received in the Reporting Period
- 3 68 Bellrock Facilities Management who managed the invoice and collection process have been retained to collect outstanding amounts
- 3 69 A further update will be provided in the next report to creditors

Chattel Assets

- 3 70 As part of the initial sales and marketing process the Agents were engaged to value the chattel assets of the Company located at non-retail store locations. The purpose of the valuation was to benchmark any offers received
- 3 71 Following the announcement of the orderly wind-down, the instruction was extended to include handling the sale of the unencumbered chattel assets at those locations
- 3 72 The Agents marketed and invited offers for the assets then completed a number of sales both on-line and by private treaty
- 3 73 Chattel asset realisations can be summarised as follows,

	£
Plant & machinery	17,500
Chattel Assets	137,024
Motor Vehicles	40,000
Stock & Samples	20,478
	<u>215,002</u>

Store Fixtures, Fittings and Equipment

- 3 74 During the orderly wind down the Retail Agents were instructed to sell the store fixtures and fittings in-situ as the costs of removing these to a central location for sale would outweigh the benefit
- 3 75 Amounts totalling £929 897, were received from the sale of these assets

Rates Refunds

- 3 76 Prior to the Appointment Date the Company had appointed independent Rates Agents to review and secure reductions or recover any overpayments in respect of business rates. This engagement was continued by the Joint Administrators, and to date, £615,583 has been recovered in respect of 40 properties

3 77 The Joint Administrators have recently engaged Hilco Profit Recovery Limited to complete a second review of the property portfolio, on a contingency fee basis

3 78 Further refunds are anticipated, however, the quantum is unknown at present

Cash at Bank

3 79 As at the Appointment Date, the Company had cash at bank of £10.1m, which was held at Barclays

3 80 Under the terms of the Bank's security, overdrawn balances and all outstanding bank charges and interest of other Group companies were offset against this figure, which resulted in a reduction to £8.8m

3 81 During the trading period gift vouchers totalling £971,841 were redeemed in stores as a method of payment for goods. For the purposes of the Receipts and Payments account the value of these vouchers has been off-set as the Company had the benefit of the cash prior to the appointment

3 82 The net cash at bank shown in the Receipts & Payment was £7,976,842

3 83 Following the appointment these funds were used to make payments totalling £6,663,669 in respect of the April payroll

Credit Card Funds in Transit

3 84 An amount of £6.7m in respect of card receipts was outstanding as at the Appointment Date

3 85 The Joint Administrators were able to secure the support of Worldpay and continue to utilise the merchant services facilities during the Administration

3 86 In order to mitigate Worldpay's exposure it was agreed they would withhold £5m to cover any legitimate customer claims under Section 75 of the Consumer Credit Act 1974 or charge back claims. This was an increase from the £3.5m previously held

3 87 Amounts totalling £4.9m have been released and the balance will be released monthly with the final amount due to be received in February 2017

3 88 The Joint Administrators continue to work with Worldpay to mitigate claims against this bond. Further updates will be provided in future reports

Cash In Transit / Floats

3 89 There was £3.8m cash in transit or in stores at the Appointment Date

3 90 This was remitted to the Joint Administrators throughout the Administration including ongoing cash takings

3 91 This balance has been received in full

Utility Bonds

3 92 The Company provided bonds totalling approximately £2.9m to its utility providers, to secure the ongoing supply to all stores and head office

3 93 The bonds are subject to deduction for any unpaid amounts at the Appointment Date and any liability arising as a result of the termination of the supply contracts

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- 3 94 The Joint Administrators are liaising with the suppliers to ensure any deductions are mitigated where possible
- 3 95 Although the Joint Administrators have settled the liabilities in respect of the trading period, certain accounts remain open for the purpose of securing property realisations
- 3 96 A further update will be provided in future reports

Duty Deferment Bond

- 3 97 Barclays provided a Duty Deferment Guarantee to the Company totalling £1m. The Guarantee was cash backed and Barclays held £1m in a separate account to cover this liability
- 3 98 Notice to cancel the Guarantee was received from HMRC shortly after the Appointment Date. Following deductions for amounts owed, £714,657 was received into the Administration estate during the Reporting Period

Letters of Credit

- 3 99 According to Company records, documented letters of credit totalling c£433,000 in respect of four overseas suppliers and standby letters of credit in respect of 18 UK suppliers with a value of approximately £10.2m, were issued to secure on-going stock deliveries. Funds to cover this exposure were held in a separate account with Barclays
- 3 100 It had been necessary for the Company to provide these guarantees as suppliers were unable to secure credit insurance and would not supply goods without sufficient security
- 3 101 All suppliers have called upon the letters of credit issued and the Joint Administrators have been notified that funds totalling £2.7m are to be returned to the estate as part of the account closure process
- 3 102 DLA have been engaged to review the amounts claimed by suppliers and to assist with the recovery of any over claimed amounts

Other Assets

- 3 103 Gross bank interest of £28,762 has been received in the Reporting Period
- 3 104 An insurance settlement of £2,140 has been received in the Reporting Period
- 3 105 Sundry refunds of £24,390 have been received in the Reporting Period

4. Investigations

- 4 1 The Joint Administrators' investigations into the Company's affairs are currently ongoing
- 4 2 Following the insolvency of the wider BHS Group there are now a number of high profile public investigations currently underway
- 4 2 1 TIS has launched an investigation into the extent to which the conduct of the directors of the Company led to the Administration. It has been widely reported in the media that TIS estimate that due to the complexity of the investigations 10% of their resource is committed to this investigation,
- 4 2 2 TPR has opened an anti-avoidance investigation in relation to the two defined benefit pension schemes,

-
- 4 2 3 The Business, Innovation and Skills Committee of Parliament has launched an inquiry into the sale of the Companies to Retail Acquisitions Limited in March 2015, and
- 4 2 4 The Business, Innovation and Skills Committee and Work and Pensions Committee of Parliament are collating evidence in relation to the pension liabilities of the Company
- 4 3 The Joint Administrators have been asked to assist with various enquiries and provide substantial information and evidence to assist the above investigations. These requests have taken the form of informal requests and legal requests compelling the Joint Administrators to comply with the request
- 4 4 The Joint Administrators have been asked by TIS, TPR and the PPF to provide information about the wider BHS Group for the investigations and reviews they are undertaking. TPR has served a Section 72 notice under the Pensions Act 2004 on the Joint Administrators (acting for the Company) seeking copies of Company books and records including electronic media
- 4 5 In addition to being legally required to co-operate with the above investigations, it is a statutory requirement that the Joint Administrators provide a report to the Secretary of State on the conduct of the Directors in their management of the Company, and the other Group companies which they have been appointed. This involved a broad level of investigation to ensure that best practice standards were met
- 4 6 Since their appointment, the Concurrent Administrators have had conduct of all investigations which may or may not lead to any claims for the benefit of creditors'
- 4 7 To avoid duplication and minimise the costs to creditors it was been agreed' that the Concurrent Administrators would review the work progressed by the Joint Administrators' into the period post the acquisition of the Company by RAL in March 2015
- 4 8 To date the Joint Administrators' work has primarily concentrated on
- Securing and listing relevant Company books and records,
 - Securing mobile phones, laptops, PDAs and other hardware from the directors and senior management and imaging the contents,
 - Corresponding with Directors and senior management to obtain an understanding of certain transactions and events,
 - Arranging meetings and interviewing Directors and senior management,
 - Meeting with, and obtaining explanations and copy documentation from, the Company's professional advisers in respect of key transactions entered into by the Company,
 - Analysing financial information, books and records,
 - Meeting with The Insolvency Service, TPR and the PPF to co-ordinate the various investigations outlined above, and
 - Assisting the Concurrent Administrators including the transfer of information and accrued knowledge
- 4 9 The Joint Administrators have involved specialist Forensic IT staff from the Canadian member firm of Duff & Phelps (Duff & Phelps Canada Limited) to undertake collection, imaging and storage of data from Company servers and directors/management electronic devices. They are also involved with searching, processing and categorising that data as part of the investigations and in providing information to TIS and TPR
- 4 10 Specialists have been required to ensure that data collection and preservation meets the strict approved protocol to ensure that any information relating to any future claims is admissible as evidence in the investigation and Court if necessary
-

- 4 11 In line with the Joint Administrators' legal and statutory obligations, contemporaneous data has been preserved to form the basis of future claims, which have the potential to result in significant realisations for the benefit of creditors
- 4 12 The Joint Administrators and their legal advisors are in the process of agreeing the handover of all investigatory matters to the Concurrent Administrators and expect to conclude matters before any move to CVL
- 4 13 The overall investigations are on-going and will continue following the move to CVL
- 4 14 Attached at Appendix 5 is the Concurrent Administrators' report to creditors

5 Dividend Prospects / Prescribed Part

Secured Creditors

Arcadia

- 5 1 The Company granted a debenture, containing a floating charge, to Arcadia covering all assets (excluding certain property assets) and undertaking of the Company. The charge was created on 14 April 2015 and registered on 23 April 2015
- 5 2 The charge was granted in accordance with the agreement for the sale of the entire share capital of BHS Group on 11 March 2015 and the write-off of £215 million of intercompany debt due to Arcadia. The floating charge secures a debt of up to £40 million due to Arcadia. The debt outstanding at the Appointment Date was £35,014,449
- 5 3 The validity of Arcadia's charge has been confirmed by DLA, however, we understand that the Concurrent Administrators are investigating additional matters which they say may impact on the validity
- 5 4 Amounts totalling £1,047,963 were deemed distributed under the floating charge security during the Reporting Period following the payment of the liability arising from the voluntary redundancy process, which commenced prior to the Appointment Date. These monies were paid direct to the employees
- 5 5 It is anticipated that the secured debt will be repaid in full from floating charge realisations

Grovepoint

- 5 6 The Company has granted a legal charge dated 11 September 2015 to Grovepoint over a property portfolio covering freehold and leasehold properties
- 5 7 Grovepoint's overall indebtedness included further amounts advanced to other Group companies secured by various legal charges over property interests within the Group
- 5 8 This totalled £18,998,000 at the Appointment Date
- 5 9 All companies party to the Grovepoint facility provided cross-corporate guarantees to secure the Group liabilities
- 5 10 During the Reporting Period Grovepoint were paid £10m by the Company following the sale of property and the remaining indebtedness of £10.4m was repaid in full by SHB Properties from a sale of property

GB Europe

- 5 11 The Company has granted a legal charge dated 4 February 2016 to GB Europe over a leasehold property in Bristol. This charge secured a principal debt of £9,418,438 as at the Appointment Date, subject to interest and charges
- 5 12 Following the announcement of the orderly wind-down, GB Europe appointed LPA Receivers who have taken control of the marketing process
- 5 13 The Joint Administrators' will provide an update on the position following any sale by the LPA Receiver to avoid prejudicing the current sale process

Barclays

- 5 14 The Company has granted three charges over credit balances held on bank accounts to Barclays (dated 1 May 2015) and 4 June 2015. Please refer to section 3.79 regarding the offset of credit balances on Barclay's accounts
- 5 15 Barclays has no outstanding amounts due under its security

Preferential Creditors

- 5 16 Following the appointment, in order to maintain the goodwill of the staff and continue to trade the stores with minimal disruption, the April payroll, due immediately, was honoured in full
- 5 17 The arrears of pay for the period prior to the Appointment Date totalling £5,266,344 were paid in full. Of this amount it is estimated that £4,123,310 would have ranked as a preferential claim
- 5 18 The holiday year commenced on 1 April 2016 and arrears of holiday pay were calculated in the final payroll and paid as an expense of the Administration. These amounts would rank as a preferential claim which would be paid in full
- 5 19 The preferential liability is estimated at £2,500 in respect of employees made redundant on the Appointment Date
- 5 20 It is likely that a significant element of the preferential claim will be employees' claims which are mostly subrogated to the Secretary of State, following payment by the RPS
- 5 21 There will be sufficient realisations to enable any further preferential claims to be paid in full

Prescribed Part

- 5 22 The Company granted a floating charge to Arcadia on 14 April 2015 and the Prescribed Part provisions will apply
- 5 23 The Joint Administrators' estimate of the net property of the Company is in excess of £3m, therefore the Prescribed Part of the net property for unsecured creditors will be the statutory maximum of £600k
- 5 24 Should all secured creditors be repaid in full, the Prescribed Part provisions will not apply

Non-Preferential Creditors

- 5 25 According to the books and records of the Company, non-preferential creditors total £48.5m, claims received to date total £661m which includes the pension scheme at £571m. However, this excludes any landlord claims which were previously estimated based on the CVA

- 5 26 It is estimated that unsecured creditors are likely to receive a dividend of approximately 2 to 8 pence in the pound including the Prescribed Part. The final figure is dependent on further asset realisations, costs of the Administration and the quantum of creditor claims, once adjudicated. It is anticipated that the dividend will be paid once the Company has been placed into CVL.

6. Joint Administrators' Receipts and Payments Account

- 6 1 A detailed Receipts and Payments Account, for the Reporting Period is shown in Appendix 2
- 6 2 As at 24 October 2016 there was a cash balance of £68,290,675

7 Pre-Administration Costs

- 7 1 At the creditors' meeting, held on 23 June 2016, the following amounts in respect of Pre-Administration costs (plus VAT) were approved by the creditors, to be paid out of the assets of the Company. In respect of Weil, Gotshal & Manges and DLA the amounts approved reflect a 25% and 10% reduction, from their total time costs incurred respectively, as resolved by creditors.

Name of Recipient	Brief Description of Services Provided	Date paid	Total Amount Approved and paid (£)
Duff & Phelps	Pre-appointment time costs	2 August 2016	189,027 50
Duff & Phelps	Disbursements subsistence and travel		6,760 60
Weil, Gotshal & Manges	Solicitors – Preparation of appointment documents and provision of ad-hoc advice	1 August 2016	88,112 25
Harbottle & Lewis LLP	Solicitors – PR work	4 May 2016	8,765 00
DLA	Solicitors – Preparatory work in advance of the appointment	12 August 2016	30,000 00
Total Pre Administration costs paid			315,904 75

These costs were drawn in full on the dates shown

8. Joint Administrators' Costs and Expenses

- 8 1 The Joint Administrators' basis of remuneration was fixed, at the creditors' meeting held on 23 June 2016, on the basis of the Joint Administrators' time costs which are to be reduced by 15% in relation to Administration & Planning work incurred up to 23 June 2016 and by 15% (based on Duff & Phelps current regional charge-out rates) for all ongoing work undertaken from 23 June through to the end of the Administration. These fees are to be drawn with the prior approval of the majority of voting creditors by value.
- 8 2 The time costs charged in the period since appointment by Joint Administrators are as analysed at Appendix 3. Time has been charged in six minute units.
- 8 3 The total time costs incurred by the Joint Administrators to 21 October 2016 are £4,119,823 representing 13,381 hours with an average charge out rate of £307 88.

- 8 4 The time costs charged in the period since appointment by Joint Administrators are as analysed at Appendix 3. Time has been charged in six minute units.
- 8 5 A total of £3,256,143 has been paid in the period in respect of the Joint Administrators' gross post appointment time costs of £3,513,393 at 31 August 2016. Details of payments are shown on the Receipts and Payments Account at Appendix 2.
- 8 6 The Joint Administrators have exceeded the current fee estimate and have called a meeting of creditors by correspondence on Tuesday 15 November 2016 to consider an increase of the fee estimate to £5,278,550 which includes a £750,000 increase to include the Concurrent Administrators fee estimate.
- 8 7 A copy of the fee estimate which includes further detail on the areas of the Administration in which the fee estimate has been exceeded is included at Appendix 4.
- 8 8 The Joint Administrators have incurred expenses and disbursements in dealing with the Administration of the Company and these are detailed in Appendix 3.
- 8 9 Since the end of the Reporting Period, the Joint Administrators have paid £126,190 plus VAT in respect of expenses incurred in the Reporting Period, which are in relation to the Agent's asset valuation and realisation costs.
- 8 10 Further details will be included in the next report to creditors.
- 8 11 In accordance with the resolution approved at the meeting of creditors' on 23 June 2016, the fees paid to DLA will be their time costs less 10%.
- 8 12 The Joint Administrators have also applied the 10% discount to the Agents time costs.
- 8 13 Information regarding the fees and disbursements of Administrators, including details of the Duff & Phelps' disbursements policy and hourly charge out rates for each grade of staff that may undertake work on this case, is in a document called "A Creditors' Guide to Administrators' Fees". This can be viewed and downloaded from the Joint Administrators' website at <http://www.duffandphelps.com/uk-restructuring/creditor-guides>. Should you require a copy, please contact this office.
- 8 14 In accordance with Rule 2.48A of the Rules, Secured Creditors and unsecured creditors (with the concurrence of at least 5% in value of total unsecured creditor claims) or with the permission of the Court, may make a request in writing for further information about the remuneration or expenses set out in this progress report. This should be done within 21 days receipt of this report, after which the Joint Administrators have 14 days to respond.
- 8 15 In addition to the above, any Secured Creditor, or any unsecured creditor (with the support of at least 10% in value of the total unsecured creditors) or with the permission of the court, may apply to the Court on the grounds that the remuneration or basis fixed for the Administrators' remuneration or the expenses incurred by the Joint Administrators are considered to be excessive. In accordance with Rule 2.109 of the Rules, this application must be made no later than eight weeks after receipt of the Progress Report, where the charging of the remuneration or the incurring of expenses in question occurs.
- 9. Concurrent Administrators' Costs and Expenses**
- 9 1 The time costs, disbursements and expenses charged in the period since appointment are provided by the Concurrent Administrators at Appendix 5.

10. Conclusion and Ending the Administration

- 10 1 There are sufficient realisations to enable a distribution to non-preferential creditors, thus the Joint Administrators in accordance with the modified Proposals are taking steps to move the Company onto CVL
- 10 2 At the creditors' meeting held on 23 June 2016, creditors resolved that Geoffrey Rowley and Anthony Wright of FRP Advisory LLP, 110 Cannon Street, London, EC4N 6EU be appointed Joint Liquidators of the Company on the conclusion of the Administration

11. Next Report

- 10 1 The Joint Administrators are required to provide a Progress Report within one month of the end of the each six months of the Administration
- 10 2 On present information, the final report to creditors will be circulated following the move to CVL and is likely to be within the next 21 days
- 10 3 If you have any queries or require any further assistance, please do not hesitate to contact my colleague Galina Vassilyeva of Duff & Phelps or Patrick Donnan of FRP



Philip Duffy
Joint Administrator

The affairs, business and property of the Company are being managed by the Joint Administrators, Philip Duffy and Benjamin Wiles and the Concurrent Administrators Tony Wright and Geoff Rowley, who act as agents for the Company and without personal liability Both are licensed by the Insolvency Practitioners Association

Appendix 1

Statutory Information

Statutory Information

Date of Incorporation	12 April 1928
Registered Number	00229606
Company Director(s)	Dominic Chandler (resigned 6 July 2016) Dominic Chappell Lennart Henningson (resigned 8 September 2016) Darren Topp
Company Secretary	Emma Reid (resigned 13 July 2016)
Shareholders	BHS Group Limited – 214,530,881 Ordinary Shares
Trading Address	129-137 Marylebone Road London
Registered Office	Current: c/o Duff & Phelps Ltd The Shard 32 London Bridge Street London Former 129-137 Marylebone Road London
Any Other Trading Names	BHS British Home Stores

Appendix 2

Joint Administrators' Receipts and Payments Account

SHB Realisations Limited (formerly BHS Limited)
(In Administration)
Joint Administrators' Trading Account

Statement of Affairs	From 25/04/2016 To 24/10/2016	From 25/04/2016 To 24/10/2016
POST APPOINTMENT SALES		
Sales	44,346,369 16	44,346,369 16
Credit Card Sales	139,899,667 17	139,899,667 17
Jersey GST	(121,735 90)	(121,735 90)
Change Orders	(147,250 00)	(147,250 00)
Voucher Income	1,263,031 65	1,263,031 65
Miscellaneous Income	15,229 94	15,229 94
	<hr/> 185,255,312 02	<hr/> 185,255,312 02
PURCHASES		
Stock	4,668,933 85	4,668,933 85
Concessions	28,941,052 58	28,941,052 58
Duty and Freight	444,750 65	444,750 65
Food	982,967 51	982,967 51
	<hr/> 35,037,704 59	<hr/> 35,037,704 59
OTHER DIRECT COSTS		
Warehousing & Logistics	13,595,713 51	13,595,713 51
Customer Care	93,944 31	93,944 31
	<hr/> 13,689,657 82	<hr/> 13,689,657 82
TRADING EXPENDITURE		
Contractors & Freelancers	583,993 20	583,993 20
Store Property Costs	34,514,029 68	34,514,029 68
Charities	232,848 32	232,848 32
Employee Pension Contributions	928,378 45	928,378 45
Store Trading Costs	5,415,114 13	5,415,114 13
Licensing	196,558 87	196,558 87
Credit Card Merchant Fees	687,158 60	687,158 60
Professional Fees	313,473 19	313,473 19
PAYE/NI	4,677,588 76	4,677,588 76
Shared Services	1,016,555 04	1,016,555 04
Store Consultants Costs	1,285,000 00	1,285,000 00
Bank Charges	141,035 57	141,035 57
Hire of Equipment	60,266 74	60,266 74
Repairs & Maintenance	1,446 90	1,446 90
Sundry Expenses	500 00	500 00
Cash Collection	79,116 60	79,116 60
Vehicle Running Costs	239,880 80	239,880 80
Other Staff Costs	114,165 47	114,165 47
IT Services	5,472,900 52	5,472,900 52
Staff Expenses	279,036 95	279,036 95
Employee Wages	24,934,660 26	24,934,660 26
Security Costs	355,991 29	355,991 29
Pre-Appointment Insurance	63,050 00	63,050 00
Other Payroll	15,907 11	15,907 11
PR & Marketing	203,952 45	203,952 45
ROT Claim Settlement	2,718,210 24	2,718,210 24
Furniture Deposit Refund	31,664 16	31,664 16
	<hr/> 84,562,483 30	<hr/> 84,562,483 30
TRADING SURPLUS/(DEFICIT)	<hr/> 51,965,466 31	<hr/> 51,965,466 31

SHB Realisations Limited (formerly BHS Limited)
(In Administration)
Joint Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 25/04/2016 To 24/10/2016	From 25/04/2016 To 24/10/2016
SECURED ASSETS		
Leasehold Land & Property	10,000,000 00	10,000,000 00
Goodwill	2 00	2 00
Intellectual Property	2,446,057 00	2,446,057 00
Gross bank interest - fixed account	408 60	408 60
Contracts	1 00	1 00
Customer Database	1 00	1 00
	<hr/> 12,446,469 60	<hr/> 12,446,469 60
COSTS OF REALISATION		
Agents/Valuers Fees	50,000 00	50,000 00
Legal Fees	956 00	956 00
Site Clearance Costs	146,785 70	146,785 70
Fixed bank charges	2 55	2 55
	<hr/> 197,744 25	<hr/> 197,744 25
SECURED CREDITORS		
Grovepoint	10,000,000 00	10,000,000 00
	<hr/> 10,000,000 00	<hr/> 10,000,000 00
ASSET REALISATIONS		
Business Rates refund	615,582 75	615,582 75
Leasehold Premiums	680,000 00	680,000 00
Plant & machinery	17,500 00	17,500 00
Furniture & Equipment	106,749 82	106,749 82
Store Fixtures and Fittings	929,896 69	929,896 69
Motor Vehicles	40,000 00	40,000 00
Stock	520,478 26	520,478 26
Chattel assets	41 67	41 67
Book Debts	1,002,760 96	1,002,760 96
Letters of Credit Balances	10,468 40	10,468 40
International Franchise Book Debts	4,569,929 92	4,569,929 92
International Equipment	33,995 00	33,995 00
Web Assests	19,920 00	19,920 00
Insurance Settlement	2,140 06	2,140 06
Cash at Bank	7,976,842 80	7,976,842 80
Cash in Transit & Stores	3,803,131 00	3,803,131 00
HMRC Bond	714,657 08	714,657 08
Credit Card Cash in Transit	4,586,096 62	4,586,096 62
Bank Interest Gross	28,353 75	28,353 75
Concession Income in Transit	18,593 71	18,593 71
Sundry Refunds	24,390 78	24,390 78
Books & Records	0 00	0 00
TRADING SURPLUS/(DEFICIT)	51,965,466 31	51,965,466 31
Subtenant Rent	268,606 10	268,606 10
Pre-Appointment Lease Surrender Pre	633,136 38	633,136 38
	<hr/> 78,568,738 06	<hr/> 78,568,738 06

SHB Realisations Limited (formerly BHS Limited)
(In Administration)
Joint Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 25/04/2016 To 24/10/2016	From 25/04/2016 To 24/10/2016
COST OF REALISATIONS		
Debt Collection Costs	29,083 80	29,083 80
Security Costs	4,755 00	4,755 00
Payments on behalf of group Companies	439 21	439 21
Pre Insolvency Remuneration	189,027 50	189,027 50
Pre Insolvency Disbursements	6,760 60	6,760 60
Refunds and Repayments	49,106 17	49,106 17
Joint administrators' remuneration	3,321,474 10	3,321,474 10
Joint administrators' disbursements	128,590 35	128,590 35
Agents/Valuers Fees	181,457 69	181,457 69
Agents/Valuers Disbursements	17,184 88	17,184 88
Legal Fees	991,959 53	991,959 53
Legal Disbursements	30,218 45	30,218 45
Legal fees pre insolvency	126,877 25	126,877 25
Investigation Costs – IT Systems	540,465 00	540,465 00
Stationery & Postage	26,124 62	26,124 62
Employment Rights Consultants	193,880 00	193,880 00
Storage Costs	35,264 99	35,264 99
Statutory Advertising	169 20	169 20
Insurance of Assets	1,234,734 32	1,234,734 32
Bank Charges	13,132 20	13,132 20
International Tax	24,290 03	24,290 03
	<hr/> 7,144,994 89	<hr/> 7,144,994 89
 PREFERENTIAL CREDITORS		
Preferential Claim	4,123,310 02	4,123,310 02
	<hr/> 4,123,310 02	<hr/> 4,123,310 02
 FLOATING CHARGE CREDITORS		
Floating Charge Creditor	1,047,962 54	1,047,962 54
	<hr/> 1,047,962 54	<hr/> 1,047,962 54
	 <hr/> 68,501,195 96	 <hr/> 68,501,195 96
 REPRESENTED BY		
VAT Receivable	2,372,594 67	2,372,594 67
Fixed bank account	2,481,757 05	2,481,757 05
Floating/main current account	65,302,101 36	65,302,101 36
Floating charge No2 Properties	506,817 00	506,817 00
Jersey GST Receivable	0 00	0 00
Fixed charge VAT payable	(2,000,000 00)	(2,000,000 00)
VAT payable	(162,074 12)	(162,074 12)
	<hr/> 68,501,195.96	<hr/> 68,501,195 96

Appendix 3

Analysis of Time Charged and Expenses Incurred by the Joint Administrators.

SHB Realisations Limited (Formerly BHS Limited) (In Administration)

Progress Report to Creditors

18 November 2016

69642 - SHB Limited (In Administration)

ANALYSIS OF TIME COSTS FOR THE PERIOD 25/4/2016 to 21/10/2106

ADM- Admin - Post Appt

Classification of Work Function	Hours					Total Hours	Time Costs (£)	Avg Hourly Rate (£)
	Partner	Manager	Senior	Assistant	Support			
Administration and Planning								
Case review and Case Diary management	48 00	39 00	21 00	70 00	1 00	179 00	53 480 00	298 77
Cashiering & accounting	0 00	15 00	644 00	213 00	0 00	872 00	105 598 50	121 10
Dealings with Directors and Management	1 00	14 00	0 00	6 00	0 00	21 00	11,948 50	568 98
IPS set up & maintenance	0 00	1 00	1 00	24 00	0 00	26 00	1 213 50	46 67
Statement of affairs	0 00	15 00	0 00	1 00	0 00	16 00	2 494 00	155 88
Statutory matters (Meetings, Reports and Notices)	4 00	113 00	40 00	81 00	10 00	248 00	103,304 50	416 55
Strategy planning & control	57 00	70 00	10 00	76 00	0 00	213 00	105 015 25	493 03
Tax Compliance/Planning	2 00	19 00	22 00	8 00	0 00	51 00	14 460 00	283 53
Creditors								
Communications with Creditors/Employees	4 00	97 00	233 00	450 00	8 00	792 00	119,335 50	150 68
Non Pref Creditors/Employee claims handling	2 00	29 00	123 00	191 00	0 00	345 00	102 275 25	296 45
Pref claims adjudication and distribution	0 00	0 00	0 00	55 00	0 00	55 00	7 200 00	130 91
Secured Creditors	10 00	19 00	0 00	2 00	0 00	31 00	27 754 50	895 31
Investigations								
CDDA, reports & Communication	4 00	35 00	31 00	20 00	1 00	91 00	65 823 50	723 34
Financial review and investigations (S238/239 etc)	105 00	239 00	178 00	234 00	0 00	756 00	902 379 25	1193 62
FRP Related Matters	1 00	10 00	51 00	1 00	0 00	63 00	34 064 02	540 70
Realisation of Assets								
Book debts	0 00	64 00	196 00	151 00	0 00	411 00	48 541 25	118 11
Freehold & Leasehold Property	0 00	197 87	74 00	440 25	0 00	712 12	330 799 50	464 53
Hire Purchase and Lease Assets	0 00	6 00	0 00	0 00	0 00	6 00	312 00	52 00
Other Intangible Assets	0 00	2 00	31 00	0 00	0 00	33 00	5,508 50	166 92
Other Tangible Assets	0 00	15 00	49 00	10 00	1 00	75 00	28 584 50	381 13
Plant & Machinery & Fixtures & Motor Vehicles	0 00	7 00	4 00	1 00	0 00	12 00	1 179 00	98 25
Sale of Business	90 00	394 00	355 00	308 00	2 00	1149 00	410 209 50	357 01
Trading								
Trading - Accounting								
Trading - Employees	14 00	367 00	1881 00	1545 00	0 00	3807 00	486 968 00	127 91
Trading - Employees (Store Visits)	6 00	269 00	88 00	36 00	34 00	433 00	224 744 75	519 04
Trading - Insurance	0 00	45 00	24 00	7 00	0 00	76 00	14 560 50	191 59
Trading - Operations	30 00	524 00	1036 00	1046 00	12 00	2648 00	805397 50	304 15
Trading - Retention of Title Claims handling	0 00	28 00	94 00	138 00	0 00	260 00	106,672 00	410 28
Total Hours.	378 00	2,633 87	5,186 00	5,114.25	69 00	13,381 12		307 88
Total Fees Claimed (£)							4,119,823 27	

SHB Realisations Limited (Formerly BHS Limited) (In Administration)

Progress Report to Creditors

18 November 2016

BHS Limited (In Administration)
Administrators' Estimated Expenses for the Period of Administration to 21 October 2016

Notes	Company (if already instructed)	Activity	Date of Instruction	Fee Basis	Anticipated Total Cost	Revised Estimate	Paid to date
					£	£	£
	Professional Advisors						
	DLA Piper	Solicitors Assistance with investigations Sale of Business Property disposals and sundry investigations and data preservation General Administration assistance	Apr 16	Time costs	2 289 670 00	2 500 000 00	919 415 00
	Carey Olsen	Solicitors Assistance with Jersey Legal matters	May 16	Time costs		23 500 00	20 168 50
	Hill Dickinson	Solicitors Assistance with Collection of Book Debt	Jul-16	Time costs		30 000 00	14 000 00
	Brodies LLP	Solicitors Assistance with the assignment of the Alcohol Licences	Apr 16	Fixed Fee		23 500 00	23 374 00
	Harbottle & Lewis LLP	Solicitors Specific Directors Legal Advice		Fixed Fee		3 170 00	3 170 00
	Savills	Valuation of properties and provision of ad-hoc advice	Apr 16	Fixed Fee	70 000 00	100 000 00	100 000 00
	Savills	Joint Agency Sale of Properties	Jun-16	0.5% of property realisations	TBC	180 000 00	0 00
	CBRE	Joint Agency Sale of Properties	Jun-16	0.5% of property realisations	TBC	80 500 00	50 000 00
	ERA Solutions	Assistance with dealing with employee claims	Apr 16	Fee of £30 per employee	210 000 00	195 000 00	193 880 00
	GL Hearn	Review of rates payments and obtaining refunds of over-payments	Apr 16	10% of realisations	0 - 100 000	0 - 100 000	
	Allsops	Review of rates payments and obtaining refunds of over-payments	Apr-16	10% of realisations	0 - 100 000	0 - 100 000	
	Smithfields	PR dealing with media enquiries	Apr 16	Time costs subject to 15% discount	100 000 00	120 000 00	114 602 00
	Ernst & Young	General Tax advice	Sep-16	Time costs subject to a 30% discount	10 000 00	25 000 00	
	Ernst & Young	Preparation of Corporation Tax returns	Oct-16	Fixed Fee		75 000 00	
	SIA Group	Valuation of chattel assets	May 16	Time costs		27 500 00	27 518 75
	SIA Group	Realisation of assets clearance and handover of Atherstone Warehouse and Head office buildings	Jun-16	Time costs subject to 15% discount		100 000 00	86 222 00
	Ansarda UK Limited	Sale of Business - Set up and hosting of on-line data room services	Apr-16	Fixed fee + Data hosting charges			64 166 04
	TDM	Storage of books and records	Apr 16	Based on volume of storage required		75 000 00	31 649 00
	MAPS	Provision of security services	Jun-16	Time costs	4 000 00		4 755 00
	Betrock	Facilities Management	Apr 16	Fixed Monthly Fee £45k per month	45,000 00	270 000 00	
	Hilco Profit Recovery	Review of rates payments and obtaining refunds of over-payments	Oct 16	10% of realisations		TBC	
	Total professional advisor costs				2,728,670.00	3,828,170.00	1,652,920.29
	Disbursements as at 30 September 2016						
	Category 1						
	Statutory advertising						
	Bond premium						
	Travel Costs					56 115 69	55,761
	Hotel					61 270 00	56 030 66
	Subsistence					16 105 52	16 034 00
	Total Category 1 disbursements				0 00	133,491 21	127 825 35
	Category 2						
	Mileage @ 45p per mile				900 00	1 665 00	765 00
	Total Category 2 disbursements				900.00	1 665.00	765.00
	Total Estimated Expenses				TOTAL £2,729 570 00	£3 963,326.21	£1 781 510.64

Appendix 4

Joint Administrators' Fee Estimate to Creditors

Fees and Costs Information to Creditors

31 October 2016

**SHB Realisations Limited
(Formerly BHS Limited)
(In Administration)**

**Duff & Phelps Ltd.
The Chancery
58 Spring Gardens
Manchester
M2 1EW**

BHS Limited (in Administration) ("the Company")
Fee Estimate for the whole period of the Administration
Dated 31 October 2016

Introduction

Philip Duffy and Benjamin Wiles were appointed ("the Existing Administrators") on 25 April 2016 by the directors of the Company subject to Paragraph 22 of Schedule B1 to the Insolvency Act 1986 (as amended)

Geoffrey Rowley and Anthony Wright ("the Concurrent Administrators") were appointed concurrent administrators at the request of the Pension Protection Fund in its capacity as a majority creditor by an order of the High Court on 22 July 2016

The Existing Administrators and the Concurrent Administrators are referred to as the Joint Administrators for the remainder of this report

Since their appointment, the Existing Administrators' continued to trade the business in Administration with all stores ceasing to trade on 28 August 2016. The Existing Administrators are in the process of finalising all trading matters.

The Joint Administrators' report to creditors and statement of proposals dated 6 June 2016 proposed the following resolutions in respect of the Joint Administrators' remuneration

- 13.1.1 That the Joint Administrators' remuneration, where a Creditors' Committee is not established, be fixed by reference to the time properly given by them and their staff in attending to matters arising in the Administration
- 13.1.2 That, where a Creditors' Committee is not established, the Joint Administrators' Fee Estimate in the total sum of £3,513,095 is approved
- 13.1.3 That the Joint Administrators be authorised, where a Creditors' Committee is not established, to draw their company's internal costs and expenses in dealing with the Administration ("Category 2 Disbursements")

The resolutions above were approved with the following modification at the meeting of creditors on 23 June 2016

- That the current Joint Administrators' time costs are reduced by 15% in relation to Administration & Planning work incurred to date and by 15% (based on their current regional charge-out rates) for all ongoing work undertaken from 23 June through to the end of the Administration. These are to be drawn with the prior approval of the majority of voting creditors by value. The time costs of DLA are to be reduced by 10% from the commencement of Administration through to the end of the Administration.

The Concurrent Administrators obtained creditor approval on 21 October 2016 to increase the Joint Administrators' Fee Estimate to £4,230,228 to incorporate their fees of £717,133 specifically relating to the Concurrent Administrators work stream. Separate commentary has been provided by the Concurrent Administrators in respect of this amount.

The Existing Administrators have reached their previously approved level of £3,513,095 and herein are seeking to increase the original fee estimate to £4,148,258. This represents the Existing Administrators full time costs since the start of the Administration at the discounted level proposed in the modification approved at the meeting of creditors.

A copy of the time report for the Existing Administrators (period 25 April 2016 to 21 October 2016) is included with this report.

The resolution is to amend the fee estimate of the Joint Administrators and includes the Concurrent Administrators time cost estimate increase of £717,133 which was recently approved for the duration of the Administration, at the discounted level as per the approved resolutions. The increase in the time cost estimate is subject to the agreed discount.

Whilst certain time headings may be under the original estimates, commentary on the main time headings where the estimate has been exceeded is provided below. The Existing Administrators are happy to provide further commentary on any other area where time has been incurred if required.

Estimated Fees

The Joint Administrators are seeking approval of the following resolution,

- An increase in the Joint Administrators' Total Fee Estimate from £ 4,230,228 to £5,278,550 (which will be subject to the agreed discount) is approved.

The Existing Administrators are seeking to increase the approval to draw fees to £4,148,258 an increase of £635,163 from the previously agreed fee estimate of £3,513,095. Amounts totalling £3,807,535 at the discounted rates have been incurred to date of which £3,321,474 has been drawn with the approval of creditors.

The Joint Administrators are working to bring the Administration to a close at the earliest opportunity. The above is provided as an estimate and should matters be concluded earlier than the 30 November 2016 time costs may be lower than revised fee estimate.

Should matters continue beyond the 30 November 2016 there may be a requirement for the Existing Administrators to revisit the above fee estimate and seek further approval from creditors.

Estimated Return to Creditors

On present information it is likely that there will be sufficient asset realisations to enable a distribution to both secured and non-preferential unsecured creditors, however, the quantum and timing of any distribution is wholly dependent on the outcome of future asset realisations and the deduction of the associated costs of the Administration. At this stage the Existing Administrators' best estimate of a dividend to non-preferential creditors is in the range of 2p - 8p in the £1 which assumes the pension scheme deficit is estimated at £571m.

Strategy

Trading

The Existing Administrators and their staff continued to trade the Company from the appointment date until 28 August 2016 when the last of the 163 stores closed. The Existing Administrators are in the process of reconciling the trading accounts and based on current estimates, continuing to trade the business has resulted in a trading surplus of c£50m for the benefit of creditors. This does not include professional fees incurred during the trading period.

This has required a significant on-site presence at head office to deal with all trading matters including stock, employees, concessionaires and other issues that have arisen.

Retail agents were engaged following a competitive tender exercise to assist the Existing Administrators in the orderly wind down process. They provided operational expertise at store level and centrally in terms of point of sale and discounting strategy. They were predominantly 'hands on' at store level.

On present information it is estimated that the Existing Administrators' time costs in trading the business will be increased from £1,532,025 to £1,801,116 of which £1,637,615 has been incurred to 21 October 2016. The increase is required as the Existing Administrators are continuing to reconcile and pay the accrued trading liabilities, finalising any concession and employee queries and working to complete matters as part of the transition to Liquidation.

Trading the business has enhanced stock realisations. As the orderly wind-down progressed gross product margins held higher than forecast, therefore trading continued longer than originally expected which has contributed to the increase in costs in this area.

Continuing to trade also enabled the Existing Administrators to pursue a going concern sale of the business and assets (including property interests) with the objective of maximising realisations for the benefit of creditors.

Asset Realisations

Following the Existing Administrators' appointment, the business and assets were marketed for sale. The Existing Administrators received significant interest from a number of parties. Various offers were received to purchase the business as a whole and the Existing Administrators commenced contract negotiations to complete the sale. Unfortunately the prospective purchasers were unable to complete a sale and on 2 June 2016 an orderly wind down of the business was announced.

Following the announcement of the orderly wind-down, levels of interest were revisited and a number of offers were actively pursued which resulted in a sale of the international business, worldwide trading rights and the web assets for a consideration of £2.5m.

Since a sale of the business as a going concern was not possible, the Existing Administrators instructed agents to realise the freehold and leasehold premises which are subject to various fixed and floating charges. Due to the marketing that is currently being undertaken the Existing Administrators are unable to disclose any valuations at this time. Sufficient information will be provided to creditors once this process is complete.

In addition the Existing Administrators have negotiated lease premiums for the benefit of the estate of £730,000 but equally important, savings in respect of potential rent which would be payable as an expense of the Administration of £2.25m. This is in addition to a significant reduction in non-preferential claims against the estate estimated at £80m which increases the return to non-preferential creditors. This increase is estimated to be between £1.6m and £6.4m.

The Existing Administrators have realised various other residual assets such as book debts, duty deferment bonds, letters of credit, cash balances, bonds held by service providers and contingent assets including realisations from claims against Visa/Mastercard and overpaid business rates.

In most areas other than where an independent valuation or specialist skillset such as property agency is required, these assets have been realised without the assistance of agents, however, due to the level of background knowledge and experience of similar situations it has required staff at a minimum grade of manager level to complete this work.

It is estimated that the Existing Administrators' time costs under the heading asset realisations will be increased from £611,100 to £878,914 of which £825,164 has been incurred to 21 October 2016. It should be noted of this increase this approximately £200,000 was incurred during the extensive negotiations in respect of the sale of business and freehold and leasehold property.

The Existing Administrators are continuing to realise the remaining assets including certain lease premiums, debtor balances and other amounts owed to the Company.

Total asset realisations for the period 25 April 2016 to 24 October 2016 will be detailed in the Joint Administrators' 6 month progress report which will be issued before 24 November 2016.

Creditors

The Company has c7,500 creditors totaling an estimated £1.3 billion. The Existing Administrators are dealing with a large number of creditors who fall into a number of different categories. These include insurance creditors, customers with outstanding part-prepaid orders particularly in respect of furniture, the

Pension Protection Fund, employees, concessionaires, trade suppliers both UK and overseas and a number of secured creditors

This work has involved calls and correspondence to creditors to explain the process, answering their questions, providing information to allow claims to be submitted, admitting each claim received and where possible working to agree claims to Company records whilst the financial systems and support remained in place. This has reduced the level of work to agree claims in the future.

Time costs are estimated to increase from £180,150 to £293,340 of which £264,740 has been incurred to 21 October 2016.

The Existing Administrators are continuing to respond to creditor requests and assist creditors with their claims.

Investigations

Following the insolvency of the BHS Group there are now a number of high profile public investigations currently underway.

- The Insolvency Service ("TIS") has launched an investigation into the extent to which the conduct of the directors of the company led to the Administration. It has been widely reported in the media that TIS estimate that due to the complexity of the investigations 10% of their resource is committed to this investigation,
- The Pension Regulator ("TPR") has opened an anti-avoidance investigation in relation to the two defined benefit pension schemes,
- The Business, Innovation and Skills Committee of Parliament has launched an inquiry into the sale of the Companies to Retail Acquisitions Limited in March 2015, and
- The Business, Innovation and Skills Committee and Work and Pensions Committee of Parliament are collating evidence in relation to the pension liabilities of the Company.

The Existing Administrators have been asked by The Insolvency Service, TPR and The Pension Protection Fund to provide information about the wider BHS Group for the investigations and reviews they are undertaking. TPR has served a Section 72 notice under the Pensions Act 2004 on the Existing Administrators (acting for the Company) seeking copies of Company books and records including electronic media.

In addition to being legally required to co-operate with the above investigations, it is a statutory requirement that the Joint Administrators provide a report to the Secretary of State on the conduct of the directors in their management of the Company, and the other Group companies which they have been appointed. This involved a broad level of investigation to ensure that best practice standards were met.

The Concurrent Administrators were appointed with the remit to carry out additional investigatory work into the Company's affairs and this is on-going.

To date the Existing Administrators' work has primarily concentrated on

- Securing and listing key Company books and records,
- Securing mobile phones, laptops, PDAs and other hardware from the directors and senior management and imaging the contents,
- Corresponding with directors and senior management to obtain an understanding of certain transactions and events,
- Arranging meetings and interviewing Directors and senior management,
- Meeting with, and obtaining explanations and copy documentation from, the Company's professional advisers in respect of key transactions entered into by the Company,
- Analysing financial information, books and records,
- Meeting with The Insolvency Service, TPR and the PPF to co-ordinate the various investigations outlined above, and
- Assisting the Concurrent Administrators including the transfer of information and accrued knowledge.

The Existing Administrators have involved specialist Forensic IT staff from the Canadian member firm of Duff & Phelps (Duff & Phelps Canada Limited) to undertake collection, imaging and storage of data from Company servers and directors/management electronic devices. They are also involved with searching, processing and categorising that data as part of the investigations and in providing information to TIS and TPR. The Fee Estimate includes the time of these staff members at the regional rates applied by the Existing Administrators agreed by creditors.

Specialists have been required to ensure that data collection and preservation meets the strict approved protocol to ensure that any information related to any future claims is admissible as evidence in the investigation and Court if necessary.

The Existing Administrators are in the process of transferring the investigatory matters over to the Concurrent Administrators, which involves finalising certain matters with the agreement of the Concurrent Administrators.

Much of the investigatory work undertaken to date has no immediately quantifiable financial benefit to creditors, however, in line with the Joint Administrators' legal and statutory obligations, contemporaneous data has been preserved to form the basis of future claims, which have the potential to result in significant realisations for the benefit of creditors.

Time costs are estimated to increase from £791,700 to £1,077,267 of which £1,002,267 has been incurred to date. The complexity of the investigation and the number of legal entities involved has increased as the investigation has progressed which has meant an increased level of work in this area.

It should be noted that this includes £100,000 estimated for dealing with matters related to the transfer to the Concurrent Administrators.

Statutory Compliance

An Administrator is highly regulated, being required to conform to insolvency legislation, industry Best Practice policies (Statements of Insolvency Practice) and relevant case law. Consequently Administrators are obliged to undertake many activities that do not provide a financial benefit to creditors. Such matters will include, but are not restricted to: Anti Money Laundering, Bribery Act and Ethical considerations and checks, statutory advertising, regular reporting to creditors including fee agreement procedures, obtaining and securing company books and records, Companies House filing, completion and release of insolvency bond and various Treasury functions.

This work aims to ensure that the case is handled efficiently and in accordance with statutory requirements and professional standards. Time costs are estimated to increase from £390,120 to £510,781 of which £430,781 has been incurred to date.

Due to the high profile nature of the Administration, the complicated Group structure and the complexity of the investigations, the case has required a significant amount of work to be completed by more experienced members of staff including the Existing Administrators. Specialist forensic accountants within Duff and Phelps have been brought into the team and senior staffs with specific retail sector expertise were required to trade the business and continue to be heavily involved in the reconciliation of trading matters and the move to liquidation. It was originally estimated that the Existing Administrators' day to day involvement would be reduced once trading matters ceased but certain issues, for example third party investigations and associated information requests referred to above, have meant a continuing senior team involvement.

Summary

The original fee estimate presented to creditors and subsequently approved at the meeting of creditors was prepared based on the Existing Administrators' experience of dealing with retail administrations.

It was difficult to accurately prepare the fee estimate at that time as there have been no similar administrations of complex high profile retailers like BHS since Comet in 2012, when it was reported the

Joint Administrators incurred time costs of c£9m in the first 6 months which is 1 month less than the period covered by the revised fee estimate. Further Comet traded for 7 weeks, BHS traded for 17 weeks.

The Existing Administrators' original estimate could not take full account of the increased level of work required to meet the complex information requests from a number of third parties, the difficulties encountered with trading the business as a consequence of the old inadequate BHS systems and the challenges of conducting a confidential sales process that was played out in the media. The Existing Administrators are now in a position whereby the fee estimate can be more accurately estimated based on the current strategy of ending the Administration.

The Existing Administrators are requesting an increase of £635,163 to their original fee estimate which has resulted in overall asset realisations to creditors in excess of £70m and an estimated dividend to non-preferential creditors of between 2-8p in the £1.

Existing Administrators' Slip 9 & Fee Estimate for the Administration
 BHS Limited (In Administration)
 Dated 31 October 2016

Admin & Planning										
Classification of Work Function	Existing Administrators SIP 9 to 21 October 2016									
	For the Period 25 April 31 May 2016 As per the Joint Administrators Proposals	For the Period 31 May 22 June 2016	For the Period 25 April 23 July 2016 (PFA Appointments)	For the Period 22 July 31 August 2016	For the Period 30 September 2016	For the Period 1 October 21 October 2016	Total for the Period 25 April 2016 - 21 October 2016	For the Period 30 November 2016	Estimated Total to 30 November 2016	Original Fee Estimate
Admin & Planning										
Cases review and Cases (Case Management)	25,333.60	30,954.50	54,238.00	6,413.50	2,892.00	210.00	71,120.50	8,000.00	79,120.50	26,350.00
Cashflow & accounting	40,987.60	84,631.00	105,598.50	0.00	0.00	0.00	105,598.50	0.00	105,598.50	68,250.00
Cashflow with Directors and Management	6,484.00	3,091.00	9,675.00	1,481.50	188.00	714.00	11,944.50	0.00	11,944.50	72,800.00
Insurance	305.50	0.00	305.50	0.00	0.00	0.00	305.50	0.00	305.50	2,625.00
IT set up & maintenance	397.50	218.50	616.00	0.00	0.00	0.00	1,114.50	0.00	1,114.50	7,175.00
Statement of Affairs	481.50	187.50	669.00	0.00	0.00	0.00	1,144.00	0.00	1,144.00	6,000.00
Summary matters (Meetings, Reports and Notices)	33,632.80	39,169.50	72,802.00	11,725.00	6,125.00	3,185.00	10,485.00	65,000.00	169,785.00	214,450.00
Business Property & Control	33,780.00	75,976.00	72,802.00	11,725.00	6,125.00	3,185.00	10,485.00	65,000.00	169,785.00	214,450.00
Strategy planning & Control	33,780.00	75,976.00	72,802.00	11,725.00	6,125.00	3,185.00	10,485.00	65,000.00	169,785.00	214,450.00
Use of Companies/Partners	0.00	0.00	0.00	45.00	7,211.00	6,131.00	1,071.50	3,870.00	20,860.00	3,870.00
Total							450,792.75	80,000.00	530,792.75	398,124.00
Creditors										
Communications with Creditors/Finances	14,112.60	38,043.00	52,190.50	25,783.50	22,687.00		13,912.00	25,000.00	157,510.00	54,850.00
Non Paid Creditors/Finances (Shareholders)	8,814.60	38,413.50	46,234.00	8,051.50	20,800.00		12,100.00	2,500.00	89,630.00	54,850.00
Final claims satisfaction and distribution	1,580.00	1,580.00	6,462.25	6,462.25	3,978.00		3,272.00	0.00	22,345.25	4,000.00
Secured Creditors	5,481.00	13,333.50	18,824.50	6,260.00	1,856.00		9,000.00	1,100.00	76,854.50	65,350.00
Total							284,740.25	29,400.00	314,140.25	129,150.00
Investigations										
ODIA, reports & Communication	47,538.50	2,651.50	9,882.00	4,075.00	1,678.50		65,823.50	0.00	65,823.50	121,000.00
Financial review and Investigations (S236/238 etc)	134,413.46	173,959.05	309,272.50	250,474.75	97,094.50		81,268.25	0.00	902,372.25	670,700.00
FIP Related Matters	0.00	0.00	0.00	10,189.50	21,832.02		2,082.50	75,000.00	109,084.02	0.00
Total							1,002,266.27	75,000.00	1,077,266.27	793,200.00
Realisation of assets										
Book debts	504.00	0.00	12,728.25	20,504.00	8,114.50		6,690.50	3,750.00	52,691.25	23,450.00
Freehold & Leasehold Property	120,948.75	44,031.50	89,725.75	35,795.00	35,178.50		21,211.00	50,000.00	380,760.00	280,750.00
Fixed Purchase and Lease Assets	0.00	312.00	0.00	0.00	0.00		0.00	0.00	312.00	4,000.00
Other Intangible Assets	420.00	420.00	855.50	2,335.50	1,312.50		0.00	0.00	4,843.50	0.00
Other Tangible Assets	0.00	0.00	1,060.50	2,950.50	19,552.00		5,309.00	0.00	29,149.50	17,400.00
Plant & Machinery & Fixtures & Motor Vehicles	819.00	819.00	0.00	18.00	342.00		0.00	0.00	1,179.00	11,100.00
Bank of Business	193,685.00	315,389.25	70,728.75	20,301.50	2,375.50		1,443.00	0.00	410,230.00	258,400.00
Total							245,168.75	53,750.00	879,218.75	617,100.00
Trading										
Trading - Accounting	50,581.50	34,033.00	108,890.75	111,405.50	72,237.25		67,311.00	135,000.00	621,864.00	302,250.00
Trading - Employment	25,200.00	53,072.00	25,359.00	21,049.00	13,554.50		120,815.50	25,000.00	154,815.50	120,850.00
Trading - Insurance (Share Value)	8,161.50	375.00	8,536.50	2,688.50	2,388.00		6,444.00	0.00	94,829.25	0.00
Trading - Operations	323,813.00	234,943.00	658,756.00	115,801.00	40,078.00		890.50	1,600.00	15,365.00	16,075.00
Trading - Retention of Title, Claims handling	81,455.50	4,443.00	11,598.00	8,196.00	341.50		21,375.50	2,000.00	652,360.00	937,250.00
Total							1,637,615.75	169,500.00	1,807,115.75	1,537,075.00
Total Time Costs	1,804,484.20	954,978.30	718,481.25	671,789.35	380,956.02		225,478.75	400,850.00	4,551,417.27	3,512,093.00
Time Cost Discount - limited to Admin & Planning										
Time Cost Discount Agreed - 15%										
	(53,468.75)	(107,832.26)	(100,795.35)	(57,143.40)	(33,821.35)		(53,468.75)	(85,127.60)	(413,158.67)	
	2,102,897.75	811,649.49	671,230.88	323,812.63	191,634.39		340,722.58	315,722.40	4,167,721.50	

Appendix 5

Concurrent Administrators' Report to Creditors



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To All Known Creditors

Your ref.

Our ref. B1660LON/AO081/JIG/PD/J

Please Contact: Patrick Donnan

Telephone Number: 0203 005 4000

Email Address: Patrick.Donnan@frpadvisory.com

Date 16 November 2016

Dear Sirs

SHB REALISATIONS LIMITED (FORMERLY BHS LIMITED) (IN ADMINISTRATION) ("THE COMPANY")

In the High Court of Justice, Chancery Division, Companies Court, No. 2220 of 2016

I write further to my appointment, together with Geoffrey Paul Rowley, as additional joint administrators ("the Concurrent Administrators") to the Company on 22 July 2016 pursuant to an order of the High Court on the same date ("the Court Order"), following the original appointment of Philip Duffy and Benjamin Wiles of Duff & Phelps Limited as joint administrators on 25 April 2016 ("the Existing Administrators", together with the Concurrent Administrators being, "the Joint Administrators")

It is now appropriate to provide my progress report on the administration for the period 22 July 2016 to 24 October 2016 ("the Period") in accordance with the Insolvency Rules 1986. This report covers the work undertaken by the Concurrent Administrators only and should be read in conjunction with the progress report of the Existing Administrators which covers the period 25 April 2016 to 24 October 2016 and which will also detail the likely outcome for the various classes of creditors

I attach:

- Appendix A - Statutory information,
- Appendix B - Details of my firm's time costs and disbursements; and
- Appendix C - Statement of expenses

1. Progress of the Administration

Receipts and Payments Account

- 1.1 All receipts and payments during the Period have been made by the Existing Administrators and creditors should refer to their progress report and receipts and payments account for details of all transactions made during the Period. As a result, a receipts and payments account is not included in this report

Details of the Concurrent Administrators' Work

- 1.2 Creditors were previously provided with an overview of the work undertaken by the Concurrent Administrators in a letter dated 30 September 2016. For the sake of consistency, I have used the same categories of work as before and comment below.

General Work

- 1.3 A small amount of time has been expended dealing with statutory and regulatory matters such as insurance and bonding
- 1.4 Enquiries have been received from former employees, unsecured creditors and landlords regarding the administration and these have been answered or referred to the relevant party dealing with those matters
- 1.5 It was necessary to write to creditors to increase the Joint Administrators' fee estimate as it was apparent that the fee estimate circulated by the Existing Administrators, which was modified and approved, would not be sufficient to cover the costs of both sets of administrators. In order to increase the fee estimate, a letter was circulated to all known creditors which provided information to allow creditors to properly assess the Concurrent Administrators' request
- 1.6 It is understood that the Company will shortly exit administration and enter creditors' voluntary liquidation. Once the Company exits administration the Existing Administrators will cease to act and the Concurrent Administrators will be appointed as Joint Liquidators, in line with the approved proposals. In order to ensure a smooth transition of all open and outstanding matters currently being dealt with by the Existing Administrators there has been ongoing correspondence and meetings with the Concurrent Administrators to effect an orderly handover of all investigation matters, as well as any outstanding matters resulting from the trade of the Company and the insolvency generally

Records and Data Collection

- 1.7 Given the Company's size and history, the Concurrent Administrators have undertaken a highly extensive and detailed exercise of data and systems discovery with subsequent collation of a vast amount of data (including financial, network file, transactional data and multi domain email servers) along with physical records from a number of Company and third party sites. The Concurrent Administrators have utilised the skills and expertise of their internal Forensic Technology and Accounting teams to conduct this process and to forensically image, store, interrogate and process the data recovered
- 1.8 A substantial amount of data and documentation has been secured and the collation exercise is now almost complete. As a result, the Concurrent Administrators have at their disposal data covering the following categories (albeit this list is not exhaustive)
- A large volume of email inboxes from at least three different email systems,
 - Over 70TB of file data extracted from the Company's servers, including those relating to finance and HR;
 - 6TB of transactional data,
 - Over 20TB of data recovered from in excess of 250 laptop/desktop images;
 - Over 100TB of data previously secured and transferred from the Existing Administrators, including data previously uploaded to the Existing Administrators' document review platform,
 - Over 150 back up tapes for the Company's servers;
 - Access to the Company's accounting platform, JD Edwards (including a backup), and
 - Access to in excess of 4,000 boxes of hard copy records
- 1.9 The above represents a vast quantity of data, the collection and preservation of which was crucial to the Concurrent Administrators' ability to conduct a full and extensive investigation into the Company's financial history and subsequent insolvency.
- 1.10 The Concurrent Administrators have begun the process of processing and analysing the data available in order to assist the work streams discussed below. This will involve the utilisation of a data review platform in order to streamline the processing of the available information and identify documents responsive to key word searches before a review of potentially relevant data is undertaken.

- 1 11 All data collection, preservation and processing is being conducted in compliance with recognised forensic industry standards to ensure data integrity and future admissibility in any subsequent Court proceedings

Analysis, Investigation and Enquiry

- 1 12 The Concurrent Administrators have commenced their enquiries into a number of historic matters of concern and key transactions, including those raised by the Parliamentary Enquiry into the Company's failure, and they are working with their legal advisers, Jones Day, to determine appropriate avenues of further investigation
- 1 13 It would not be appropriate to comment in detail on the nature and level of the Concurrent Administrators' investigations at this juncture, however within the parameters of the Court Order, these have included a review of the possible claims and challenges available to an insolvency office holder pursuant to the Companies Act 2006 and Insolvency Act 1986, including those relating to antecedent transactions and wrongful trading. As creditors will be aware, these investigations include an ongoing enquiry into the validity of the security granted by the Company to one of the secured creditors
- 1 14 The Concurrent Administrators and Jones Day have been in protracted handover discussions with the Existing Administrators and their solicitors, DLA Piper UK LLP, in order to reduce the possibility of duplication of cost and effort in investigations commenced but not completed prior to the appointment of the Concurrent Administrators
- 1 15 The Concurrent Administrators have met and/or been in correspondence with several relevant third party agencies, such as the Insolvency Service, Pension Protection Fund and Pensions Regulator, as part of their further investigations into the Company's affairs and failure

2. Concurrent Administrators' Pre-Appointment Costs

- 2 1 The following costs were incurred by the Concurrent Administrators prior to being appointed (which are shown net of VAT, where applicable)

	Fees £	Disbursements £
FRP Advisory LLP	15,401.00	29 32
Stephenson Harwood LLP	<u>39,000 00</u>	<u>18,290 28</u>
Total pre-appointment costs	<u>54,401.00</u>	<u>18,319 60</u>

- 2 2 The Court Order deemed these costs to be an expense of the administration. These costs have been paid from the administration estate outside the Period

3. Concurrent Administrators' Remuneration, Disbursements and Expenses

- 3.1 Following circulation of my letter dated 30 September 2016 the creditors passed a resolution that the Concurrent Administrators' remuneration, estimated at £717,133 for the period from 22 July to 31 October 2016, should be calculated on a time cost basis. A breakdown of the Concurrent Administrators' time costs incurred during the Period is attached at Appendix B. The Concurrent Administrators' time costs resolution covered time costs incurred for the period 22 July 2016 to 31 October 2016 only and the Concurrent Administrators' time costs have not exceeded the fee estimate previously provided for this period. No fees have been drawn by the Concurrent Administrators during the Period
- 3 2 The Concurrent Administrators are unable to draw remuneration in relation to time costs incurred from 1 November 2016 without creditors' approval. Approval will be sought under separate cover if required

- 3 3 The Concurrent Administrators' disbursements are a recharge of actual costs incurred by the Concurrent Administrators on behalf of the Company. Mileage payments made for expenses relating to the use of private vehicles for business travel, which is directly attributable to the insolvency estate, are paid by FRP Advisory LLP at the HMRC approved mileage rate prevailing at the time the mileage was incurred. Details of disbursements incurred during the Period are set out at Appendix B.
- 3 4 An estimate of the Concurrent Administrators' estimated expenses was set out in my letter dated 30 September 2016. I attach at Appendix C a statement of expenses that have been incurred during the Period. The initial estimate was provided on the understanding that the Company would exit administration by 31 October 2016. It is currently envisaged that the Company will exit administration on or around 24 November 2016 and therefore it is likely that some of the estimated expenses will be exceeded. Creditors will be updated in my next report to creditors.
- 3 5 Creditors have a right to request further information from the Concurrent Administrators and further have a right to challenge the Concurrent Administrators' remuneration and other expenses, which are first disclosed in this report, under the Insolvency Rules 1986. (For ease of reference these are the expenses incurred during the Period as set out in Appendix C only). Further details of these rights can be found in the Creditors' Guide to Fees which you can access using the following link <http://creditors.frpadvisory.com/feesguide.htm> and select the guide for administrations. Alternatively, a hard copy of the relevant guide will be sent to you on request. Please note that there is a time limit for requesting information being 21 days following receipt of this progress report. There is a time limit of 8 weeks following the receipt of this report for a Court application that the remuneration or expenses are excessive.

If you have any queries about this report or the progress of the administration, please do not hesitate to contact my office.

Yours faithfully

For and on behalf of

SHB Realisations Limited (formerly BHS Limited) (In Administration)



Tony Wright
Joint Administrator

Licensed in the United Kingdom by the Institute of Chartered Accountants in England & Wales and bound by the Insolvency Code of Ethics.

The Joint Administrators act as agents of the Company and without personal liability.

The affairs, business and property of the Company are being managed by Philip Duffy and Benjamin Wiles of Duff & Phelps Limited who were appointed Joint Administrators on 25 April 2016 and Geoffrey Paul Rowley and Anthony John Wright who were appointed Joint Administrators on 22 July 2016.

SHB REALISTIONS LIMITED (FORMERLY BHS LIMITED) (IN ADMINISTRATION)**STATUTORY INFORMATION****Company Information:**

Other trading names:	British Home Stores BHS
Company number.	00229606
Registered office	Duff & Phelps Ltd, The Shard, 32 London Bridge Street, London, SE1 9SG
Business address	129-137 Marylebone Road, London, NW1 5QD

Administration Details:

Administrators	Philip Francis Duffy & Benjamin John Wiles (Duff & Phelps Ltd) Geoffrey Paul Rowley and Anthony John Wright (FRP Advisory LLP)
Address of Administrators.	Duff & Phelps Ltd, The Chancery, 58 Spring Gardens, Manchester, M2 1EW and The Shard, 32 London Bridge Street, London, SE1 9SG FRP Advisory LLP, 110 Cannon Street, London, EC4N 6EU
Date of appointment of Administrators	Philip Francis Duffy & Benjamin Wiles – 25 April 2016 Geoffrey Paul Rowley & Anthony John Wright – 22 July 2016
Court in which administration proceedings were brought	High Court of Justice, Chancery Division, Companies Court
Court reference	No 2220 of 2016
Appointor details	Philip Francis Duffy & Benjamin John Wiles – Directors Geoffrey Paul Rowley and Anthony John Wright – Order of the Court
Previous office holders, if any.	N/A
Extensions to the initial period of appointment.	None
Date of approval of Administrators' proposals	23 June 2016 (with modifications)

APPENDIX B



SHB Realisations Limited (formerly BHS Limited) (In Administration)
Time charged for the period 22 July 2016 to 24 October 2016

	Appointed Taker / Partners	Managers / Members	Other Professionals	Junior Professionals & Support	Total Hours	Total Cost	Average Hourly Rate
Administration and Planning	55.20	89.95	168.00	23.00	336.15	127,444.00	380.26
Case Control and Review	20.20	15.70	12.70		48.60	10,736.50	400.10
Case Accounting - General			0.60		0.60	150.00	250.00
General Administration	33.00	60.00	39.10	23.00	155.10	51,667.50	333.12
Insurance		0.75			0.75	318.75	425.00
Strategy		1.25	1.50		2.75	637.50	304.55
Fee and WIP	2.00		10.10		12.10	3,715.00	307.02
Forensic		11.25			11.25	4,218.75	375.00
IT - Admin / planning and acquisition			104.00		104.00	46,800.00	450.00
Asset Realisation	0.70		3.80		4.50	1,296.50	288.11
Asset Realisation	0.20				0.20	90.00	450.00
Freehold/Leasehold Property			3.80		3.80	950.00	250.00
Creditors	0.50				0.50	247.50	495.00
Legal-asset Realisation	9.80		37.00	22.30	69.10	21,436.25	263.99
Unsecured Creditors	0.40	0.35	16.40	12.30	29.45	12,512.00	281.48
Employees	0.40	5.75	20.00	10.00	36.15	8,774.25	242.72
Pensions			0.60		0.60	150.00	250.00
Investigation	454.85	142.80	493.20	104.30	1,195.15	444,161.25	371.54
Investigatory Work	155.60	98.80	172.10	12.50	439.00	160,667.50	365.90
Legal - Investigations	65.00	44.00	7.60		116.60	49,820.00	427.27
IT - Investigations	234.25		313.50	91.80	639.55	233,673.75	365.37
Statutory Compliance	3.55	3.00	3.90	11.50	21.95	5,402.25	246.12
Statutory Compliance - General	2.55		1.40		3.95	1,967.25	401.84
Statutory Reporting/ Meetings	0.50		2.50	10.30	13.30	2,112.50	159.83
Appointment Formalities	0.50	3.00		1.20	4.70	1,702.50	362.23
Trading	9.50				9.50	4,702.50	495.00
IT - Trading / Sale support	0.50				0.50	4,702.50	495.00
Total Hours	533.60	246.83	705.90	161.10	1,647.43	504,442.75	366.90
Total Cost	263,132.00	90,778.75	236,812.50	22,771.50			
Average Hourly Rate	495.00	367.54	321.31	141.35			

Disbursements for the period
22 July 2016 to 24 October 2016

Category 1	Value £
Company Search	2.00
Congestion Charge	22.00
Delivery	210.54
Insurance	1,350.00
Parking	68.60
Postage	11,026.86
Substance	218.60
Taxis	31.00
Travel	617.40
Mobile Telephone	20.28
Computer Consumables	10,817.92
Property	24.00
Consultancy	2,050.50
Category 2	
Car/Mileage Recharge	393.30
Stationery	19.41
Grand Total	32,886.50

Mileage is charged at the HMRC rate prevailing at the time the cost was incurred

FRP Charge out rates	From	To
Grade	31 July 2013	31 Mar 2016
Appointment taker / Partner	395-495	450-495
Managers / Directors	300-455	340-405
Other Professionals	175-275	200-295
Junior Professionals & Support	100-150	125-175

**SHB Realisations Limited (formerly BHS Limited) (In
Administration)
Statement of expenses for the period ended
24 October 2016**

	Period to 24 October 2016
Expenses	£
Office Holders' remuneration (Time costs)	604,443
Office Holders' disbursements	32,887
Office Holders' Pre Appointment Costs	15,401
Office Holders' Pre Appointment Disbs	29
Legal Fees - Pre Appointment Costs	39,000
Legal Fees - Pre Administration Disbs	18,290
Legal Fees	666,606
Legal Disbursements	1,068
Total	1,377,724