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1 Company details

Company number 0 0 4 7 9 4 8 4

Company name in full L. Kahn Manufacturing Company Limited

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

2 Administrator's name

Full forename(s) David

Surname Birne

3 Administrator's address

Building name/number Pearl Assurance House

Street 319 Ballards Lane

Post town Finchley

County/Region London

Postcode N 1 2 8 L Y

Country

4 Administrator's name ①

Full forename(s) Stephen

Surname Katz

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

5 Administrator's address ②

Building name/number Pearl Assurance House

Street 319 Ballards Lane

Post town Finchley

County/Region London

Postcode N 1 2 8 L Y

Country

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

AM10

Notice of administrator's progress report

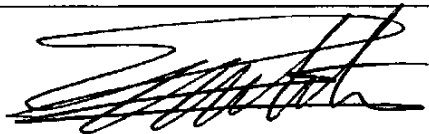
6 Period of progress report

From date	d	2	d	2	m	0	m	5	y	2	y	0	y	2	y	3
To date	d	2	d	1	m	1	m	1	y	2	y	0	y	2	y	3

7 Progress report☒ I attach a copy of the progress report**8** Sign and dateAdministrator's
signature

Signature

X



X

Signature date

d	1	d	9	m	1	m	2	y	2	y	0	y	2	y	3
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AM10

Notice of administrator's progress report



Presenter information

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

Contact name **Eveline Tipping**

Company name **Begbies Traynor (London) LLP**

Address **Pearl Assurance House**
319 Ballards Lane

Post town **Finchley**

County/Region **London**

Postcode **N 1 2 8 L Y**

Country

DX

Telephone **020 8343 5900**



Checklist

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Please make sure you have remembered the following:

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



Important information

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



Where to send

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

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



Further information

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

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

David Birne and Stephen Katz were appointed Joint Administrators on 22 May 2023

The affairs, business and property of the Company are being managed by the joint administrators, who act as the Company's agents and without personal liability.

L. Kahn Manufacturing Company Limited T/A Caressa Kahn (In Administration)

Progress report of the joint administrators

Period: 22 May 2023 to 21 November 2023

Important Notice

This progress report has been produced by the administrators solely to comply with their statutory duty to report to creditors on the progress of the administration. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	L. Kahn Manufacturing Company Limited T/A Caressa Kahn (In Administration)
"the administration"	The appointment of administrators under Schedule B1 to the Insolvency Act 1986 on 22 May 2023
"the administrators" "we" "our" and "us"	David Birne and Stephen Katz of Begbies Traynor (London) LLP, Pearl Assurance House, 319 Ballards Lane, Finchley, London, N12 8LY
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency (England and Wales) Rules 2016 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act); and (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Insolvency Act 1986

2. STATUTORY INFORMATION

Name of Company	L. Kahn Manufacturing Company Limited
Trading name(s):	Caressa Kahn
Date of Incorporation:	14 March 1950
Company registered number:	00479484
Company registered office:	Pearl Assurance House, 319 Ballards Lane, London, N12 8LY

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Names of the administrators:	David Birne and Stephen Katz, Licensed Insolvency Practitioners of Begbies Traynor (London) LLP, Pearl Assurance House, 319 Ballards Lane, Finchley, London, N12 8LY
Date of administrators' appointment:	22 May 2023
Date of administrators' resignation:	N/A
Court:	High Court Of Justice The Business & Property Courts of England & Wales
Court Case Number:	CR-2023-002682
Persons making appointment	The Qualifying Floating Charge Holder – Bibby Financial Services Limited ("Bibby")
Acts of the administrators:	The administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
Type of Proceedings:	The proceedings will be COMI proceedings, as defined by the Insolvency (England and Wales) Rules 2016 (as amended)
Extensions of the administration period	There have been no previous extensions to the administration period.

4. PROGRESS DURING THE PERIOD

We would recommend that this report is read in conjunction with the Report and Statement of Proposals dated 12 July 2023.

Receipts and Payments

Attached at Appendix 1 is our abstract of receipts and payments for the period from 22 May 2023 to 21 November 2023.

Receipts – Subject to Fixed Charge

Freehold Property

The gross sum of £7,400,000 represents the price achieved for the sale of the freehold properties at Wellfield Road, Hatfield, AL10 0BS.

Payments – Fixed Charge

West One Loans Limited (“WOL”)

The amount of £4,798,202.22 was paid to West One Loans Limited in respect their fixed charge over the freehold property above following the sale. They have been paid in full.

Legal Fees and disbursements

The amount of £17,217.80 was paid to PCB Lawyers in respect of the work carried out with regard to the conveyancing of the properties and the lease.

Agents Fees

This represents the joint property agents commission payments based on 2% of the sale price.

Joint Administrators Agreed Fee

A fee of £20,000 was agreed with the first fixed charge holder as a contribution towards the costs of dealing with the sale of the freehold properties.

Receipts

Drawdown Bibby Financial Services Ltd (“Bibby”)

This represents the funds advanced by Bibby of £447,259 to facilitate the period of trading as detailed below and also £304,530 representing surplus debtor and Administration trading sales receipts which were released after Bibby were repaid in full on 27 September 2023. Further analysis of the trading position is detailed in the trading section of the report.

Third Party Funds

In order to release goods, this sum was advanced by a customer to enable the release of certain goods from a haulage Company.

Plant and Machinery – Other

Our chattel asset agent, Williams & Partners Ltd ("WAPL") were able to achieve the sale of scrap metal and a BST Slitting Machine totalling £6,025.

Sale of Business and Assets

WAPL successfully negotiated and achieved the sale of the Company's business and assets on 18 October 2023 (with effect from 1 October 2023) for the gross sum of £250,000 to Caressa Kahn Manufacturing Company Limited. The sale included those items referred to later in the report and shown in Appendix 1.

Rent Received

The amount of £500 was received in respect of rental income from a tenant of the company. Further rents were due to the Company from other tenants but on the basis of legal advice and in light of the need to provide vacant possession to the purchasers of the land and buildings, these were not collected.

Bank Interest

The funds in hand are held in an interest-bearing account and money market account with Barclays Bank Plc .

Interest earned on funds in hand during the period amounts to £3,641.76.

Payments

Statutory Advertising

This represents the costs for the publishing of statutory advertising in newspapers and the London Gazette in respect of the Joint Administrators' appointment.

Specific Bond

The specific bond is the cost of insurance, based on the level of realisations by the Administrators, as required by the Insolvency Practitioners Regulations 2005.

Bibby Arrangement Fee

This represents arrangement fees for continued funding during the Administration as agreed with Bibby Financial Services Limited ("Bibby") to allow the Joint Administrators to commence and continue trading. The initial arrangement fee was £7,500 plus VAT for £177,296 and a further facility was required of £269,963 which was received on 27 June 2023 in respect of which the arrangement fee was also £7,500 plus VAT. These facilities were chosen as the facility fee and interest rate was competitive in comparison with a quote received from another funder and involved minimal administration time and legal costs to obtain.

Internet

The amount of £48.07 has been paid to PlusNet for their ongoing services in the provision of the internet.

Suppliers/Duress Creditors

This represents the amounts paid to suppliers and duress creditors necessary for the ongoing trading of the Company in Administration. Trading ceased upon the successful sale of the business and assets on 18 October 2023. Whilst the receipts and payments accounts shows sums paid in the period there are accrued expenses still to be ascertained and paid as detailed in the trading account.

Other Expenses

As detailed in realisation of asset section of this report. These relate to expenses incurred in relation to the property to facilitate the sale of the property. This includes, waste management, property consultancy, electrical work and systems maintenance.

Agents Fees

This represents WAPL fees in relation to the marketing and sale of the business and assets including valuation and advertising costs.

Legal Fees

These have been incurred as follows:-

Grosvenor Law Ltd were engaged to assist with the reviewing the alternative funding offer albeit subsequently aborted and were paid £3,000 plus VAT in relation to their work against a provision estimated in the proposals of £5,000.

Pinsent Masons LLP – As set out in the Report and Statement of Proposals dated 12 July 2023, they were instructed by Bibby to provide advice and to prepare the documents to place the company into Administration. They also provided advice on the appointment of LPA Receivers by WOL. The amount of £5,000 plus disbursements of £461.50 was paid in this regard.

Branch Austin McCormick LLP (“BAML”) assisted with the legal work in relation to the sale of the business and assets. They have been paid £15,000 plus VAT as a fixed fee in relation to their reported time costs of circa £19,000. BAML are a legal practice having the requisite specialisation and experience to advise in relation to the sale of the business.

Gunnercooke LLP were engaged in respect of employment matters and the sum of £1,512 has been paid to them for services rendered against a provision of £5,000 in the proposals.

As previously reported, SALH LLP provided advice on the validity of the Bibby debenture and their enforcement powers and were paid the sum of £1,850.

Professional Fees

This represents the fees paid for accountancy services provided by Bossville Limited (“Bossville”) in the period. Bossville is an accountancy and consultancy business owned and managed by Mukesh Raja. The decision to retain him to assist with the accountancy in the Administration was based on his pre-existing knowledge of the Company’s affairs and accounting systems. Bossville is a creditor of the Company in the sum of £55,000 and Mr Raja and his family are also creditors of the Company in the sum of £302,273.

Consultancy Fees

The Company engaged the services of Ftronix Limited (“Ftronix”) a business consultancy and finance manager to assist the management with the trading period and matters associated with the practical side of facilitating the logistics for the sale of properties, creation of the lease for the business and liaising with the directors to ascertain which machinery could be disposed of.

Ftronix is a consultancy business owned and managed by Philip Simons a non-appointment taking insolvency practitioner who had the necessary skill and experience to provide direct full-time assistance to the management team onsite. This was agreed on the basis of £100 per hour which in our view was substantially less than the cost of us retaining a full time presence onsite in order to fulfil this role.

Property Expenses

To facilitate continuation of the business following the sale of the freehold properties it was necessary for the trading business to enter into a lease for a smaller section of the property as agreed by the management and owner of the properties. It was necessary to carry out various building works to move the plant and machinery into the rear section of the premises and works were estimated at £97,774 although at the time of the sale of business works totalling £55,230 had been paid for. Works included building works, electrical works, waste management and plant installation as well as recommissioning of the machinery in their condensed location.

Rents and Licence Deposits

This represents apportioned rents for the tenants in the right hand side ("RHS") property for the rent deposits together with storage licence fees for the left hand side ("LHS") for the storage of stock whilst the reorganisation of the premises was being carried out.

Utilities

This sum was paid to Southern Electric for usage during the trading period, there are further energy accruals in the trading profit and loss account provided and we are still awaiting further energy and utility bills.

Employee Benefits

This represents employee contracted benefits including health care which continued to be paid by the Administrators in accordance with the employment contracts.

Employee Wages

Employees net wages paid during the trading period from May 2023 to 30 September 2023 amounted to £197,956.32.

HMRC PAYE/NIC

The amount of £50,368.45 was paid to HMRC in respect of PAYE/NIC on the payroll for the period from 22 May 2023 to 30 September 2023.

Pension Contributions

This reflects the Company's contributions towards the employees' pension scheme.

Petty Cash

This represents advances for onsite daily expenditure for sundries.

Bank Charges

The amount of £472.80 was incurred in respect of bank charges during the period under review.

Postage and Stationery

This represents costs incurred in respect of postage.

Purchaser Agreed Reduction

In order to facilitate the sale of assets, as referred to above, a credit had to be given to the purchaser for outstanding building works that were not yet completed.

Land Registry Fees

These costs were incurred in respect of the property sale.

Stamp Duty Land Tax

This was paid in relation to the sale of the property.

Payment for CKC Manufacturing Holdings Limited ("CKC UK")

As explained later in the report the company beneficially owned a company called CKC UK which is the 100% owner of a company in China called CKC Manufacturing (AH) Co. Limited ("CKC China"). The trading relationship was complicated and in the trading period we were made aware that further invoicing to CKC China was outstanding. As CKC UK and CKC China were an important part of the trading business it was essential that the shares in CKC UK were transferred to the purchaser however there were liabilities to a director and to the company that were still outstanding. As part of the business sale the balance of the intercompany loan was waived and (with the agreement of the purchaser) a payment was made to Barbara Hunt in order to facilitate the legal transfer of the shares to the purchaser. Documentation was provided showing that the company had guaranteed this loan.

Joint Administrators Pre-Appointment Fees

Our firms pre-administration costs of £39,707 were approved on 31 July 2023.

Joint Administrators Post-Appointment Remuneration

During the period covered by this report, the sum of £270,000 plus VAT has been paid as approved by the creditors on 31 July 2023. This is explained in more detail below.

Background to the appointment

By way of reminder the Company was incorporated on 14 March 1950 and manufacture bespoke cosmetic accessories for the beauty industry, in particular the sponges used to apply make-up.

The Company had circa 29 employees.

The Company owned its own freehold premises at Wellfield Road, Hatfield AL10 0BS ("the premises") along with another building on the same site. The premises were charged to secure a bridging loan from West One Loan Limited ("WOL") of £4.6m which was taken out in May 2022. This loan was due to expire on 30th May 2023 This charge was validly created and was registered at Companies House.

The site also had tenants occupying the various buildings. These separate businesses occupied on a Licence or Leasehold basis and generated a rental income to the Company.

The impact of the Covid-19 pandemic, brought a standstill to the demand for cosmetics and severely hindered the Company's productivity and cashflow. Orders declined rapidly during this time as the consumer was not buying the same amount of makeup products during the lockdown periods. The Company's main suppliers are based in China and sourcing materials became stagnant during the pandemic. Many customers requested cancellation of orders or for orders to be put on hold. Ultimately like many similar businesses, the impact of the pandemic hit hard on the Company's cashflow. A bounce back loan was taken out in June 2020 of £50,000 although this was quickly absorbed. Recovery was

slow following the end of the lockdown periods and the Company has been working hard to bring the productivity and manufacturing back to pre-Covid levels.

The Company was also financed by an invoice finance facility with Bibby who held a fixed and floating charge over the Company's assets through Bibby Financial Services LTD (as Security Trustee).

On 25 April 2023 a winding up petition was issued against the Company by two creditors, namely, Glitterwave Properties Ltd ("Glitterwave") and Trico International Ltd ("Trico") with a combined liability of circa £168k. This led to Bibby immediately freezing the Company's invoice discounting facility leaving the Company with no access to funding.

As a result of the petition we were introduced to the directors and a meeting organised for 5th May 2023 where the options available to the Company were discussed.

Following the meeting on 10th May 2023 the directors instructed Begbies Traynor to assist in putting the Company into Administration. The situation was discussed with Bibby who declared that they wished to assist the Company with funding and would support an Administration application. We then worked with the Company to ascertain their actual financial situation and to analyse the cashflows and projection forecasts based on the premise of Bibby continuing to provide finance to the Company in an Administration process to allow ongoing trading. At this time as it remained uncertain whether funding by Bibby would be feasible in the timescale so we approached other lending/loan providers to ascertain the costs and accessibility of them providing finance to the Company during a period of trading whilst in Administration. Although an offer was received from an alternative funder and legal advice taken thereon, Bibby were keen to continue to support the Company and further discussions and negotiations took place. Bibby were offering either an invoice finance facility or a hybrid facility. Both these options were reviewed in detail and a hybrid process considered simpler and more cost effective in the short term.

During this time, employees were also appraised of the situation regarding the Company and the Directors issued an HR1 form and entered into a consultation process with them. The employees were crucial to the successful trading of the business. The Directors had previously reduced employees to a 3-day week with the option of working longer hours as and when permitted due to demand.

WAPL, qualified valuers, were instructed to meet with the directors to have the main trading assets valued. Stock was also reviewed but there was uncertainty over the stock levels as a full stock count hadn't been undertaken for a substantial period and the accounting system also included stock held in third party premises.

Financial information was needed both to show the position of the Company and to ascertain the cash requirements for trading and the level of funding necessary. Information was obtained from the directors and their consultant.

Based on the asset values and property valuations it appeared that WOL would have their debt reduced considerably from the sale, with options for repayment of the balance being either refinancing or being cleared by a subsequent sale of the remaining part of the premises. Projections showed that the objectives of an Administration would be met although there was uncertainty on the plant and machinery values as much of the machinery was bespoke.

Whilst this information was being pulled together and as a result of the financial situation and the winding up petition being issued, on 12th May 2023, WOL issued a formal demand for repayment of their loan of £4.6m by 18th May. We entered into a dialogue with WOL and advised them of the proposed sale of part of the property and subsequently provided projected outcome statements for the proposed Administration process. WOL were also advised that even if they did appoint a Receiver then when the Company went into Administration that the Receivers would be asked to vacate under the provisions of the Insolvency Act 1986. In addition, Receivers do not have the same powers as Administrators and so weren't able to trade the Company, which it was evident would be for the benefit of all creditors. Although discussions were ongoing at the time WOL appointed Benjamin Tobin and Isabelle Waight of Strettons Limited as joint Fixed charge Receivers on 18th May 2023.

The Receivers immediately attended the premises and advised tenants to pay directly to them. They also contacted the property agents who presented them the heads of terms and the proposed purchaser. As a result, further urgent discussions took place as there was a risk that the trading of the Company could be affected by this appointment.

At this point in time the Company's ability to trade was in jeopardy as the Company had no access to funds for a number of weeks due to the winding up petition freezing their facility. Wages were also due imminently. Urgent discussions took place with Bibby who offered a hybrid facility to allow trading in the Administration. Meetings took place with WOL and their lawyers who then sought to appoint an alternative Administrator based in Manchester by issuing a Notice of Intention to Appoint and serving this on Bibby. Concern was expressed as to the purpose of the proposed appointment as WOL were fully aware of the priorities of the Bibby debenture and also that we were already in advanced stages of a plan to save the business under the Administration process which was likely to be in the interest of all creditors. They were also aware that Bibby wished to appoint Begbies Traynor. Regrettably, this resulted in extensive time being spent in these meetings and taking the appropriate legal advice.

Accordingly, a formal demand was issued to the Company by Bibby on 22 May 2023 and following a request from the directors for the appointment later that day, a 'Notice of Appointment of an administrator by holder of qualifying floating charge' was filed at the High Court of Justice, Business & Property Courts in England & Wales, and David Bime and Stephen Katz of this firm were appointed as Joint Administrators.

What work has been done in the period of this report, why was that work necessary and what has been the financial benefit (if any) to creditors?

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

The costs incurred in relation to each heading are set out in the Time Costs Analysis which is attached at Appendix 2.

General case administration and planning

Periodic internal reviews have been carried out in order to ensure satisfactory progression of the case and that all statutory and regulatory obligations have been complied with.

Generally, it is necessary to maintain records to demonstrate how the case has been administered and to ensure reasons for decisions that materially affect the case are adequately documented. Meetings with the case manager and team have accordingly been held regularly to assess case status and ensure adherence to these requirements. Standard case reviews have also been conducted and documented periodically. The following work has also been undertaken:

- Opening a designated bank account and dealing with the movement, investment and allocation of funds;
- Corresponding with the Company's pre-administration bankers to freeze all accounts to any future outgoing payments, cancel all Direct Debits and Standing Orders and set up weekly sweep of funds in the account across to the designated estate account;
- Completing various searches at Companies House to obtain statutory information on the Company;

- Submitting a VAT 769 notifying HM Revenue & Customs that the Company is now in Administration;
- Handling the ongoing queries of the Company's directors in respect of various matters;
- Obtaining access to the Company's electronic records, including those related to book debts, payroll and accounts; Ongoing issues surrounding data back up and multiple calls and emails with agents backing up data.
- Correspondence with solicitors
- General accounting, banking and cashiering including the processing of payments, maintenance of estate cash book postings and carrying out regular bank account reconciliations;
- Drafting and reviewing the Administrators proposals and estimated outcome statements and statement of affairs
- Letters to creditors with proposals
- Meeting on site with directors re administration strategy and file notes
- Ongoing reviews of cashflows and creditors with directors and accounts team and discuss employees. Review of CKC position

Whilst work undertaken in this category does not provide a direct financial benefit to creditors, it is a necessary part of the general control of all formal insolvency appointments.

Compliance with the Insolvency Act, Rules and best practice

Included in the work undertaken during the period under this heading is the following:

- Filing notice of the appointment of administrators with the Registrar of Companies;
- Serving notice of the appointment on the Company;
- Applying for the Joint Administrators bonds, as required by the Insolvency Practitioners Regulations 2005 and reviewing the adequacy of the bond periodically;
- Writing to all known creditors as soon as reasonably practicable following appointment to provide notice of the appointment;
- Publishing the necessary statutory advertisement in respect of the administration proceedings in the London Gazette;
- Preparing a paragraph 49 Report and formulating the Joint Administrators' Statement of Proposals;
- Updating case checklists and statutory diaries where necessary;
- Ongoing consideration of ethical practice codes.

This work does not provide a direct financial benefit to creditors, however is required in accordance with relevant insolvency legislation and best practice guidelines.

Investigations

We have a statutory duty to investigate the conduct of the directors and any person we consider to be or have been a shadow or de facto director during the period of three years before the date of our appointment, in relation to their management of affairs of the Company and causes of its failure.

In accordance with the Company Directors Disqualification Act 1986, we have submitted a report on the conduct of the directors of the Company to the Department for Business, Energy & Industrial Strategy (BEIS).

Pursuant to Statement of Insolvency Practice 2, we are required to make an initial assessment as to whether there could be any matters that might lead to the recoveries for the estate and what further investigations may be appropriate.

In order to obtain further information to assist with this initial assessment and with our report to BEIS on the conduct of the Company's directors, an investigation questionnaire was issued to creditors with the notification of the administration.

Investigations are ongoing however details cannot be disclosed at this stage in order not to prejudice these enquiries.

Realisation of assets

The premises

The main assets consisted of the premises, debtors, trading business and residual plant and equipment. The directors did not submit a statement of affairs however considerable work was carried out on the balance sheet including in depth analysis of the entries shown as assets some of which have needed further investigation.

The Receivers

As described in the proposals extensive time was spent at the outset of the appointment following the appointment of receivers by WOL. Strettons had been appointed as Receivers however, Paragraph 41 of Schedule B1 of the Insolvency Act 1986 ("the Act") provides for the Receiver to vacate office on appointment of an Administrator if the Administrator requires him to do so. As the Receivers remit is to realise assets for their appointor only, in our opinion this conflicts with the Administrators duty to all creditors in this particular situation. Given that the Administrators were attempting to work with the objectives of either rescuing the company as a going concern or to achieve a better realisation this did not fit with the Receivers duties as :

- The premises was split into 3 titles and at the time only one of these titles was under offer.
- There was uncertainty on the timing for the realisation of the remaining titles. The Administrators needed to be prepared to work with the directors to understand their space needs and the timing of any movement or reorganisation of the business.
- The Company traded mainly from one area of the premises and to move the machines was going to be a costly task which would disrupt trade. There was estimated to be significant value in the business.
- Property insurance costs may be duplicated.

- The estimated outcome statements provided to WOL showed that they should be fully repaid based on property valuations and certainly mostly repaid after a sale of the part of the premises that was under offer.
- The interest rate charged by WOL under their agreement increases from 0.8% to 1.6% per month after 30 May resulting in the monthly interest charge moving from £36,960 to £73,920 per month. It was clearly in the general body of creditor interest to ensure this was reduced by selling as quickly as possible

As a result our lawyers issued formal notice for the Receivers to vacate office and following continued meetings and discussions with WOL the Receivers issued a notice of termination on 5 June 2023 although the Companies House form detailing the resignation did not appear at Companies House until 10 July 2023.

As a result of the appointment of Receivers, WOL requested that the Administrators pay the Receivers and in order to avoid further costs being incurred debating the merits of the situation a sum of £5,000 was agreed to be added to the WOL facility for redemption.

The ongoing discussions and regular updates with WOL, Strettons, Bibby and the directors required partner and director level involvement and is included in the realisation of asset time summary. Clearly this work was for the financial benefit of creditors.

The freehold land and buildings

Following our appointment, as explained in the proposal and referred to above it was important to ensure the Company resumed trading as quickly as possible it was also imperative that the proposed sale of the property progressed as quickly as possible as we were aware of the default interest accruing on the WOL loan.

The property agents were retained to continue to work on progressing the sale of the property and also to advise on a sale of the remaining parts of the premises. The agents recommended that the sale of the Left hand side ("LHS") of the premises to an unconnected purchaser continue on the terms agreed with the directors prior to the appointment of Administrators. Whilst the Company mainly operated from the right hand side ("RHS") of the premises it did utilise the LHS for the storage of stock and residual items.

The heads of terms on the sale of LHS were for vacant possession on purchase so an implementation plan was devised to ascertain how the property could be vacated in the anticipated timescale. Although they had been provided with notice under the terms of the lease, one of the tenants advised that they needed further time to relocate and therefore discussions took place with the tenant and prospective purchaser and a satisfactory arrangement was agreed.

As time was of the essence a sale of the LHS was exchanged on 30th June with completion set for 14th July. The proceeds from this sale would reduce the WOL indebtedness considerably therefore reducing the interest charge. Following exchange of contracts, our solicitors held the sum of £840,000 by way of deposit which was a higher deposit than usual at 20% of the purchase price which was negotiated to reduce the interest being charged by WOL. The Company was using part of the LHS property to store stock and therefore began a search for suitable premises for the stock however the property agents advised that there were very limited possibilities. As a result with the assistance of Ftronix, the Administrators entered into discussions with the purchaser for a temporary licence to store stock whilst alternative storage was found. The purchaser agreed and the contract for purchase of LHS was amended to reflect a temporary licence at a rate of £5,000 per month. As described earlier the company had owned the LHS property since 1994, as a result the site clearance to provide vacant possession on completion was complicated and required the director's and the administrators team to spend significant time ensuring that the sale completed on time. Some of the equipment on site was particularly difficult to relocate.

Whilst this sale was progressing the purchaser and their associates also expressed interest in acquiring the RHS of the premises. As stated above and shown in the estimated outcome statement and statement of affairs the Company is a longstanding business which trades with the biggest beauty companies in the world. Whilst the Covid lockdown reduced trade, in the post covid era the Company had resumed trade and the valuation provided suggested it was a valuable business. It therefore appeared to be in the creditors interests to maximise the value in the Company by protecting the business. The directors suggested that the costs of moving the plant and machinery was prohibitive, so the property agents and Administrators looked at the logistics of a sale and lease back being granted to the Company on the RHS property to allow it to continue to trade from the premises.

The Property agents recommended that we enter into an exclusivity agreement allowing the purchaser until 31st July to exchange contracts on the RHS and the sum of £50,000 was negotiated and paid to secure this and was held at our solicitors pending completion.

The sale of the LHS was completed to Misios Trading Limited, a company that was unconnected with the directors or shareholders of the company, on 14 July 2023 and the sale price achieved was £4,200,000. WOL were repaid the amount of £4,042,082.93 from the sale proceeds.

The realisation of the RHS progressed and negotiations continued with the purchaser in respect of granting a lease to allow for the Company to trade from the site. This absorbed a high level of partner involvement as the logistics of such a sale were not straight forward. The RHS required work to be carried out as some parts of the building needed maintenance and building modifications to meet regulations. Contractors were instructed to carry out this work whilst monitoring progress to ensure we were still within our budget. This required attendances onsite to assess, review and comment on progress. This set back the sale of the RHS which we had anticipated would happen mid-August however exchange did not take place until 11 August 2023. The terms of the lease also changed slightly from the heads of terms and as a result the purchase price was re-negotiated and the sale price increased by £100,000 to £3,200,000. The purchaser is TCL Formwork Limited, a company unconnected with directors or shareholders.

The lease terms also required significant partner time before being finalised and the already exchanged contract was amended for the changes. There was considerable work needed to ensure that vacant possession could be given to the purchaser on completion with the administrators and their team, the directors and consultants and agents all spending significant time relocating and disposing of plant and machinery and records to achieve the sale. Completion eventually took place on 20 September and at that point WOL were fully repaid and surplus funds received.

Both sales were recommended by the joint agents Davies & Co and Jeremy Leaf and were in excess of the recent red book valuation carried out for WOL in May 2023. In addition the lease negotiated to allowed the business to continue to trade (albeit in a smaller premises) was at a below market rent of £75,000 per annum with a rent free period allowing time for a business sale to complete. As explained above the terms were negotiated and company ended up with a 10 years lease but with a break clause. The administrators used an SPV company to hold the lease as this would assist with a subsequent sale of the business. The administrators initially wanted the property to complete at the same time as the sale of the business but this wasn't possible as described below.

The sale represents a capital gain and creditors will recall that in the proposals reference was made to likelihood that the sale would generate a corporation tax liability as the properties had been owned by the company for many years. As a result we are undertaking enquiries with Chartered Surveyors who specialise in historic 1982 tax valuations as this may be necessary for the RHS sale as the building was a long leasehold prior to this date. As such all property improvements have to be identified to substantiate the base cost of each property and time has been spent at director level and with the accountant in identifying transactions for the accounts. In order to ascertain the corporation tax liability, the remaining accounts for year ended 31 December 2022 and for the pre-appointment and post appointment period accounts need to be finalised. Considerable work has

already been undertaken and specialist tax advisors have been instructed being Messrs HW Fisher & Company ("HWF"). HWF have a specialist tax team and are suitably qualified to deal with matters of this nature. The company's records have needed detailed review and adjustments to reflect the current position and sale of assets. There are still matters outstanding that will affect the trading losses as advised below.

The Business and Chattel Assets

As noted above, on appointment, WAPL, professional valuers and chattel asset agents, were engaged to value the assets and business. The Company is one of the foremost producers of powder puffs and has a unique process for flocking which is in demand in the industry. WAPL advertised the business for sale and as a result of the advert were contacted by 19 interested parties of which 13 signed Non-disclosure agreement ("NDA's").

The products are of low individual value but at high volumes. As previously mentioned, a full stock take could not be undertaken due to the length of time that it would take to complete. Raw material stock such as foam, glue and seals which were held at the premises, and in various factories across Europe, USA and China. The book value of stock was, in accordance with accounting system, £879,000 however, the directors did not consider this accurate. The last full stock take was completed over a year ago and the stock accounting system had not been reconciled since then. As a result a stock count was undertaken which resulted in a substantial write down of the stock figures. There was work in progress at the date of appointment although this was limited as the Company had been without funds to purchase raw material since the winding up petition was issued in April and staff were on a 3 day week.

Many of the parties did not progress their interest and eventually the only interest was from one of the directors, Richard Michel. However, his attention had also been heavily concentrated on running the business during the trading period. We were then contacted by a former director, Michael Shuman, who knew the business well and he presented an offer that was accepted. The offer was for £250,000 for all assets including the shares in CKC China. As explained earlier the trading position with CKC China was unclear due to Chinese regulations and restrictions. The trading position with CKC China had to be reviewed in detailed before a sale could completed and time was spent at senior level with the accountant understanding further adjustments and invoicing necessary to reflect the contractual position. The position was finally agreed and is now reflected in the accounts whereby there are no sums owing to CKC China and a waiver was issued to allow the sale of CKC UK to proceed as it was declared that this company was beneficially owned by the company.

As explained in the trading section of the report time was of the essence as new supplies were needed but the sale took longer than anticipated to complete. Heads of terms were agreed on 30 September 2023 but completion didn't happen until 18th October and during this period negotiations continued and information and documentation was requested and provided to the purchaser. The time involved in this negotiation was mainly at director level but was necessary to ensure that the sale completed as there were very limited raw materials available to continue production and customers were desperately chasing their orders. The sale was recommended by WAPL as the price paid was in excess of forced sale values and with the marketing process exhausted the only other option was for the Administrators to close the trading operation with the resultant 29 redundancies and considerable statutory entitlements from employees being claimed. If this was to have happened then there was a possibility that debtor realisations would also be adversely affected and therefore returns to creditors reduced.

The acquiring company was Caressa Kahn Manufacturing Company Limited whose director is Michael Shuman who was a former director of the company having resigned on 23 December 2021 As such pursuant to Statement of Insolvency Practice 13 ("SIP 13") we can confirm that we have not advised Mr Shuman in relation to any aspect of this transaction and that the offer was recommended by WAPL, qualified and independent valuers with appropriate professional indemnity insurance. The sale consideration was £250,000 although credit was given for building

works totalling £29,684 that were still to be completed. There was no requirement to obtain an evaluator report as the sale took place outside the statutory period.

As part of the sale process the purchaser wanted to retain the company name and it was agreed that a name swap would take place with the SPV company LK008 Property Holdings Limited, which was the company that held the lease to the trading part of the business. This remains to be completed.

ASSET PRICE APPORTIONMENT	£
Goodwill	10,000
Plant and Machinery	180,933
Seller's Records	1
Stock	29,067
Fixtures and Fittings	11,996
Leaseholder Shares	1
CKC Shares	10,000
Business Contracts	1
Business Intellectual Property Rights	1
Motor Vehicles	8,000
Total	<u>250,000</u>

There was in addition an assignment of business intellectual property rights.

The purchaser's offer was agreed in principle, and we instructed solicitors Branch Austin McCormick LLP ("BAML") to assist in the legalities of conducting this sale. The employees were also transferred to the new Company which have saved jobs. BAML are a firm of solicitors having the necessary skill and experience to handle a transaction of this nature.

On 18 October 2023, the sale was completed.

Trading

As set out in the Administrators proposals, following our appointment, we immediately secured funding from Bibby by way of a hybrid drawdown on the funds available under the Company's facility. This initial drawdown was £177,296.02 from which Bibby drew their agreed facility arrangement fee of £7,500 plus VAT. This amount was the maximum available within the facility and based on the cashflow projections would be sufficient for the first 3 weeks of the Administration and allow the Company to pay wages, order new supplies and therefore make further sales.

Cash was vital at this point, in view of the earlier freeze on funding and the Company's inability to place orders for materials. Customers orders were also caught up in freight and courier transportation, as no payments had been made for goods in transit. Customers were becoming increasingly concerned that their orders had not arrived or they had not had confirmation of shipment.

The first task was to ensure employees were paid as salary was due on 25th May and the consultation process needed to be continued so staff were assured that we were continuing to trade and payroll would be made on the 25th of the month.

Working closely with the Directors, my team spent the initial few days after appointment identifying the key suppliers, orders and services that needed to be retained and to agree payment terms. The Company traded with a number of international well-known customers within the cosmetic industry and this was key to maintaining the ongoing trading and reputation of this Company. Various administration processes were put in place with the internal administrative staff. Job roles were quickly identified, and our team

worked closely with individuals to ensure they understood the Administration process and requirements going forward.

From this exercise it was apparent that the Company was struggling with their internal financial and accounting reporting. Following discussion with the Company's accountant, it became apparent that whilst the Directors were assisting where necessary, if the Company was to continue, they would need support with regard to book-keeping, ledgers, internal accounting, monitoring cashflow forecasts, and some aspects of strategy. As such a specialist consultant was introduced and with the agreement of the board acted to assist the directors with the financial, operational and implementation issues surrounding the trading and property sales.

The trading position was reviewed regularly and the original funding arrangement was only likely to cover the first 3 weeks of trading. During that time sales invoices were issued and paid by customers to Bibby. As the timings surrounding the sale of the property became clearer cashflow schedules were updated and the funding requirement ascertained for the next 2 months. On that basis an additional £260k was needed and Bibby were prepared to provide a further additional facility secured against the debtors and premises (no additional security needed).

As with every formal insolvency procedure, there is from the outset a risk that employees may be made redundant. The directors of the Company had advised us that the workforce numbers were as low as they could possibly be whilst still being able to carry out the work necessary for the trading period. Upon review of the roles of each employee, it was necessary to make only one employee redundant and the relevant notice was given.

Throughout the trading period, the employees continued to diligently perform their work duties and we provided periodic updates via the employee representative on the Administration process

We also continued with the services provided by the consultant accountant, Bossville as we are now gathering the information to complete the formal trading period accounts. We still have outstanding debtors, residual trading creditors to settle and other matters which are still being administered for work carried out during this period.

Time was also spent dealing with utilities and the maintenance of ongoing supplies of electricity, gas and broadband in particular was critical. Trading continued utilising the funding provided and the cashflows were regularly monitored. With the assistance of the consultant debtor payment days were temporarily reduced for a number of key customers assisting cashflow. However the arrangement with Bibby was not a full invoicing discounting arrangement so benefit from invoicing couldn't be received until Bibby were fully paid off. As a sale of the RHS building was expected to complete in mid August further funding wasn't considered necessary however the RHS sale was delayed and eventually pushed out to 20 September. This delay was initially requested by the purchaser but then extended further as the building works required to move the trading business into a smaller area under a lease was taking longer than expected.

As a result of the delay further space was needed to store records/documents/machines from the RHS in the LHS property which hadn't yet been let out by the purchaser.

At the same time the sale of business was stalling as the offer that had been presented to WAPL wasn't progressing as the proposed purchaser, being a director of the company, was very busy working on the reconfiguration of the business. As a result funds were running low and we were advised that major trading purchases were required as minimum order quantities meant that significant outlay was needed to fund the pending orders. The Administrators did not wish to enter in to further loans and advances at a point when the business was under offer.

As detailed above the Administrators were concerned about the trading position. However, another offer was tabled by a former director of the business and this offer was for a single lump sum payment rather than the deferred consideration purchase that was on offer. This was therefore progressed very quickly

and heads of terms agreed on 30 September 2023. As a result, no further funding was obtained as the terms were for a quick sale. However, the sale became protracted and eventually completed on 18th October although the terms were that the sale was effective from 1st October. As such sales cut off was calculated from 1st October and any expenses were similarly apportioned. Trading therefore ceased on 30 September although there were many tasks to complete including the accounting, payments for accrued expenditure and correspondence with the purchaser to ensure that the handover was complete. During the period between the agreement and head of terms substantial time was incurred at partner level in working with our lawyers, BAML and the purchaser and their lawyers.

The trading account is presented in Appendix 1A and shows a profit of £130,856. As described earlier a Statement of Affairs was not provided by the directors however from the financial information available and as shown in the administrators proposal a statement of affairs was drawn up. Trade debtors were collected except for some old outstanding invoices with the assistance of the directors and business and accounting consultants.

A reconciliation of the trading position since our appointment is as follows:-

	£
Opening Debtors	315,000
Sales	920,189
	<u>1,235,189</u>
Cash drawn from Bibby	(751,789)
	<u>483,400</u>
CKC invoices raised and set off against creditor inter-company position	(293,000)
Debtors still to collect	<u>193,400</u>

Since 21 November 2023, further collections totalling £65,935 have been received from Bibby and the balance of the ledger is being re-assigned to us.

Other work carried out

Bankers

We have spent time liaising and chasing the Company's bankers HSBC with regard to releasing their security, analysing the position of the bank account as at the date of the Administration and obtaining copy bank statements. This matter has taken considerable time to progress and conclude. HSBC held a security deposit in a protected bond account. This bond in the amount of £15,000 has been used by HSBC against sums owed by the Company.

Accounting systems and backups

Following the sale of the business, it was necessary to ensure electronic data was obtained to assist in investigations and with realisations of residual assets as detailed below. The company saved data in a number of locations and used an accounting system called Exchequer. Several problems were encountered in achieving this due to the complexity of the server/cloud storage. We have used specialist agents to assist with this task although this has still taken significant time. It is expected that the work in obtaining all back up documentation and emails will be of financial benefit to creditors as it will assist in the ongoing evaluation and investigations.

As referred to above, work on the accounts has been carried out by the company consultant accountant and this work has been complicated as significant values were being carried in the balance sheet which needed correcting or writing off. The directors had not provided a Statement of Affairs despite requests in accordance with the Insolvency Act and Rules, which has made the accounting task more complicated and time consuming. A substantial amount of time has been

incurred reviewing the accounting information on the Exchequer accounting system and liaising with company consultant to ensure that the pre appointment trading accounts are updated to reflect all the transactions. We discovered that the Exchequer product is a relatively complicated program and considerable time was spend dealing with the software company to allow this product to run. In addition analysis was needed to ascertain the base values for the properties which required detailed analysis of the last 20 years accounts as one property was purchased before 1982 and another in 1994. Assistance was provided by Richard Michel and the consultant accountant who had both been involved in the company's affairs for many years. There will be financial benefit to the creditors from this task as we are advised by our tax consultant, HWF, that pre appointment trading losses should be deductible from capital gains on the basis that the Company was an ongoing trading entity at the dates that the sales were concluded.

The accounting task is continuing and at present here are estimated to be losses in excess of those envisaged in our proposals which should therefore reduce the capital gain on the building sales. However, until the calculations and schedules have been reviewed by our tax consultant and submitted to HMRC the position is still uncertain.

Muyazi

The company hold a 30% shareholding in Muyazi (Shanghai) Industrial Co. Ltd ("MYZ"), a Chinese company and have/had a joint venture agreement with them. MYZ were shown as a creditor in the company's records but as detailed below the Directors advised that further invoicing was required to be issued by the company under the agreement and as a result they are currently considered to be debtor in the estimated outcome statement. The value of the shareholding has been considered but in the absence of any financial information being received by the company for many years there is uncertainty as to the value. We have therefore instructed lawyers in China to obtain information and ascertain the value of the shareholding and whether any benefits are due to the company. This should result in a benefit to creditors although there is uncertainty

Synlatex Limited ("SLG")

The balance sheet of the company showed intangible assets of £1,335,583 and was being amortised over 10 years. This relates to the purchase of the business of SLG in 2018. We are advised that the business acquired has generally been incorporated into the company's trading and as such has no value in its own right. We have also been advised that this transaction was financially beneficial to the company as it brought in a number of new customers and businesses lines however the benefit didn't flow through due to the lockdowns in 2020/21/22. As such it is expected that the intangible investment has no realisable value. Investigations into this balance sheet asset were necessary due to the quantum of the asset and to assess if it was realisable and also whether this constitutes a loss for the purposes of the trading and hence tax accounts.

CKC Manufacturing Holdings Limited ("CKC UK")

Creditors will note above, reference made to CKC UK's position and that it was held beneficially for the company. CKC UK was the holding company for CKC China and the directors of CKC UK being Barbara Hunt and Theresa Patternden were also directors of CKC China. When enquiries were made on the relationship and trading the position was not clear and the accounting records for the company showed CKC UK and CKC China as debtors and at the same time CKC China was shown as a creditor. We were advised that further substantial invoicing needed to be raised to pursuant to the arrangements and invoices totalling £293k were raised by the company during the administration trading period. The accounting records show that these invoices have effectively been set off against the CKC China creditor.

As described earlier the debtor balance owed to the company from CKC UK was waived as part of the sale process.

SCG Trading Limited ("SCG") and shareholders loan re SCG Trading Limited

The books and records showed the sum of £761,400 and £148,639 as being owed as a shareholder loan. Enquiries are continuing into these balances and Grosvenor Law have been instructed to review the position and advise further. As such, we cannot provide further detail at this time in order not to prejudice the ongoing review.

Shareholder loan/claim

Investigations were also carried out into a shareholder dispute in 2019. Enquiries are continuing into this action and again, we cannot provide further detail at this time so as not to prejudice the ongoing investigations.

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

Secured Creditors

It has been necessary to deal with the queries of the secured creditors, West One Loans Limited ("WOL") and Bibby Financial Services Limited ("Bibby"), their legal representatives and also to engage in correspondence regarding the satisfaction of their charges following the realisation of assets as set out above.

Trade & Expenses and Crown Creditors

The unsecured claims of the Company's trade and expense creditors have been lodged on our internal case management system when received. Ongoing work has been required in acknowledging claims, answering telephone and email enquiries from creditors and dealing with correspondence therewith. As full accounts are needed in order to substantiate the pre-appointment trading losses certain significant unsecured creditor accounts were reviewed in more detail.

The company records showed that the company traded with several Chinese companies, being CKC Manufacturing (AH) Co Limited ("CKC China"), Cangzhou Heye Cosmetic Tools ("Cangzhou") and Muyazi (Shanghai) Industrial Co. Ltd ("MYZ").

The Cangzhou claim was subject to a number of time to pay arrangement's which the company hadn't been able to maintain. On review of their claim it has been discovered that significant invoices hadn't been booked onto the Exchequer accounting system by the company. After time spent on investigations adjustments have therefore provisionally been put through the accounts to reflect these transactions. Enquiries are continuing as these adjustments are material.

The company have a 30% shareholding in MYZ claim and there is a significant history as this shareholding stretches back to a 2003 joint venture agreement. Following investigations the directors were of the view that MYZ are not a creditor and that invoices in relation to the trading arrangement were still to be issued by the company. As a result these invoices have been issued and are now set-off against the sums previously shown as owing to MYZ. MYZ are therefore a debtor, as shown in the estimated outcome statement attached. Lawyers in China have been instructed in relation to MYZ, although the ability to collect this debtor is and it appears that company may have a claim. We have received claims from 2 of these companies. The position of these creditors is complicated as the Company had a 100% ownership of CKC and 30% ownership of Cangzhou and Muyazi. Furthermore, the Muyazi claim has been in dispute since 2011.

The CKC China situation has been referred to above. The historic trading and invoicing situation was unclear and we are advised, was subject to Chinese trading regulations. The directors and consultant account advised that the creditor originally shown in the records and listed in the proposal was incorrect

as further invoicing was necessary. This invoicing was therefore raised in the Administrators trading period although some of this was in relation to previous periods. The net effect after set-off shows that CKC China are not a creditor.

Following the issue of unfair prejudice proceedings under s994 of the Companies Act 2006 claims have been received that were not included in the creditors listing as they appear to be in relation to guarantees and indemnities given by the Company in relation to legal costs incurred. Enquiries continue to be made into these.

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

Decision Procedures - Convening deemed consent and correspondence decision procedures of the Company's creditors to seek approval of the Administrators' Statement of Proposals and fix the basis of the Joint Administrators' remuneration.

VAT – As the company trades throughout the world only certain sales are subject to VAT. Now trading has ceased final VAT returns are being prepared and will be submitted shortly. There will be an ongoing need to submit returns for post deregistration periods at the appropriate point in time.

Pensions - Seeking information from the Company's officers on the Company's pension scheme in respect of contributions deducted from salaries that were not passed on to the scheme.

5. ESTIMATED OUTCOME FOR CREDITORS

Details of the sums owed to each class of the Company's creditors were provided in our statement of proposals and are summarised as follows:

Secured creditors

Bibby Financial Services Ltd ("Bibby") had a fixed and floating charge which was created on 10 September 2021 and delivered at Companies House on 13 September 2021. As at the date of our appointment, Bibby were owed £122,500. Bibby have been repaid in full and their charge was satisfied at Companies House on 29 September 2023. As Bibby funded the trading of the Administration their lending did increase during the trading period but was repaid from debtor realisations and from Administrations sales.

WOL had a fixed and floating charge which was created on 31 May 2022 and delivered at Companies House on 9 June 2022. As at the date of our appointment, WOL were owed £4,620,000. WOL have been repaid in full and their charge was satisfied at Companies House on 29 September 2023.

Preferential creditors

Employees were all paid their wages and any holiday pay was transferred to the purchaser under the TUPE regulations.

As the bank account was frozen after the petition was issued, there is a month's pension liability to distribute and some element of this is preferential. This will be paid shortly.

Secondary preferential creditors

Further to the changes to the Finance Act 2020, HM Revenue & Customs are now able to claim secondary preferential status for certain liabilities. Taxes owed by the business to HMRC comprising of

VAT, PAYE Income Tax, Employee National Insurance Contributions, Student loan deductions and Construction Industry Scheme deductions fall under the secondary preferential status.

HM Revenue & Customs have submitted a claim in the amount of £47,222.89 in respect of unpaid PAYE. As realisations have been sufficient to facilitate payment of HMRC's secondary preferential claim we will shortly be adjudicating and declaring a dividend payment of this claim in full.

Unsecured creditors

Claims of unsecured non-preferential creditors were calculated at circa £2,110,232 in the Estimated Statement of Affairs. To date, claims totalling £2,729,655.34 have been lodged by 43 creditors. These have only been logged on our system at this stage. Formal adjudication of unsecured creditor claims will commence once the Administration is moved into Liquidation although some of the more significant creditors claim have been reviewed as described above.

It is anticipated that realisations will be sufficient to facilitate a distribution to the unsecured non-preferential creditors. As there are still investigations ongoing which may result in further realisations and the creditor position hasn't been finalised we can only provide an estimate of the dividend level however this may change.

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

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

- ☐ 50% of the first £10,000 of *net property*;
- ☐ 20% of *net property* thereafter;
- ☐ Up to a maximum amount to be made available of £800,000

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

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

There are no unsatisfied floating charges created or registered on or after 15 September 2003 and, consequently, there is no net property as defined in Section 176A(6) of the Act and, therefore, no prescribed part of net property is required for distribution to the unsecured creditors.

Effect of administration on limitation periods under the Limitation Act 1980

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

6. PRE-ADMINISTRATION COSTS

On 31 July 2023 the following amounts in respect of unpaid pre-administration costs were approved by decision of creditors sought via a Decision Procedure by correspondence.

Description	Name of recipient	Net amount £	VAT £	Gross amount £
Fees in relation to pre-appointment work.	Begbies Traynor	39,707.00	7,941.40	47,648.40

7. REMUNERATION & EXPENSES

Our remuneration has been fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (London) LLP in attending to matters as set out in the fees estimate. The initial fees estimate provided to creditors at the time of approval of our remuneration was £291,222.67.

We are also authorised to draw expenses, including expenses for services provided by our firm (defined as category 2 expenses in Statement of Insolvency Practice 9), in accordance with our firm's policy, details of which accompanied the Statement of proposals for achieving the purpose of administration and which are attached at Appendix 2 of this report.

Our time costs for the period from 22 May 2023 to 21 November 2023 amount to £444,513.30 which represents 795:48 hours at an average rate of £558.57 per hour. Accordingly, we have exceeded our initial fees estimate and we are now seeking a revised fees estimate within this report.

The following further information in relation to our time costs and expenses is set out at Appendix 2:

- ☐ Begbies Traynor (London) LLP's charging policy
- ☐ Time Costs Analysis for the period 22 May 2023 to 21 November 2023

To 21 November 2023, we have drawn the total sum of £270,000 on account of our remuneration and £20,000 as an agreed contribution to costs by the fixed charge creditor in relation to the property sales.

Time Costs Analysis

The Time Costs Analysis for the period of this report attached at Appendix 2 shows the time spent by each grade of staff on the different types of work involved in the case and gives the total costs and average hourly rate charged for each work type.

As can be seen from the information above, we have exceeded the limit of our approved remuneration. For the avoidance of any doubt, we have not drawn any remuneration in excess of the level approved. The reasons why the approved level of remuneration has been exceeded is set out in this report.

In light of the above, we are obliged to provide creditors with details of the additional work that has been undertaken and what we anticipate will be our costs until the Administration is moved into Liquidation. This information appears at Appendix 2. We do not anticipate that we will need to seek further approval following the proposed further fee increase to our remuneration.

Accordingly, we are seeking creditors' approval of our further remuneration via a decision procedure by way of correspondence. The documentation which we require creditors to complete and return has been sent separately.

Category 1 Expenses

Category 1 expenses are set out in detail at section 4 and Appendix 3 to this report.

Category 2 Expenses

No category 2 expenses have been drawn during the period of this report. However, Eddisons insurance cover has been paid shortly after the period covered by this report of £19,239.

A copy of 'A Creditors Guide to Administrators' Fees (E&W) 2021' which provides guidance on creditors' rights on how to approve and monitor an Administrator's remuneration and on how the remuneration is set can be obtained online at www.begbies-traynor.com/creditorsguides. Alternatively, if you require a hard copy of the Guide, please contact our office and we will arrange to send you a copy.

8. ADMINISTRATORS' EXPENSES

A statement of the expenses incurred during the period of this progress report is attached at Appendix 3.

Expenses actually incurred compared to those that were anticipated

Creditors will recall from the Report and Statement of Proposals dated 12 July 2023, that we estimated at Appendix 3(v) the anticipated expenses of the administration. These estimates were based on the information available at the time. As the trading period continued and the realisation of the remainder of the property became more complicated several expenses (insurance and legal) have unsurprisingly risen. Overall, the estimate provided at the outset has been relatively accurate. Whilst the expenses that we have incurred so far have exceeded that estimate, there will be further expenses to pay before the case concludes. The reasons why the estimate has been exceeded are as follows:

- ❑ Insurance – as the trading period was longer than initially expected, the costs of insurance in respect of the building contents and public and employee liability has increased.
- ❑ The realisation of the right hand side of the property became protracted. This has meant that legal fees have risen.
- ❑ The agents fees in respect of assisting with the sale of the business and assets is higher than originally thought. This was a time absorbing complex sale which involved many hours of discussion and negotiation.

9. ASSETS THAT REMAIN TO BE REALISED AND WORK THAT REMAINS TO BE DONE

As the Administration of the Company has continued, there are many areas which we are still actively working on these are as follows:-

- With the assistance of the accountancy services provided by Bossville Limited, the accounts for the trading period are continuing to be prepared and the tax position finalised. There will be ongoing correspondence and discussions in order to submit the accounts and tax computations. A 1982 specialist valuation may be needed, the tax treatment of significant transactions including intangible assets capitalised and other transactions which under review may have an effect on the losses and may need to be finalised before submission.
- We are continuing to review the sums due from SCG Trading Limited. We are aware that this company has recently been dissolved but do not envisage that this affects the ongoing review.
- As mentioned earlier in the report a Chinese law firm has been instructed to assist with the MYZ shareholding. The extent of additional time and cost is therefore uncertain.
- Finalising the debtor collection for the trading period and on the Bibby ledger and formal conclusion of their involvement in the Administration as there are still invoices outstanding. Bibby are in the process of reassigning the remaining invoices so further work will be needed to collect these sums. There are currently approximately £127,465 of debtor invoices (invoices are in GBP, EUR and USD) outstanding, of which the majority are now overdue so further chasing is required.
- Investigations are ongoing with regard to historic transactions within the Company as referred to above. Due to the nature of these investigations we are unable to go into detail at this stage.
- Continue liaising with the utilities and suppliers to finalise trading liabilities.

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

General case administration and planning

Periodic internal reviews in order to ensure satisfactory progression of the case and that all statutory and regulatory obligations have been complied with.

Continuing to maintain records to demonstrate how the case has been administered and to ensure reasons for decisions that materially affect the case are adequately documented. Meetings with the case manager and team to assess case status and ensure adherence to these requirements. Standard case reviews will continue to be conducted and documented periodically.

Whilst work undertaken in this category does not provide a direct financial benefit to creditors, it is a necessary part of the general control of all formal insolvency appointments.

Compliance with the Insolvency Act, Rules and best practice

Included in the work undertaken during the period under this heading is the following:

- Preparation and circulation of progress reports on a six monthly basis;
- Periodic reviews of the Administrators' bond, as required by the Insolvency Practitioners Regulations 2005;
- General accounting, banking and cashiering including the processing of payments, maintenance of estate cash book postings and carrying out regular bank account reconciliations and investment decisions;
- Filing and circulation of requisite documentation in respect of the proposed extension of the administration period;

- Preparation of the final account and relevant forms in order to close the administration and move the Company to dissolution;

This work does not provide a direct financial benefit to creditors, however, is required in accordance with relevant insolvency legislation and best practice guidelines.

Investigations

As explained above some aspects of the investigations have been completed but some are ongoing including the sums due from SCG Trading Limited and the legacy issues arising from the shareholder legal action from 2016. It is anticipated that there will be financial benefit to the creditors for continuing these investigations. Further details of these transactions only became apparent recently, so investigations are continuing.

Realisations of assets

As detailed above, the significant assets have now been realised subject to the investigations being completed.

Trading

Although trading has now ceased as the business was sold, there are still residual matters such as debt collection which are mostly for the Administration trading period. It is envisaged that some time will be spent paying utilities and other accrued expenditure to ensure that all trading liabilities have been paid. This task may not be for the financial benefit of creditors but the Administrators are required to pay all trading liabilities in priority to other costs and in advance of creditors.

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

Pension and Secondary Preferential Creditor

There is a month's pension liability outstanding and this will be paid shortly.

There are sufficient realisations to facilitate a distribution to HM Revenue & Customs in respect of its secondary preferential claim so the following work will be required:

- Adjudication and agreement of HMRC's final secondary preferential claim;
- Formal declaration of the dividend and processing of relevant payment;
- Liaising with HMRC in respect of any additional information required or discrepancies with the Company's records.

Unsecured non-preferential creditors

It is also anticipated that funds will be available for a distribution to the Company's unsecured non-preferential creditors during the subsequent Creditors' Voluntary Liquidation ("CVL") process. In accordance with the proposals of 12 July 2023 creditors approved the exit route of a CVL which is process to declare and pay dividends to creditors.

As a result at some point in the near future we are proposing to move from Administration to Liquidation where we will continue the work referred to above.

Consequently, in addition to general required work in acknowledging and lodging claims and dealing with miscellaneous queries of the creditors, the following work will also be undertaken in order to facilitate a distribution of the available funds during the Liquidation:

- Circular letters to those creditors yet to lodge formal claims in order to request prompt submission in preparation for the dividend;
- Preparation, circulation and advertisement in the London Gazette of a formal Notice of Intended Dividend;
- Adjudication and formal agreement of unsecured non-preferential claims received as required by the Insolvency Rules, including dealing with any claims subject to dispute over validity or quantum;
- Assessing the benefit of any guarantee or indemnity claims given by the company
- Establishment of initial and final sums for distribution and calculation of individual dividend payments to each proving creditor in this regard;
- Formal declaration of the dividend and processing of relevant payments via Bacs and cheque;
- Dealing with all enquires from creditors in respect of the dividend.

This work is necessary in order to distribute funds in the estate, and therefore has a direct financial benefit to creditors.

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

This includes the Decision Procedures - Convening deemed consent and correspondence decision procedures of the Company's creditors to seek approval of the Administrators' Statement of Proposals and fix the basis of the Joint Administrators' remuneration.

Completion of accounts for the pre-appointment and also the post appointment trading period, including the sale of the business and properties. As explained earlier this is a critical task as initial drafts suggest the company has significant trading losses to set against the capital gains from the building sale. This will involve liaising with the accounting consultant and tax specialists and is anticipated to be of benefit to the creditors as it is likely to reduce tax paid as an expense of the administration.

VAT – As the company trades throughout the world only certain sales are subject to VAT. Now trading has ceased VAT returns are being prepared and will be submitted shortly. There will be an ongoing need to submit returns for post deregistration returns at the appropriate point in time.

Pensions - Seeking information from the Company's officers on the Company's pension scheme and any contributions deducted from salaries that were not passed on to the scheme.

How much will this further work cost?

Some of the 'further work' detailed above was anticipated, but at this point in the proceedings, it has not yet been carried out or completed. This work is necessary in order that we may complete the administration as envisaged. As can be seen above, there are additional and unforeseen elements of work which were not envisaged at the onset of our appointment, and which need to be carried out in order to complete our duties. The cost of the additional and the unforeseen work to 21 November 2023 is currently £153,290.63 based on time costs already recorded. The estimate of future fees is £60,073.15 which is in addition to the original remuneration approval we have received. Based on the realisations to date and the anticipated further investigations which may lead to further realisation this is for the benefit of creditors. As previously advised, we will need to seek creditor approval for the fair and reasonable increase in our remuneration. We do not anticipate that we will need to approach creditors for a further increase following this request, unless circumstances greatly change again.

Expenses

Details of the expenses that we expect to incur in connection with the work that remains to be done referred to above are set out in the revised estimate of anticipated expenses attached at Appendix 3.

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

We initially estimated that the cost of administering the case would be in the region of £291,222.67 and subsequently you have provided approval for us to draw our remuneration up to that level. As the initial fees estimate has been exceeded and there is still work to do which will have a benefit to the creditors, it is necessary for us to obtain a revised fee estimate. We therefore anticipate based on the work carried out and required until closure of the Administration, that the cost of administering the case will be in the region of £504,586.45.

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

10. OTHER RELEVANT INFORMATION

Proposed exit route from administration

Creditors will recall from our Report and Statement of Proposals dated 12 July 2023 that it was envisaged that realisations in the estate would amount to a sum sufficient to facilitate a general distribution to unsecured creditors, and consequently that the proposed exit route from administration was a move to Creditors' Voluntary Liquidation ("CVL") pursuant to paragraph 83 of Schedule B1 to the Act.

Accordingly, prior to the end of the Administration period we will prepare a final progress report on the Administration and deliver a notice of moving from Administration to Creditors Voluntary Liquidation to the Registrar of Companies. Upon the registration of such notice our appointment as Administrators shall cease to have effect and the company will automatically be placed into Liquidation.

Use of personal information

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

11. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 18.9 of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors, including that creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the court) may request in writing that we provide further information about our remuneration or expenses (other than pre-administration costs) which have been incurred during the period of this progress report.


Right to make an application to court

Pursuant to Rule 18.34 of the Rules, any secured creditor or an unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor (or any unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the court) may, within 8

weeks of receipt of this progress report, make an application to court on the grounds that the remuneration charged or the expenses incurred during the period of this progress report are excessive or, the basis fixed for our remuneration is inappropriate.

12. CONCLUSION

We will report again in approximately six months time or at the conclusion of the administration, whichever is the sooner.

A handwritten signature in black ink, appearing to read 'Stephen Katz', with a large, sweeping horizontal stroke above the main body of the signature.

STEPHEN KATZ - JOINT ADMINISTRATOR

Dated: 19 December 2023

L. KAHN MANUFACTURING COMPANY LIMITED T/A CARESSA KAHN
- IN ADMINISTRATION

JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS

FOR THE PERIOD FROM 22 MAY 2023 TO 21 NOVEMBER 2023

		6th Month Period	
		<u>22-May-23 to 21-Nov-23</u>	
		£	£
Receipts - Fixed Charge			
Freehold Property			7,400,000.00
Less:			
West One Loans Limited		(4,798,202.22)	
Legal Fees and Disbursements		(17,217.80)	
Agents Fees		(148,000.00)	
Joint Administrators agreed Fee		(20,000.00)	
Balance C'd			<u>2,416,579.98</u>
<u>Receipts</u>			
Drawdown Bibby Financial Services Ltd			751,789.45
Third Party Funds			7,868.93
Plant and Machinery - other			6,025.00
<i>Sale of Business and Assets</i>			
Goodwill	10,000.00		
Business Intellectual Property Rights	1.00		
Seller's Records	1.00		
Leaseholder Shares	1.00		
Fixtures and Fittings	11,996.00		
Plant and Machinery	180,933.00		
Motor Vehicles	8,000.00		
Stock	29,067.00		
Business Contracts	1.00		
CKC Shares	<u>10,000.00</u>		
			250,000.00
Rent received			500.00
Bank interest			<u>3,641.76</u>
			3,436,405.12
<u>Payments</u>			
Statutory Advertising	109.08		
Specific Bond	612.00		
Bibby Arrangement Fee	15,000.00		
Telephone, Internet	48.07		
Suppliers / Duress Creditors	354,849.76		
Other Expenses	34,158.31		
Agents Fees	30,144.28		
Legal Fees	24,973.50		
Professional Fees	36,500.00		
Consultancy Fees and Disbursements	74,269.06		
Property Expenses	55,230.00		
Rents and Licence Deposits	12,102.01		

L. KAHN MANUFACTURING COMPANY LIMITED T/A CARESSA KAHN
- IN ADMINISTRATION

JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS

FOR THE PERIOD FROM 22 MAY 2023 TO 21 NOVEMBER 2023

	6th Month Period	
	<u>22-May-23 to 21-Nov-23</u>	
	£	£
Utilities: Southern Electric	3,555.66	
Employee benefits: AXA Healthcare	8,896.42	
Employee wages	197,956.32	
HMRC: PAYE/NIC	50,368.45	
Pension Contributions	6,111.20	
Petty Cash	2,500.00	
Bank charges	472.80	
Postage and Stationery	6.35	
Purchaser Agreed Reduction	29,684.84	
HM Land Registry Fees	352.00	
Stamp Duty Land Tax	4,737.00	
Repayment of CKC Loan	45,000.00	
Joint Administrators Pre-Appointment Fees	39,707.00	
Joint Administrators Post-Appointment Remuneration	270,000.00	
		(1,297,344.11)
<u>Balance in Hand</u>		<u><u>2,139,061.01</u></u>
 <u>Represented by</u>		
Balance at Bank - Fixed	30,357.97	
Balance at Bank - Floating	466,565.85	
Money Market Deposit Account	1,503,223.15	
Accruals	(11,136.07)	
VAT Payable	(1,205.00)	
VAT Receivable	151,255.11	
	<u>2,139,061.01</u>	

L KAHN MANUFACTURING COMPANY LIMITED IN ADMINISTRATION
TRADING PROFIT AND LOSS 22 May 2023 to 21 November 2023

	Total £
Turnover	920,188.66
Cost of Sales	
Opening stock	-
Purchases	242,422.95
Freight in	8,310.55
Duty	2,320.50
Salaries - factory	107,047.72
Employer's NIC - factory	7,051.69
Loose tools and consumables	4,897.57
Repairs to plant and machinery	360.00
Light, heat and power	6,181.10
Motor expenses	-
	307,405.75
Less: Closing stock adjustment	158,397.12
	465,802.87
Gross profit	454,385.79
GP %	0.49
Sales and Development	
Salaries	11,546.16
Employer's NIC	1,174.96
Consultancy fees	-
Commission payable	10,242.44
Exhibition	-
Travelling expenses	-
Samples	-
Freight out	31,152.07
	46,291.18
Administrative Expenses	
Salaries	53,359.37
Directors' remuneration	20,874.28
Employer's NIC	7,130.61
Staff pension costs	4,772.45
Directors' pension costs	1,666.68
Insurance & Medical	22,224.65
Restructuring cost	-
Recruitment and training	-
Travel and entertaining	61.98
Rates and Water Rates	72,853.44
Light and heat	13,475.48
Repairs and maintenance	-
Cleaning, health and safety	691.80
Printing, postage and stationery	308.00

Telephone	3,075.44
Canteen and sundry expenses	6,333.33
Equipment leasing	725.13
Computer expenses	6,341.94
Accountancy fees	1,000.00
Audit fees	-
Legal and professional fees	
Consultancy fees	
Computer Outsourcing Costs	11,972.29
Profit and loss on disposal of investment	-
Profit and loss on disposal of Fixed Assets	
Bad Debts Provision	-
Depreciation & Amortisation	
Factoring charges	23,042.10
Bank charges	1,246.59
Loan arrangement fee	-
	251,155.56
Interest Payable	
Bank interest - overdraft	105.70
Bank interest - loan	
Bank interest - factoring	8,118.26
HP Interest	-
Other interest payable	5,248.47
	13,472.43
Foreign currency variance	26,302.67
Rent receivable	7,809.41
CKC Management Charge	-
Other interest receivable and similar income	
Bank interest received	5,883.40
Other interest receivable	-
Dividend received	-
Grants	-
	5,883.40
Profit / (loss) before tax	130,856.76
Corporation tax	-
Prior year / Exceptional adjs	-
Profit/loss after tax	<u>130,856.76</u>

COSTS AND EXPENSES

- a. Begbies Traynor (London) LLP's charging policy;
- b. Time Costs Analysis for the period from 22 May 2023 to 21 November 2023;
- c. Estimated fee increase to our approved remuneration;

APPENDIX 2

BEGGIES TRAYNOR CHARGING POLICY**INTRODUCTION**

This policy applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the creditors' decision being made for the office holder to be remunerated on a time cost basis. Best practice guidance* requires that such information should be disclosed to those who are responsible for approving the basis of an office holder's remuneration. Within our fees estimate creditors can see how we propose to be remunerated.

It also applies where payments are to be made to parties other than the firm, but in relation to which the office holder, the firm or any associate has an interest. Best practice guidance* indicates that such charges should be disclosed to those who are responsible for approving the basis of the office holder's remuneration, together with an explanation of how those charges are calculated.

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

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

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

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

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

Best practice guidance classifies expenses into two broad categories:

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

* Statement of Insolvency Practice 9, (SIP9) – Payments to Insolvency office holders and their associates from an estate

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

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

- ☐ Internal meeting room usage for the purpose of physical meetings of creditors is charged at the rate of £150 per meeting;
- ☐ Car mileage which is charged at the rate of 45 pence per mile.
- ☐ Storage of books and records (when not chargeable as a Category 1 disbursement) is charged on the basis that the number of standard archive boxes for all cases in respect of the period for which the storage relates.

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

Services provided by other entities within the Begbies Traynor group

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

Instruction of Eddisons Insurance Services Limited ("EIS") to provide insurance broking services and specifically open cover insurance for the insurable risks relating to the case. The cost of open cover insurance will vary during the course of the case depending upon the value of the assets and liability risks. The forecasted cost of insurance for the 3 month period immediately following appointment is £13,336.50 inclusive of Insurance Premium Tax. The costs of insurance cover for subsequent quarter periods will be dependent upon prevailing insurance market conditions and the ongoing insurable risks on the case. Where relevant, administration fees may be charged. These costs are taken into consideration and included within the forecasted cost of insurance, above.

In accordance with standard insurance industry practice, EIS will receive payment of commission for the services it provides from the insurer. The commission is calculated as a percentage of the insurance premiums payable and such percentage will depend upon the class or classes of assets being insured.

EIS will invoice the insolvent estate for the premium(s) due on the insurer's behalf and receive payment from the estate. EIS will in turn, account to the insurer for the premium(s) payable after deducting any commission payable by the insurer.

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

General Office Overheads

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

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

* Statement of Insolvency Practice 9, (SIP9) – Payments to Insolvency office holders and their associates from an estate

BEGBIES TRAYNOR CHARGE-OUT RATES

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

For the period from engagement to 9 July 2023:-

Grade of staff	Charge-out rate (£ per hour)
Consultant/Partner	690
Director	580
Senior Manager	500
Manager	475
Assistant Manager	385
Senior Administrator	340
Administrator	260
Trainee Administrator	190
Support	175

For the period from 10 July 2023:-

Grade of staff	Charge-out rate range (£ per hour) 10th July 2023 until further notice
Appointment taker/partner	670-815
Managers/directors	525-640
Other professional	285-425
Junior professional/support	210

* Statement of Insolvency Practice 9, (SIP9) – Payments to Insolvency office holders and their associates from an estate

SIP9 L. Kahn Manufacturing Company Limited - Administration - 23LK008 ADM : Time Costs Analysis From 22/05/2023 To 21/11/2023

Staff Grade	Consultant/Partner	Director	Sr Mgr	Mgr	Asst Mgr	Sr Admin	Admin	Jr Admin	Support	Analyst - Forensic	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	3.0	7.6	2.0			0.6		1.4			14.8	8,224.00	555.66
		23.8	23.7		0.6	13.7		2.6			64.6	34,573.00	535.19
	3.0	31.4	25.7		0.5	14.6		4.0			79.4	42,707.00	538.01
Compliance with the Insolvency Act, Rules and best practice			7.2			7.5		0.2			14.9	8,192.00	415.57
			4.1				3.2		56.0		63.3	14,474.50	228.67
													0.00
			54.2		2.4	11.7					68.3	33,592.00	491.93
Investigations			86.5		2.4	19.2	3.2	0.2	56.0		148.5	54,358.50	370.37
	6.9	14.5	9.1			15.9				3.3	46.7	27,301.30	549.32
	6.9	14.5	9.1			15.9				3.3	46.7	27,301.30	549.32
Realisation of assets	0.6										0.6	608.00	780.00
	102.6	100.6	23.9		0.0	2.2					236.3	180,122.00	677.82
			0.1								0.1	59.50	595.00
	103.4	100.6	23.9		0.9	2.2					237.2	180,780.50	677.88
Trading	21.2	55.9	86.0		0.3	33.6					200.0	109,984.50	549.92
	21.2	55.9	86.0		0.3	33.6					200.0	109,984.50	549.92
			0.2								2.0	1,487.00	743.50
	1.8												
Dealing with all creditors claims (including employees), correspondence and distributions	2.5	4.0	33.4			1.8					41.7	23,870.50	572.43
													0.00
Other matters which includes meetings, tax, litigation, pensions and travel	4.3	4.0	33.6			1.8					43.7	25,337.50	580.26
Other matters which includes meetings, tax, litigation, pensions and travel	3.3		0.7								4.0	2,888.50	722.38
Total for General Case Administration and Planning													
Total for Compliance with the Insolvency Act, Rules and best practice													
Total for Realisation of assets													
Total for Trading													
Total for Dealing with all creditors claims (including employees), correspondence and distributions													
Total for Other matters													
Total time cost by staff grade £:													
Average hourly rate £:													
Total fees drawn to date £:													

THE ADMINISTRATORS' ESTIMATE OF THE INCREASED FEES THAT THEY WILL INCUR

Further to the information set out in the report, the Administrators anticipate that in addition to their fees estimate dated 12 July 2023 in the sum of £291,222.67 the following further fees will be incurred to conclusion of the administration. This is in addition to the time costs which are already recorded up to 21 November 2023 of £153,290.63. Please note that blended hourly rates have been used (as they were for the original estimate), which take account of the various levels of staff that are likely to undertake each area of work. These can be seen in the average hourly rate column. Details of the hourly rates that will be charged for each level of staff working on the case form part of this appendix.

Details of the work that the administrators and their staff propose to undertake	Hours	Time cost £	Average hourly rate £
General case administration and planning	26	10,019.95	385.38
Compliance with the Insolvency Act, Rules and best practice	22	9,393.30	426.97
Investigations	1.5	940.00	626.67
Realisation of assets	32	12,706.66	315.83
Dealing with all creditors' claims (including employees), correspondence and distributions	22	8,303.29	377.42
Other matters which includes seeking decisions of creditors via deemed consent procedure and/or decisions procedures, tax, litigation, pensions and travel	29	11,709.95	403.79
Total hours	132.50		
Total time costs		60,073.15	
Overall average hourly rate £			453.38

Further to the information set out in the report, the joint administrators are seeking an increase to their previously approved remuneration. The increase is based on the additional/unforeseen work, the costs of dealing with were not known at the time that the original remuneration basis was sought.

We have arrived at this increase by considering the nature and complexity of the work that is necessary to conclude the case, and we also believe that this increase is a fair and reasonable reflection of the same.

Dated: 19 December 2023

L. KAHN MANUFACTURING COMPANY LIMITED T/A CARESSA KAHN
THE LIQUIDATORS' FEES ESTIMATE

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

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

Details of the work that the liquidators and their staff propose to undertake	Hours	Time cost £	Average hourly rate £
General case administration and planning	62:00	25,250	407.26
Compliance with the Insolvency Act, Rules and best practice	56:00	26,500	473.21
Investigations	22:00	14,730	669.55
Realisation of assets	15:00	8,810	587.33
Dealing with all creditors' claims (including employees), correspondence and distributions	133:00	64,425	484.40
Other matters which include seeking decisions from creditors via Deemed Consent Procedures or Decision Procedures, tax, litigation, pensions and travel	25:00	12,200	488.00
Total hours	313:00		
Total time costs		151,915	
Overall average hourly rate £			485.35

The above estimate indicates that the total estimated fees of Begbies from the date of our appointment as Liquidators will be circa £151,915.

Should creditors require further information on how this estimate has been produced this can be obtained from our website at <http://www.begbies-traynorgroup.com/fee-estimates>.

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

Dated: 19 December 2023

L. KAHN MANUFACTURING COMPANY LIMITED T/AS CARESSA KAHN – IN ADMINISTRATION

Please see attached a comparison between fee approval on 12 July 2023 and costs to 21 November 2023. Table comparing costs of £291k v £444k

As creditors will note from the analysis above, the additional time and expense incurred over and above the original fee estimate is generally in relation to the realisation of assets and the trading. D

Realisation of assets

As explained in detail in the report when the fee estimate was drafted the sale of the LHS property was nearing completion however the RHS property and sale of the business were still outstanding.

A summary of the additional matters include :

- Extensive work required to complete the RHS in the time scales in accordance with the contract.
- Agreeing temporary storage and associated licence in LHS
- Negotiating the RHS property sale and updating contract for the new lease
- Negotiating the lease
- Overseeing the logistics of moving the plant, machinery and offices to the rear of the RHS property
- Agreeing further storage on LHS
- Extension of the contract for sale of the RHS by over 1 month
- Negotiating sale of business and assets
- Complications and extensions in completing sale
- Post sale obligations
- The above matters all required senior management and partner/director involvement due to their complexities

Detailed explanations are included in the realisation of assets section of the report.

Trading

Time spent on trading the business was in excess of the estimated time due to the extended period of trading which was required to achieve a sale. The trading profit and loss account shows the results of the trading period. Significantly the initial tax advice indicated that it was important that the company was trading when the property sales completed as a minimum it was necessary to ensure that trading continued.

In addition the sale of the assets took much longer than anticipated so trading had to continue with the resulting time and costs.

However, the trading results show that trading was profitable and therefore for the benefit to the creditors.

Detailed explanations are included in the trading section of the report.

L. Kahn Manufacturing Company Limited - In administration

	Estimated time from 10/7/23		Time to 9/7/23		Per fee estimate in proposal		Actual time costs to 21/11/23		Additional time		Anticipated time to complete Administration	
	hours	£	hours	£	hours	£	hours	£	hours	£	hours	£
General case administration and planning	68.00	27,523.33	32.40	16,603.00	100.40	44,126.33	79.40	42,797.00	- 21.00 -	1,329.33	26.00	10,019.95
Compliance with the Insolvency Act, Rules and best practice	43.00	16,533.33	79.60	32,006.00	122.60	48,539.33	146.50	54,258.50	23.90	5,719.17	22.00	9,393.30
Investigations	42.00	16,933.33	-	-	42.00	16,933.33	49.70	27,301.00	7.70	10,367.67	1.50	940.00
Realisation of assets	69.00	40,823.33	59.80	38,236.00	128.80	79,059.33	237.20	160,789.50	108.40	81,730.17	32.00	19,706.66
Trading			121.00	60,155.00	121.00	60,155.00	200.00	109,984.50	79.00	49,829.50	-	-
Dealing with all creditors' claims (including employees), correspondence and distributions	46.00	18,223.33	13.70	6,910.00	59.70	25,133.33	43.70	25,357.50	- 16.00	224.17	22.00	8,303.29
Other matters which include seeking decisions from creditors via Deemed Consent Procedures or Decision Procedures, tax, litigation, pensions and travel	38.00	14,980.00	5.20	2,295.00	43.20	17,275.00	39.30	24,025.00	- 3.90	6,750.00	29.00	11,709.95
		<u>135,016.65</u>		<u>156,205.00</u>		<u>291,221.65</u>		<u>444,513.00</u>		<u>153,291.35</u>		<u>60,073.15</u>

STATEMENT OF ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance (to be discharged) £
Expenses incurred with entities not within the Begbies Traynor Group				
Statutory Advertising	Courts Advertising	109.08	109.08	Nil
Legal Fees	PCB Lawyers – for the sale of both properties and the lease. Fixed fee	17,150.00	17,150.00	
	Grosvenor Law – advisory on funding and ongoing legal advice. Time basis	3,000.00	3,000.00	
	Pinsent Masons – appointment documentation and advice re receivers. Time basis	5,000.00	5,000.00	
	Gunnercooke LLP – employment legal advice. Time basis	1,260.00	1,260.00	
	Sylvester Amiel Lewin and Home – advice on validity of debenture and our appointment. Fixed Fee	1,850.00	1,850.00	
	Branch Austin McCormick LLP – Asset sale agreement. Time cost basis	15,000.00	15,000.00	
Professional Fees	Bossville Limited – accounting services. Time basis	46,500.00	46,500.00	
	Ftronix Limited – business consultancy services. Time basis	74,269.06	74,269.06	
Agent's Fees	Williams & Partners ("WAPL") – valuation	29,644.00	29,644.00	

	marketing and sale of assets. 10% of asset sale plus valuation and advertising/marketing costs			
	Davies & Co – Estate agents and surveyors. Joint agents at 1% of property value	74,000.00	74,000.00	
	Jeremy Leaf & Co - Estate agents and surveyors at 1% of property value	74,000.00	74,000.00	
Bank charges	Barclays Bank Plc	457.80	457.80	Nil
Expenses incurred with entities within the Begbies Traynor Group (<i>for further details see Begbies Traynor Charging Policy</i>)				
Bond	Specialist Risk Insurance Services	612.00	612.00	Nil
Open Cover Insurance Policy (buildings, trade, assets)	Eddisons:- Buildings insurance for LHS £2,650.65, RHS £8,024.85 Trading risks £7,061.25 Chattel assets £1,128.50 Fee £375	19,240.25		19,240.25

ADDITIONAL EXPENSES ANTICIPATED FOR FUTURE WORK

Expenses anticipated to be incurred prior to closure of the case	Name of party with whom expense anticipated to be incurred	Amount estimated to cost £
Professional Fees	Bossville Limited – accounting services	15,000.00
	HW Fisher LLP – tax services	4,500.00
Legal Fees and disbursements	Zhong Lun Law Firm – legal services in China	3,000.00

L.KAHN MANUFACTURING LIMITED - IN ADMINISTRATION**ESTIMATED OUTCOME STATEMENT AS AT 21 NOVEMBER 2023**

	Position as at 21-Nov-23	Projected Future Movement	Final Position
	£	£	£
<u>RECEIPTS/ASSETS</u>			
Funds available	2,139,061.01		2,139,061.01
Potential other receipts:-			
Directors Loan Account		uncertain	uncertain
Debtor: MYZ		uncertain	uncertain
Shareholder Loan: SCG Trading Limited		uncertain	uncertain
Shareholder Loan: Legal costs re. pre Administration action		uncertain	uncertain
Total	2,139,061.01	-	2,139,061.01

COST AND EXPENSE ESTIMATES

Trading accruals		-
Legal Fees		-
Professional Fees		-
Corporation Tax/CGT		-
Joint Administrators unbilled remuneration/Fees as at 21/11/23	(153,291.63)	(153,291.63)
Joint Administrators Future Fees projection	(60,073.15)	(60,073.15)
Residual Trading costs		(70,000.00)
Legal fees		(10,000.00)
Professional fees		(15,000.00)
Corporation tax estimate		(200,000.00)
	<u>(213,364.78)</u>	<u>(508,364.78)</u>

Funds available for Preferential Creditors 1,630,696.23

Preferential Creditors (100p in £) Nil

Pensions due (8,000)

Secondary Preferential: HMRC (47,223.89)

Balance in Hand 1,575,472.34

FUNDS AVAILABLE TO UNSECURED CREDITORS 1,575,472.34

UNSECURED CREDITORS

Estimated Unsecured Creditors 2,729,655.34

Estimated Dividend to Unsecured Creditors (pence in £)	58 p
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