

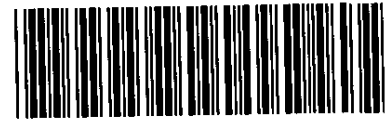
# AM03

## Notice of administrator's proposals



Companies House

MONDAY



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18/03/2019

#99

COMPANIES HOUSE

### 1 Company details

Company number 0 4 2 1 2 1 0 2

Company name in full Flour Power City Limited

#### → Filling in this form

Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) David James

Surname Costley-Wood

### 3 Administrator's address

Building name/number 1 St Peter's Square

Street Manchester

Post town M2 3AE

County/Region

Postcode

Country

### 4 Administrator's name

Full forename(s) William James

Surname Wright

#### 1 Other administrator

Use this section to tell us about  
another administrator

### 5 Administrator's address

Building name/number 15 Canada Square

Street Canary Wharf

Post town London

County/Region

Postcode E 1 4 5 G L

Country

#### 2 Other administrator

Use this section to tell us about  
another administrator.

AM03  
Notice of Administrator's Proposals

6 Statement of proposals



I attach a copy of the statement of proposals

7 Sign and date

Administrator's  
Signature

Signature

x



x

Signature date

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# Joint Administrators' proposals

Flour Power City Limited - in  
Administration

18 March 2019

## Notice to creditors

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

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

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

A glossary of the abbreviations used throughout this document is attached (Appendix 7).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+PJ12393758.html>. We hope this is helpful to you.

**Please also note that an important legal notice about this statement of proposals is attached (Appendix 8).**



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# 1 Executive summary

- Flour Power City Limited ('the Company') is part of a group of companies consisting of Patisserie Holdings Plc, Patisserie Acquisition Limited, Stonebeach Limited, Patisserie Valerie (Ireland) Limited, Philpotts (Holdings) Limited, Philpotts Limited, Spice Bakery Limited, Patisserie Valerie Holdings Limited, Leonardo Limited, Patisserie Valerie Limited, Hewmark Limited and Patisserie Valerie Express Limited (the "Group").
- The Company was incorporated in 2001 and is an organic bakery based in London and was acquired by the Patisserie Valerie group in 2013.
- The Company has historically had a range of clients, from street stall sellers to Michelin starred restaurants.
- In October 2018, following the presentation of a winding up petition by HMRC against Stonebeach Limited, it was discovered that material accounting misstatements had been made in the Group's audited accounts.
- As a result of the winding up petition being presented, and in light of the financial misstatements that had occurred, the Group's majority shareholder, Mr Luke Johnson, provided rescue funding of £20 million in October 2018, to fund the Group's trading operations in the short term. However, further analysis by the company and forensic accountants in the following months led the Board to understand that the consolidated management accounts were overstated by approximately £94m.
- In mid-January, an agreement could not be reached between the Group and its funders with regards to its continued funding. This led to the Group being unable to meet its employee wages liability for January 2019. As a result, the directors placed five of the companies in the Group into administration on 22 January 2019; Blair Nimmo and I were appointed as Joint Administrators to Patisserie Holdings Plc and Will Wright and I were appointed as Joint Administrators to Stonebeach Limited, Patisserie Acquisition Limited, Philpotts Limited and the Company (Section 3 - Background and events leading to the administration).
- Following the administration appointments, the Joint Administrators, whilst trading the Group, ran a marketing process to ascertain the potential interest in the business and assets of the Group, which was marketed as a whole, including the Company's assets.
- On 14 February 2019, a sale of the Patisserie Valerie business unit was completed to Pippen Production Limited (the "Purchaser") for £8 million, of which £5 million was received on completion and £3 million was deferred and is contingent on EBITDA performance. The Company's share of the consideration totals £260,596.
- We are not aware of any secured claims against the Company (Section 5 - Dividend prospects).
- We are not aware of any preferential claims against the Company, as the Company did not have any employees, employee contracts were held in the name of Patisserie Holdings Plc (Section 5 - Dividend prospects).
- Based on current estimates, we anticipate that the unsecured creditors should receive a dividend. We have yet to determine the amount of this, but we will do so when we have

completed the realisation of assets, the payment of associated costs and an assessment of creditor claims (Section 5 - Dividend prospects).

- We intend to conduct a meeting of creditors by correspondence to consider our proposals for the administration and seek approval of pre-administration costs and the Joint Administrators remuneration, unless sufficient requests are received from creditors to hold a physical meeting. The final date for submission of creditor voting is 2 April 2019. The voting forms also allow nominations for a creditors' committee to be formed. (Section 7.3 provides details of the process required to request a meeting). (Section 7 – Approval of proposals).
- We propose that we will charge our fees in the administration on the basis of time incurred by our staff in dealing with the administration, at our applicable hourly charge out rates. Further details can be found in Section 8 - Joint Administrators' remuneration, disbursements and pre-administration costs.
- We plan to exit the administration of the Company by way of dissolution, as we intend to make a distribution to creditors in the Administration, with the permission of the Court (Section 6 - Ending the administration).
- In light of the apparent accounting irregularities that occurred in the period prior to the administration appointment, a number of regulators are investigating the Company's affairs in that period. It will be necessary for the Company to consider whether there may be sufficient grounds to establish potential legal claims against a number of parties. These parties may include Grant Thornton, who were the auditors to the Patisserie Valerie Group. Grant Thornton are also auditors to KPMG, and given that the Joint Administrators are partners in KPMG, it would not be appropriate for the Joint Administrators to consider whether the Company has a potential legal claim against Grant Thornton. We are therefore proposing the appointment of an additional administrator, who will have the responsibility to review all potential legal claims.
- In these proposals we invite creditors to form a creditors' committee. It will be for the creditors' committee to decide whether it wishes to seek the appointment of an additional administrator to review, and if appropriate pursue, potential legal claims against relevant parties.
- This document in its entirety is our statement of proposals. A summary list of the proposals is shown in Section 9 together with all relevant statutory information included by way of appendices. Unless stated otherwise, all amounts in the proposals and appendices are stated net of VAT.

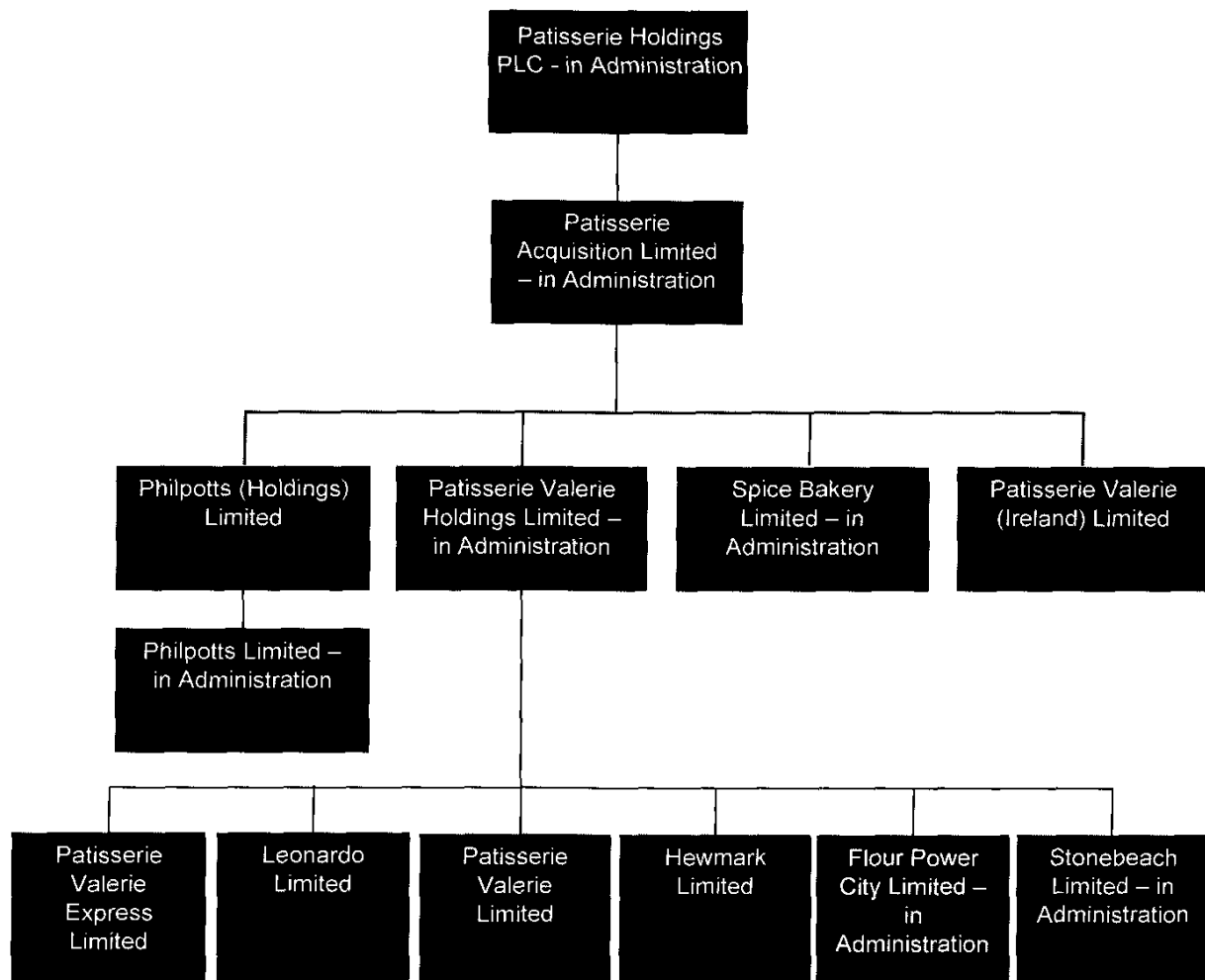


pp David Costley-Wood  
Joint Administrator

## 2 Group structure

The Company is part of a group of companies consisting of Patisserie Holdings Plc, Patisserie Acquisition Limited, Stonebeach Limited, Spice Bakery Limited, Patisserie Valerie (Ireland) Limited, Philpotts (Holdings) Limited, Philpotts Limited, Leonardo Limited, Patisserie Valerie Holdings Limited, Patisserie Valerie Limited, Hewmark Limited and Patisserie Valerie Express Limited.

The Company was incorporated in 2001 and is an organic bakery based in London and was acquired by the Patisserie Valerie group in 2013.





*Patisserie Holdings Plc – in Administration*

Patisserie Holdings Plc was incorporated on 27 March 2014 and was the ultimate parent company of the Group. Its shares were listed on the AIM stock exchange from May 2014, and were delisted on 25 February 2019. The company held the employee contracts on behalf of the Group.

*Patisserie Acquisition Limited – in Administration*

Patisserie Acquisition Limited was incorporated on 26 January 2007 and was a non-trading subsidiary of the Group. The company owned the freehold title of the property on Sarehole Road in Birmingham, which housed the main Patisserie Valerie bakery and the Group's head office. It also held a number of leases for Patisserie Valerie cafes.

*Philpotts Limited – in Administration*

Philpotts Limited was incorporated on 18 March 1986 and was a trading subsidiary of the Group principally offering breakfast and lunchtime foods. It held a number of corporate accounts as well as serving the public.

*Patisserie Valerie Holdings Limited – in Administration*

Patisserie Valerie Holdings Limited was incorporated on 23 August 2006 and was a non-trading subsidiary of the Group. The company held a number of leases and trademarks on behalf of the Group, including the 'Patisserie Valerie' brand name and logo.

*Spice Bakery Limited – in Administration*

Spice Bakery Limited was incorporated on 19 February 2009 and had been a non-trading subsidiary of the Group since 1 October 2011, following the transfer of the trade and certain assets to Stonebeach Limited. Since that time, the company only held a number of leases and trademarks, including the 'Baker & Spice' brand name and logo.

*Flour Power City Limited – in Administration*

The Company was incorporated on 8 May 2001 and is an organic bakery based in London and was acquired by the Patisserie Valerie group in 2013.

*Stonebeach Limited – in Administration*

Stonebeach Limited was incorporated on 18 March 2002 and was the principal trading subsidiary of the Group, operating the Patisserie Valerie, Druckers Vienna Patisserie and Baker & Spice businesses.

*Other group entities (not a subject of this report)*

The following entities of the Group were not placed into administration and are not a subject of this report.

- Patisserie Valerie (Ireland) Limited
- Patisserie Valerie Express Limited
- Leonardo Limited
- Patisserie Valerie Limited
- Hewmark Limited
- Philpotts (Holdings) Limited

## 3 Background and events leading to the administration

### 3.1 Background information

Flour Power City Limited was incorporated on 8 May 2001. The Company operated a single site bakery in London which provided products including breads, cakes and confectionary to the Group and a range of clients.

The Company had no employees as employee contracts were held in the name of Patisserie Holdings Plc. Its registered office was located at the Group's head office on Sarehole Road in Birmingham.

In October 2018, following the presentation of a petition by HMRC to wind up Stonebeach Limited, it was discovered that material accounting misstatements had been made in the Group's audited accounts.

Following the winding up petition, the directors assessed the cash position and level of supplier arrears at the time and £20m in cash was provided by Mr Luke Johnson. At the same time, PwC were appointed to conduct a Forensic review and further assess the impact of the misstatements. By early January 2014, it was apparent that the situation was significantly worse than first understood. The combined impact of the misstatements in cash, liabilities and assets resulted in an estimated overstatement of net assets of at least £94m. This included;

- Intangible Assets overstated by £18m;
- Tangible Assets overstated by £5m;
- Cash position overstated by £54m;
- Prepayments and debtors overstated by £7m;
- Creditors understated by £10m.

According to the directors, the above figures excluded the HMRC debt which could not be quantified at the time due to the misstatement. As Administrators, we are still working with HMRC to understand the final tax liabilities. Prior to the winding up petition, the August 2018 management accounts showed net assets of £108m. After deducting the £94m, according to the directors, this left net assets of £14m including implied cumulative net trading losses brought forward of £21m. Due to likely ongoing trading losses and further liabilities materialising after October, the cash situation continued to deteriorate, resulting in the directors taking legal advice and deciding to appoint KPMG on 13 January 2019 to conduct an Options Review.

In mid-January 2019, agreement could not be reached between the Group and its funders in regards to its continued funding. This led to the Group being unable to meet its employee wages liability for January 2019. As a result, the directors placed five of the companies in the Group into administration on 22 January 2019, including Flour Power City Limited.

## **3.2 Funding and financial position of the Company**

Prior to our appointment, the Company was party to the Group's net overdraft facility with HSBC. At the date of our appointment, the Group owed £2.6 million under the net overdraft facility.

In addition to HSBC's funding, the Group had also benefited from a £20 million unsecured loan made by its majority shareholder, Mr Luke Johnson, in October 2018.

The sum of £10 million was subsequently repaid to Mr Luke Johnson in November 2018 by issuing £15 million of new shares.

The Company also benefitted from a facility provided to the Group by Barclays in the sum of £4.0 million. As at the date of our appointment, the Group owed Barclays £2.8 million.

## **3.3 Events leading to the administration**

Once the Board realised that the accounting misstatements were far worse than first estimated, the Group's directors requested to meet with KPMG to discuss the options available to the Group.

KPMG were engaged by Patisserie Holdings Plc and Stonebeach Limited, on 13 January 2019, to undertake an Options Review for the Group in light of its financial difficulties.

Following discussions with the Group's lenders on 17 January 2019, it transpired that the Group would be unable to pay employees' wages, which were due on 23 January 2019 for Head Office employees and 31 January 2019 for all other employees.

KPMG was instructed to cease its work on the Options Review and commence administration planning. No invoices were raised for the time costs incurred during the Options Review.

As a result of the inability to raise further funding for the January 2019 wages payments, the Group's directors resolved to place Patisserie Holdings Plc, Patisserie Acquisition Limited, Philpotts Limited, Flour Power City Limited and Stonebeach Limited into administration on 22 January 2019.

Subsequent to this, David Costley-Wood and Will Wright were appointed as Joint Administrators of Spice Bakery Limited and Patisserie Valerie Holdings Limited (together "the Companies") on 13 February 2019 in order to help facilitate the sales of the Patisserie Valerie and Baker & Spice business units.

## **3.4 Pre-administration work**

Time costs of £6,952 were incurred prior to our appointment in planning for the administration, progressing discussions with key stakeholders, securing funding for the administrators and dealing with other pre-administrator formalities. This assisted us in implementing a strategy for the business that allowed the continuation of trade upon our appointment.



In addition, our legal advisors, Gateley Plc ('Gateley'), have incurred pre-administration costs of £11,180. This is in connection with drafting and negotiation the agreement with the Purchaser and dealing with appointment related formalities.

Further detail on costs incurred prior to our appointment can be found at Section 8.2 within 'Joint Administrators' remuneration, disbursements and pre-administration costs'. The Joint Administrators intend to seek approval from the unsecured creditors to draw pre-administration time costs as an expense of the administration. This does not form part of the Joint Administrators proposals.

The only other work undertaken by KPMG for the Group was by the indirect tax team in November 2018. This work involved a review of VAT payments made by the Group. Fees totalled £40,000 plus VAT which remain unpaid by the Group.

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

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

### **3.5 Appointment of Joint Administrators**

The directors resolved on 22 January 2019 to appoint us as Joint Administrators.

The notice of appointment was lodged at the High Court of Justice, Business and Property Court in Manchester on 22 January 2019 and we were duly appointed.

## **4 Strategy and progress of the administration to date**

### **4.1 Strategy to date**

#### **Strategy**

Ahead of our appointment, we reviewed the Company's position and determined that continuing to trade the business, whilst a sale of the business was pursued, would provide the best opportunity to enhance asset realisations.

Immediately following our appointment, we closed 71 Patisserie Valerie and Druckers cafes but kept trading from the Company's premises in London.

Following the closure of these sites, we began a marketing exercise to sell the separate business units: Patisserie Valerie; Flour Power City; Baker & Spice; and, Philpotts.

Initially, we marketed the business units as a whole, and a teaser document was circulated on 23 January 2019 to KPMG's network of investors in distressed businesses, internally within KPMG, and to trade parties identified by KPMG and management. A total of 324 financial investors and 85 trade parties were provided with a copy of the teaser document.



112 parties requested further information and were provided with a Non-Disclosure Agreement, which they subsequently signed and returned. Each party was provided with further information via access to a data room on 26 January 2019. A deadline for initial offers was set for 12pm on 1 February 2019. A total of 18 parties submitted an offer, of these, 11 parties were invited to management presentations on 5, 6, 7 and 11 February 2019, allowing them to gain a better understanding of the trading businesses within the Group and an opportunity to meet the Group's management team.

Interested parties were given the opportunity to submit further requests for information, including additional time with management and a visit to the Head Office and bakery in Birmingham. A deadline for best and final offers was set for 3pm on 8 February 2019.

A total of nine offers were received, including three which included the Patisserie Valerie business unit. These offers included the Flour Power City brand. A sale and purchase agreement was issued to seven parties, including three for the Patisserie Valerie business unit, noting that the Company was subject to these bids.

Subsequently, a sale of the Patisserie Valerie business unit was completed, including the business and assets of the Company. This sale was completed on 14 February 2019, to Phippen Production Limited ('the Purchaser') in the sum of £8 million. Of the £8 million, £5 million was payable on completion, with the balance of £3 million deferred and payable on EBITDA performance being met.

The Company's share of the £8 million consideration is £260,596.

#### Trading

The majority of the Company's stock consisted of perishable products with limited shelf life, therefore it was necessary to agree trading terms with suppliers quickly following our appointment, to ensure continuity of supply from the bakeries to the sites.

During the 23 day trading period, we achieved total trading sales of £73,471, all of which has been received at the date of the Receipts and Payments Account at Appendix 2 of this report.

Payments to date in respect of trading total, £16,871, the majority of which relate to payments to suppliers in respect of direct costs £13,305.

The final profit or loss figure will not be determined until all sales are receipted and outstanding costs are finalised, including final supplier payments, rent, rates and utility payments, all of which we are in the process of agreeing.

#### Employees

The Group had approximately 3,000 employees across the five trading business units (Patisserie Valerie, Druckers Vienna Patisserie, Baker & Spice, Flour Power City and Philpotts). Wages were due for the majority of employees on 31 January 2019, with the exception of the Head Office, who were paid on 23rd of each month.

As the majority of employment contracts were held in the name of Patisserie Holdings Plc, all retained staff were paid for their January wages from Patisserie Holdings Plc, using the

funding received from Mr Luke Johnson and Barclays. All deductions in respect of this have also been paid.

All retained staff were paid in February 2019 for time worked up to the transfer of the businesses to the Purchaser.

All retained employees were transferred to the Purchaser. Employees were written to, to provide details of the likely transfer of their employment, prior to the sales taking place on 14 February 2019.

#### Liaising with Regulatory Authorities

Due to the apparent accounting misstatements that occurred prior to our appointment, we have also been liaising with a number of Regulatory Authorities including the SFO, the FRC, the Aim Regulator, the Insolvency Service and the HMRC Fraud Investigation Service. Our work has included collecting and securing company records, imaging of servers and other IT equipment, conducting forensic searches of company documentation, coordinating Regulator site visits and liaising with CMS Cameron McKenna Nabarro Olswang LLP acting for the Administrators.

A number of requests for the PwC Forensic report commissioned by the directors in October 2018 have been made by shareholders and creditors. However it is subject to privilege and under the terms of our agreement with PwC we are unable to disclose it to those parties or as part of these proposals.

## 4.2 Asset realisations

Realisations from the date of our appointment to 8 March 2019 are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant realisations to date are provided below.

Sale of business – Patisserie Valerie and Flour Power City business units

The apportionment of the £8.0 million sale consideration allocated to the Company's assets totals £260,596 and is split as follows:

Asset class	Consideration (£)
Equipment	111,392
Stock	30,000
Motor vehicles	30,000
Book debts	79,000
Cash floats	200
Goodwill	10,000
Company records	1
Customer contracts	1
Computer systems	1
Intellectual property	1
<b>Total</b>	<b>260,596</b>

Note, of the £8 million, £5 million is payable as cash on completion and £3 million is deferred and is contingent on EBITDA performance being met.

The Company's share of the deferred element of the consideration is £10,000 in respect of goodwill.

This means that the amount payable on completion, in relation to the Company, is £250,596.

The deferred consideration of £3.0 million is conditional upon the Purchaser achieving a minimum EBITDA of £2 million for the 10 month period of either 1 March 2019 to 31 December 2019, or 1 June 2019 to 31 March 2020, where the EBITDA is solely in respect of the assets transferred in the sale. The deferred consideration is payable 20 business days after either 31 December 2019 or 31 March 2020.

#### Asset valuations

The leases owned by the Company were valued by Savills, independent property valuers and agents. Due to the restricted time available to value the assets prior to the sales, the valuations were performed on a desktop basis.

Sanderson Weatherall ("SW"), independent RICS qualified valuation agents, also provided advice on the value of the fixtures, fittings and equipment by carrying out a sample inspection of trading stores and these values were extrapolated over the portfolio.

Stock takes were also taken by Company staff following our appointment and these values were used to apportion values to stock.

It was deemed that a separate valuation of the brand was not appropriate in this case, due to the unreliability of the historic financial information on which a valuation would be based.

Sandersons were also able to confirm that the difference between the total purchase consideration received and the value of the tangible assets of those businesses represented the goodwill of the businesses.

The Joint Administrators are satisfied that sale prices achieved were the best values achievable in the circumstances.

#### Sales

£73,471 was realised with regard to customer sales during the trading period.

#### Third party funds

We are holding £64,258 in respect of funds that have been sent to us but relate to the Purchaser. We are in the process of transferring these funds to the Purchaser and this will have no impact on the total realisations in the Company.

#### Investigations

We are preparing a report on the conduct of the directors in the period prior to the administration of the Company.

**KPMG**

In this regard, if you wish to bring to our attention any matters which you believe to be relevant, please do so by writing to Edward Kinsella at KPMG LLP, 1 St Peter's Square, Manchester, M2 3AE, United Kingdom.

#### Additional administrator appointment

In light of the apparent accounting irregularities that occurred in the period prior to the administration appointment, it will be necessary for the Company to consider whether there may be sufficient grounds to establish potential legal claims against a number of parties.

Grant Thornton were the auditors to the Patisserie Valerie Group and Grant Thornton are also auditors to KPMG. Given that the Joint Administrators are partners in KPMG, it would not be appropriate for the Joint Administrators to consider whether the Company has a potential legal claim against Grant Thornton. This position was communicated to and carefully considered by the directors of the Company prior to their appointment of the Joint Administrators.

In these proposals we invite creditors to form a creditors' committee. A creditors' committee must consist of not less than three and not more than five creditor representatives. Once established, the creditors' committee will, amongst other things, be able to influence the Administrators' actions.

It will be for the creditors' committee to decide whether it wishes to seek the appointment of an additional Administrator to review potential legal claims against relevant parties.

In the event a creditors' committee is formed and decides to appoint an additional administrator, then the creditors' committee will select the additional administrator and will request that the current Joint Administrators apply to Court to appoint the additional Administrator. (Under the Insolvency Act 1986, an additional Administrator can only be appointed by the Court and with the consent of the current Joint Administrators.) The role of the additional Administrator would be to review, and if appropriate pursue, claims against relevant parties.

### 4.3 Costs

An estimate of all the anticipated costs likely to be incurred throughout the duration of the administration is set out in the attached summary of expenses (Appendix 4).

Payments made from the date of our appointment to 8 March 2019 are set out in the attached receipts and payments account (Appendix 2).

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

#### Trade purchases

£13,305 was paid with regard to the purchase of raw materials used in the bakery operations during the trading period.





#### Legal fees

£1,250 has been paid to Aaron & Partners in relation to the work they have undertaken as regards reviewing the validity of the administrators' appointment. Their review found that the Joint Administrators have been validly appointed.

#### PAYE & NIC

£17,360 was paid in respect of PAYE and NIC of certain employees retained during the trading period.

## 5 Dividend prospects

### 5.1 Secured creditor

We are not aware of any secured claims against the Company.

### 5.2 Preferential creditors

Claims from employees in respect of (1) arrears of wages up to a maximum of £800 per employee, (2) unlimited accrued holiday pay and (3) certain pension benefits, rank *preferentially*.

We are not aware of any preferential claims against the Company.

### 5.3 Unsecured creditors

Based on current estimates, we anticipate that unsecured creditors should receive a dividend. We have yet to determine the amount of this, but we will do so when we have completed the realisation of assets and the payment of associated costs.

## 6 Ending the administration

### 6.1 Exit route from administration

We consider it prudent to retain all of the options available to us, as listed in Section 9 to bring the administration to a conclusion in due course.

However, at this stage we anticipate that the most likely exit route will be dissolution, instead of the more widely used exit to Creditors Voluntary Liquidation. This is because we consider it to be more cost effective to make an application to Court to seek an order to distribute funds to unsecured creditors in the administration, rather than converting the administration to a creditor voluntary liquidation for this purpose.

## **6.2 Discharge from liability**

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

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

See Section 7.2 for details regarding the decision by correspondence.

# **7 Approval of proposals**

## **7.1 Decision procedure**

Notice of seeking a decision by correspondence is attached to the covering letter. This decision by correspondence procedure is being used to seek approval of our statement of proposals.

### **Creditors' Committee**

A Creditors' Committee will be formed if the creditors decide that one should be formed and sufficient creditors are willing to act. The minimum number of Committee members is three and the maximum is five.

As stated in 4.2 above we invite creditors to form a Creditors' Committee to consider the appointment of an Additional administrator to consider potential claims against a range of third parties.

### **Function of the Creditors' Committee**

The Creditors' Committee represents the interests of the creditors as a whole, rather than the interests of certain parties or individuals.

Its statutory function is to help us to discharge our responsibilities as Joint Administrators.

If a Creditors' Committee is formed it is for that body to approve, for instance:

- appointment of an additional administrator
- the basis of our remuneration
- the drawing of Category 2 disbursements
- the payment of unpaid pre-administration costs

Members of the Creditors' Committee are not remunerated for their time. Other than receiving travel expenses, they receive no payment from the Company.

## **7.2 Decisions**

The proposed decisions to be considered as part of the decision by correspondence are as follows:

- approval of our proposals;
- the formation of a Creditors' Committee.

In addition, creditors are also required to vote on the proposed decisions in Section x. However, the votes cast in relation to these additional decisions will only be used if a Creditors' Committee is not formed.

## **7.3 Creditors' right to request a physical meeting**

We will summon a physical meeting (1) if asked to do so by (a) creditors whose debts amount to at least 10% of the total debts of the Company, or (b) 10% in number of creditors, or (c) 10 creditors, and (2) if the procedures set out below are followed.

Requests for a physical meeting must be made within five business days of the date on which our proposals were delivered. They must include:

- a statement of the requesting creditor claim;
- a list of the creditors concurring with the request, showing the amounts of their respective debts in the administration;
- written confirmation of their concurrence from each concurring creditor; and
- a statement of the purpose of the proposed meeting;

In addition, the expenses of summoning and holding a meeting at the request of a creditor must be paid by that creditor. That creditor is required to deposit security for such expenses with us.

If you wish to request a physical creditors' meeting, please complete and return the physical meeting requisition form attached to the cover letter.

# **8 Joint Administrators' remuneration, disbursements and pre-administration costs**

## **8.1 Approval of the basis of remuneration and disbursements**

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

Should a Creditors' Committee be formed, we will seek to obtain approval from the Creditors' Committee that:

**KPMG**

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 3 and the charge-out rates included in Appendix 5;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 5.

Attached to the covering letter is formal notice of the decision by correspondence which asks the creditors to vote on the proposed decisions with regard to our remuneration and drawing of Category 2 disbursements. Only if a Creditors' Committee is not formed will the votes cast by the creditors be used.

#### Time costs

From the date of our appointment to 8 March 2019, we have incurred time costs of £102,287. These represent 221 hours at an average rate of £463 per hour.

#### Disbursements

We have incurred disbursements of £397 during the Period, none of which have been paid.

#### Additional information

We have attached (Appendix 8) an analysis of the time spent, the charge-out rates for each grade of staff and the disbursements paid directly by KPMG for the period from our appointment to 8 March 2019. We have also attached our charging and disbursements recovery policy.

## 8.2 Pre-administration costs

The following pre-administration costs have been incurred in relation to the pre-administration work detailed in Section 8:

Pre-administration costs			
	Paid (£)	Unpaid (£)	Total (£)
KPMG fees		6,952.00	<b>6,952.00</b>
Gateley Plc fees		11,180.00	<b>11,180.00</b>
<b>Total</b>		<b>18,132.00</b>	<b>18,132.00</b>

The payment of unpaid pre-administration costs as an expense of the administration is subject to the same approval as our remuneration, as outlined above. It is not part of our proposals.

## 9 Summary of proposals

Due to there being no interest in any party acquiring the shares, rescuing the Company in accordance with Paragraph 3(1)(a) is not achievable.

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

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

We propose the following:

### General matters

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

### Distributions

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

### Ending the administration

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

- apply to Court for the administration order to cease to have effect from a specified time and for control of the Company to be returned to the directors;
- formulate a proposal for either a company voluntary arrangement (CVA) or a scheme of arrangement and put it to meetings of the Company's creditors, shareholders or the Court for approval as appropriate;
- place the Company into creditors' voluntary liquidation. In these circumstances we propose that we, David Costley-Wood and Will Wright, be appointed as Joint Liquidators of the Company without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by us may be taken by us individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- petition the Court for a winding-up order placing the Company into compulsory liquidation and to consider, if deemed appropriate, appointing us, David Costley-Wood and Will Wright, as Joint Liquidators of the Company without further recourse to creditors. Any action required or authorised under any enactment to be taken by us as Joint Liquidators may be taken by us individually or together;

- file notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. The Company will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

Joint Administrators' remuneration and pre-administration costs

We propose that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 3 and the charge-out rates included in Appendix 5.;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 5;
- unpaid pre-administration costs be an expense of the administration.

Discharge from liability

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

## Appendix 1 Statutory information

### Company information

Company and Trading name	Flour Power City Limited
Date of incorporation	8 May 2001
Company registration number	04212102
Trading address	146-156 Sarehole Road, Birmingham, B28 8DT
Previous registered office	146-156 Sarehole Road, Birmingham, B28 8DT
Present registered office	1 St Peter's Square, Manchester, M2 3AE
Company Directors	Stephen Ronald Francis Luke Johnson
Company Secretary	None appointed

### Administration information

Administration appointment	The administration appointment granted in High Court of Justice, Business and Property Court in Manchester, 2077 of 2019
Appointor	Directors
Date of appointment	22 January 2019
Joint Administrators	David Costley-Wood and Will Wright
Purpose of the administration	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2)
Current administration expiry date	21 January 2020
Prescribed Part	The Prescribed Part is not applicable on this case as there are no floating charges granted against the Company's assets
Application of EC Regulations	EC Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC Regulations

## Appendix 2 Joint Administrators' receipts and payments account

Flour Power City Limited - in Administration			
Trading accounts			
Statement of Affairs (£)	From 22/01/2019 To 08/03/2019 (£)	From 22/01/2019 To 08/03/2019 (£)	
POST-APPOINTMENT SALES			
Sales	73,471.10	73,471 10	
	73,471 10	73,471 10	
PURCHASES			
Purchases	(13,305.47)	(13,305 47)	
	(13,305.47)	(13,305 47)	
TRADING EXPENSES			
Sub contractors	(872.00)	(872 00)	
Telephone/Telex/Fax	(164 84)	(164.84)	
Hire of equipment	(960.00)	(960.00)	
Repairs and maintenance	(1,568 32)	(1,568 32)	
	(3,565.16)	(3,565 16)	
Trading surplus/(deficit)	56,600.47	56,600.47	

Flour Power City Limited - in Administration			
Abstract of receipts & payments			
Statement of affairs (£)	From 22/01/2019 To 08/03/2019 (£)	From 22/01/2019 To 08/03/2019 (£)	
FIXED CHARGE ASSETS			
1 00 Customer Contracts	1 00	1.00	
1 00 Intellectual Property	1.00	1 00	
	2.00	2.00	
ASSET REALISATIONS			
111,392 00 Plant & machinery	111,392.41	111,392 41	
30,000.00 Motor vehicles	30,000 00	30,000 00	
30,000.00 Stock	30,000.00	30,000.00	
1 00 Computer equipment	1.00	1.00	
79,000 00 Book debts	79,000.00	79,000 00	
10,000 00 Goodwill	NIL	NIL	
200.00 Cash at bank	200 00	200 00	
	250,593 41	250,593.41	
OTHER REALISATIONS			



# Flour Power City Limited - in Administration

## Abstract of receipts & payments

Statement of affairs (£)		From 22/01/2019 To 08/03/2019 (£)	From 22/01/2019 To 08/03/2019 (£)
	Bank interest, gross	2.49	2.49
	Third Party Funds	64,257.90	64,257.90
	Trading surplus/(deficit)	56,600.47	56,600.47
1.00	Included records	1.00	1.00
		<u>120,861.86</u>	<u>120,861.86</u>
	<b>COST OF REALISATIONS</b>		
	Consultancy fees	(1,221.55)	(1,221.55)
	Legal fees	(1,250.00)	(1,250.00)
	PAYE & NIC	(17,360.01)	(17,360.01)
	Bank charges	(100.00)	(100.00)
		<u>(19,931.56)</u>	<u>(19,931.56)</u>
	<b>UNSECURED CREDITORS</b>		
(157,357.00)	Trade & expense	NIL	NIL
(35,533.00)	Accruals	NIL	NIL
(55,775.00)	Non-preferential NIC	NIL	NIL
(238,504.00)	Liabilities & Charges provision	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	<b>DISTRIBUTIONS</b>		
(200,000.00)	Ordinary shareholders	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
<u>(426,573.00)</u>		<u>351,525.71</u>	<u>351,525.71</u>
	<b>REPRESENTED BY</b>		
	Floating ch. VAT rec'able		1,572.20
	Floating charge current		349,953.51
			<u>351,525.71</u>

### Appendix 3 Joint Administrators' fees estimate

Flour Power City Limited - in Administration				
Initial estimated time costs for the engagement				
	Narrative	Estimated total hours	Estimated time cost (£)	Estimated average hourly rate (£)
<b>Administration &amp; Planning</b>				
Statutory and Compliance	Note 1	54.83	22,261.25	1,317.23
Cashiering	Note 2	26.80	10,329.00	385.41
Tax	Note 3	13.10	7,598.00	580.00
General	Note 4	22.90	10,165.00	443.89
Trading	Note 5	64.98	30,924.00	475.90
Realisation of Assets	Note 6	55.80	31,720.55	568.47
<b>Creditors</b>				
Employees	Note 7	5.60	1,680.00	300.00
Creditors and Claims	Note 8	55.07	25,664.40	466.85
<b>Investigations</b>				
Directors	Note 9	10.50	5,122.00	487.81
Investigations	Note 10	7.00	3,475.00	496.43
<b>Total</b>		<b>316.58</b>	<b>148,929.20</b>	<b>470.43</b>

In the event that additional work is necessary due to a change in circumstances of the administration, we may need to increase our fees estimated and request approval to draw additional remuneration.

Note, the above fee estimate includes the pre-administration time that we have incurred, which totals £6,952.

Below if further details of the work to be undertaken in the administration.

#### Note 1 – Statutory and compliance

Statutory and compliance work will include notifying the Registrar of Companies and other relevant parties of our appointment, arranging bonding, filing the Statement of Affairs and Statements of Concurrence and ensuring compliance with all other statutory obligations, such as reporting to creditors on a six monthly basis. It also includes obtaining approval for



future extensions of the Administration, and reporting the outcome to creditors thereafter. The Joint Administrators are required to conduct periodic internal reviews of the case, and update their strategy documents as the administration progresses. Once all outstanding matters have been dealt with, time costs will be charged in dealing with closure formalities, including providing creditors with a final report.

#### Note 2 – Cashiering

Cashiering costs will include processing of receipts and payments, including paying supplier invoices incurred during the administration trading period. Payments require approval by a number of authority levels before they can be released. Regular bank reconciliations will be performed by the cashiering team throughout the administration. Cheques received, for example in respect of business rates refunds, are logged and coded before being paid into the bank account. Upon closure of the case, any unbanked dividend cheques must be cancelled and forwarded to the Insolvency Service's unclaimed dividends account, and the account must be brought down to nil and closed by the bank.

#### Note 3 – Tax

The Group's pre-administration tax position is currently unclear. Our work will include a review of the Company's pre-appointment tax affairs, submitting pre and post appointment VAT and Corporation Tax returns where possible, and the maintenance and submission of post-appointment tax records. KPMG have been liaising with HMRC since appointment to agree the blended VAT rate which should be used on sales in the administration trading period, and will continue to do so to ensure HMRC are satisfied with future VAT returns when submitted. HMRC's claim will need to be established and agreed before a dividend can be declared to unsecured creditors. The PAYE reference will need to be closed and all deductions paid over to HMRC in respect of the administration trading period. Before closure of the administration, the Company will need to be deregistered for VAT and clearance will need to be sought from VAT, Corporation Tax and PAYE departments before the case can be closed.

#### Note 4 – General

General time costs include matters which do not easily fit into the other categories, such as maintaining certain pre-appointment records, alongside monitoring and reviewing administration case files. It may also include liaising with the SFO, FRC, HMRC and the AIM Regulator to assist with their enquiries.

#### Note 5 – Trading

As detailed in our report, on appointment it was decided to trade the business to seek a sale of the business and assets. Time costs in this category relate to time charged by the KPMG team for both the on-site presence during the 23 day trading period and the post-trading matters, primarily involve reconciling the trading position and ensuring all direct and indirect supplier invoices are received and settled. Section 4 Strategy and Progress of the Administration to date contains further explanation of the work carried out during the trading period and future matters to be dealt with.

#### Note 6 – Realisation of assets

This primarily consists of costs relating to the sale of business process. It will also include time spent relating to realising the Company's assets, which includes collection of book



debts, collection of cash balances from banks and merchant acquirers, the insurance of assets and liaising with landlords with regards to the Company's leased properties.

#### Note 7 – Employees

Employee costs will involve consultation during the trading period and overseeing the payroll process. It will also include notifying employees of our appointment and communicating with them at the point of sale of business, as well as helping employees with their claim forms and dealing with subsequent queries.

#### Note 8 – Creditors and claims

Our work includes notification of our appointment and issuing statutory reports to creditors, agreeing unsecured creditor claims and issuing a distribution to unsecured creditors should funds allow, alongside with general creditor correspondence received during the administration.

#### Note 9 – Directors

We will correspond with directors in relation to the submission of their statement of affairs and directors questionnaires, D form drafting and general correspondence with the directors of the Company.

#### Note 10 – Investigations

We will perform our statutory investigation into the conduct of the directors and the affairs of the Company prior to our appointment as Joint Administrators. This will involve directorship searches, compliance with our statutory duties and submitting director reports and other relevant reports to the Secretary of State.

## Appendix 4 Joint Administrators' expenses estimate

Summary of Expenses from appointment					
Total for Administration					
Expenses (£)	Narrative	Initial Estimates (£)	Paid to date (£)	Future costs (£)	Total (£)
<b>Trading expenses</b>					
Purchases	Note 1	32,366.49	13,305.47	19,061.02	<b>32,366.49</b>
Sub-contractors	Note 1	872.00	872.00	0.00	<b>872.00</b>
Telephone/Telex/Fax	Note 1	164.84	164.84	0.00	<b>164.84</b>
Hire of equipment	Note 1	960.00	960.00	0.00	<b>960.00</b>
Repairs and maintenance	Note 1	1,568.32	1,568.32	0.00	<b>1,568.32</b>
Utilities	Note 1	1,760.00	0.00	1,760.00	<b>1,760.00</b>
Rent	Note 1	6,134.00	0.00	6,134.00	<b>6,134.00</b>
Rates	Note 1	3,600.00	0.00	3,600.00	<b>3,600.00</b>
<b>Cost of realisations</b>					
Administrators' disbursements	Note 2	3,109.57	0.00	3,109.57	<b>3,109.57</b>
Pre-appointment legal fees	Note 3	11,180.00	0.00	11,180.00	<b>11,180.00</b>
Post-appointment legal fees	Note 3	44,362.06	1,250.00	43,112.06	<b>44,362.06</b>
Statutory advertising		100.00	0.00	100.00	<b>100.00</b>
Insurance of assets	Note 4	1,070.20	0.00	1,070.20	<b>1,070.20</b>
Rent	Note 5	91,216.00	0.00	91,216.00	<b>91,216.00</b>
License fee management	Note 5	2,600.00	0.00	2,600.00	<b>2,600.00</b>
Consultancy fees	Note 6	2,198.79	1,221.55	977.24	<b>2,198.79</b>
PAYE & NIC	Note 7	17,360.01	17,360.01	0.00	<b>17,360.01</b>
ERA outsourcing costs	Note 8	540.00	0.00	540.00	<b>540.00</b>
Bank charges		500.00	100.00	400.00	<b>500.00</b>
<b>TOTAL</b>		<b>221,662.28</b>	<b>36,802.19</b>	<b>184,860.09</b>	<b>221,662.28</b>

### Note 1 – Trading expenses

The expenses are to facilitate trading of the business, these include payments towards procurement of stock used in manufacturing, utilities, rent and business rates for the period of occupancy and other normal day to day running expenses.

### Note 2 – Joint Administrators' disbursements

This relates to the Joint Administrators' disbursements, as detailed in Appendix 5.



#### Note 3 – Pre and post appointment legal fees and disbursements

These are in respect of legal fees and disbursements. £11,180 are pre-appointment relating to preparation of appointment related documents and funding agreement. Post appointment expenses are incurred for Aaron & Partners of £1,250. £43,112 for Gateley's for issuing, negotiating and finalising NDAs and case management including advising in relation to interim notices, ROT claims, advising on employee related matters and reviewing of lease assignments.

#### Note 4 – Insurance

Insurance costs for the Company assets for the trading period.

#### Note 5 – Rent and License fee management

This is in respect of rent and service charge payments to be made to landlords during the licence to occupy that has been granted to the Purchaser. As these amounts will be receipted from the Purchaser and paid to the Company's landlords, this will not reduce the amount of funds available to unsecured creditors.

#### Note 6 – Consultancy fees

These are incentives agreed with the management to be paid upon successful completion of the sale of the business and its assets.

#### Note 7 – PAYE & NIC

These are PAYE and NI costs for the month of January 2019 for the employees retained by the Joint Administrators'.

#### Note 8 – ERA Outsourcing Costs

The costs relate to the calculation and submission of the pension arrears claim by INSOL, to be submitted to the Insolvency Service.

## Appendix 5 Joint Administrators' charging and disbursements policy

### Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG in-house specialists.

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

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

<https://www.r3.org.uk/what-we-do/publications/professional/fees/administrators-fees>

If you are unable to access this guide and would like a copy, please contact Edward Kinsella on 0161 2464797.

### Hourly rates

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

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

Charge-out rates (£) for: Restructuring	
Grade	From 01 Jan 2019 £/hr
Partner	875
Director	775
Senior Manager	675
Manager	540
Senior Administrator	395
Administrator	300
Support	150

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

#### Policy for the recovery of disbursements

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

**Category 1 disbursements:** These are costs where there is specific expenditure directly referable to both the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

**Category 2 disbursements:** These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Category 2 disbursements charged by KPMG Restructuring include mileage. This is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile.
- Use of company car – 60p per mile.
- Use of partner's car – 60p per mile.

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

We have incurred the following disbursements during the period 22 January 2019 to 8 March 2019.

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Courier & delivery costs	-	397.29	-	-	397.29
<b>Total</b>	-	<b>397.29</b>	-	-	<b>397.29</b>

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.

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



## Narrative of work carried out for the period 22 January 2019 to 8 March 2019

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> <li>■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences;</li> <li>■ providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment;</li> <li>■ issuing regular press releases and posting information on a dedicated web page,</li> <li>■ preparing statutory receipts and payments accounts;</li> <li>■ arranging bonding and complying with statutory requirements,</li> <li>■ ensuring compliance with all statutory obligations within the relevant timescales.</li> </ul>
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> <li>■ formulating, monitoring and reviewing the administration strategy, including the decision to trade and meetings with internal and external parties to agree the same,</li> <li>■ briefing of our staff on the administration strategy and matters in relation to various work-streams;</li> <li>■ regular case management and reviewing of progress, including regular team update meetings and calls,</li> <li>■ meeting with management to review and update strategy and monitor progress;</li> <li>■ reviewing and authorising junior staff correspondence and other work,</li> <li>■ dealing with queries arising during the appointment;</li> <li>■ reviewing matters affecting the outcome of the administration,</li> <li>■ allocating and managing staff/case resourcing and budgeting exercises and reviews,</li> <li>■ liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters,</li> <li>■ complying with internal filing and information recording practices, including documenting strategy decisions.</li> </ul>
Cashiering	<ul style="list-style-type: none"> <li>■ setting up administration bank accounts and dealing with the Company's pre-appointment accounts,</li> <li>■ preparing and processing vouchers for the payment of post-appointment invoices,</li> <li>■ creating remittances and sending payments to settle post-appointment invoices,</li> <li>■ reconciling post-appointment bank accounts to internal systems,</li> <li>■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments</li> </ul>
Tax	<ul style="list-style-type: none"> <li>■ gathering initial information from the Company's records in relation to the taxation position of the Company,</li> <li>■ submitting relevant initial notifications to HM Revenue and Customs;</li> <li>■ reviewing the Company's pre-appointment corporation tax and VAT position,</li> <li>■ analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations,</li> <li>■ working initially on tax returns relating to the periods affected by the administration,</li> <li>■ analysing VAT related transactions;</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>■ providing notification of our appointment;</li> <li>■ responding to enquiries from shareholders regarding the administration;</li> <li>■ providing copies of statutory reports to the shareholders</li> </ul>
General	<ul style="list-style-type: none"> <li>■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9,</li> <li>■ liaising with the joint appointee in relation to material accounting misstatement,</li> <li>■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage</li> </ul>
Trading	<ul style="list-style-type: none"> <li>■ preparing cash flow statements to monitor the cash position,</li> <li>■ attending to supplier and customer queries and correspondence;</li> <li>■ raising, approving and monitoring purchase orders and setting up control systems for trading;</li> <li>■ negotiating and making direct contact with various suppliers as necessary to provide additional information and undertakings, including agreeing terms and conditions, in order to ensure continued support;</li> <li>■ securing petty cash on site and monitoring spend;</li> <li>■ dealing with issues in relation to stock and other assets required for trading,</li> <li>■ communicating and negotiating with customers regarding ongoing supplies, including agreeing terms and conditions;</li> <li>■ monitoring stock and stock reconciliations;</li> <li>■ dealing with hauliers to ensure ongoing services,</li> </ul>

	<ul style="list-style-type: none"> <li>■ ensuring ongoing provision of emergency and other essential services to site.</li> </ul>
Asset realisations	<ul style="list-style-type: none"> <li>■ collating information from the Company's records regarding the assets;</li> <li>■ liaising with agents regarding the sale of assets;</li> <li>■ reviewing the inter-company debtor position between the Company and other group companies.</li> </ul>
Property matters	<ul style="list-style-type: none"> <li>■ reviewing the Company's leasehold properties, including review of leases;</li> <li>■ communicating with landlords regarding rent, property occupation and other issues;</li> <li>■ performing land registry searches</li> </ul>
Sale of business	<ul style="list-style-type: none"> <li>■ planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers;</li> <li>■ seeking legal advice regarding sale of business, including regarding non-disclosure agreements;</li> <li>■ collating relevant information and drafting information memorandum in relation to the sale of the Company's business and assets and advertising the business for sale;</li> <li>■ dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room;</li> <li>■ managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties;</li> <li>■ carrying out sale negotiations with interested parties.</li> </ul>
Health and safety	<ul style="list-style-type: none"> <li>■ liaising with health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with;</li> <li>■ liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance</li> </ul>
Open cover insurance	<ul style="list-style-type: none"> <li>■ arranging ongoing insurance cover for the Company's business and assets,</li> <li>■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place,</li> <li>■ assessing the level of insurance premiums.</li> </ul>
Pensions	<ul style="list-style-type: none"> <li>■ collating information and reviewing the Company's pension schemes;</li> <li>■ ensuring compliance with our duties to issue statutory notices,</li> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ drafting and circulating our proposals;</li> <li>■ convening and preparing for the meeting of creditors,</li> <li>■ creating and updating the list of unsecured creditors;</li> <li>■ responding to enquiries from creditors regarding the administration and submission of their claims,</li> <li>■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records;</li> <li>■ dealing with suppliers with retention of title claims, including reviewing supporting documentation and arranging and carrying out stock inspection visits;</li> <li>■ drafting our progress report</li> </ul>
Investigations/ directors	<ul style="list-style-type: none"> <li>■ reviewing Company and directorship searches and advising the directors of the effect of the administration,</li> <li>■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies;</li> <li>■ reviewing the questionnaires submitted by the Directors of the Company,</li> </ul>

## Time costs

Pre-Administration costs (17/01/2019 to 21/01/2019)						
	Hours					
	Partner / Director	Manager	Administrator	Support	Total	Average Hourly Rate (£)
Pre-Administration Sale of business - preparation			0.70		0.70	219.50
Advising directors	3.00	2.20	1.00		6.20	4,437.50
Pre-administration checks		1.50	4.50		6.00	2,295.00
<b>Total</b>	<b>3.00</b>	<b>3.70</b>	<b>6.20</b>	<b>0.00</b>	<b>12.90</b>	<b>6,952.00</b>

SIP 9 –Time costs analysis (22/01/2019 to 08/03/2019)			
	Hours	Time Cost (£)	Average Hourly Rate (£)
<b>Administration &amp; planning</b>			
Cashiering			
General (Cashiering)	9.60	3,279.00	341.56
Reconciliations (& IPS accounting reviews)	11.20	4,195.00	374.55
General			
Fees and WIP	2.90	945.00	325.86
Statutory and compliance			
Advising directors	0.70	332.50	475.00
Appointment and related formalities	30.60	10,038.00	328.04
Appointment documents	2.40	2,020.00	841.67
Bonding & Cover Schedule	0.20	60.00	300.00
Budgets & Estimated outcome statements	0.70	472.50	675.00
Checklist & reviews	0.50	150.00	300.00
Statutory receipts and payments accounts	0.25	218.75	875.00
Strategy documents	5.48	2,304.50	420.53
Tax			
Initial reviews - CT and VAT	1.60	1,240.00	775.00
Post appointment corporation tax	2.10	1,455.00	692.86
Post appointment VAT	4.40	2,213.00	502.95
<b>Creditors</b>			
Creditors and claims			
General correspondence	14.42	5,551.15	384.96

**SIP 9 –Time costs analysis (22/01/2019 to 08/03/2019)**

	Hours	Time Cost (£)	Average Hourly Rate (£)
Statutory reports	17.65	8,503.25	481.77
Employees			
Pensions reviews	5.60	1,680.00	300.00
<b>Investigation</b>			
Directors			
D form drafting and submission	0.40	242.00	605.00
Statement of affairs	3.10	1,405.00	453.23
<b>Realisation of assets</b>			
Asset Realisation			
Cash and investments	0.58	402.00	693.10
Debtors	8.70	2,922.00	335.86
Insurance	0.40	120.00	300.00
Leasehold property	3.70	1,110.00	300.00
Rent	1.89	746.55	395.00
Sale of business	37.03	24,607.50	664.53
<b>Trading code used when engagement didn't trade</b>			
Trading			
Cash & profit projections & strategy	1.35	796.50	590.00
Employee Matters / PAYE	2.50	1,110.00	444.00
Negotiations with landlords	1.25	493.75	395.00
Negotiations with suppliers / landlords	21.10	8,277.50	392.30
Post trading related matters	3.30	2715.00	822.73
Purchases and trading costs	15.75	6,897.50	437.94
Sales	2.10	1,417.50	675.00
Trading Management	7.63	4,366.25	572.25
<b>Total in period</b>	<b>221.08</b>	<b>102,286.70</b>	<b>462.67</b>
Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00	
Pre-appointment time	12.90	6,952.00	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	221.08	102,286.70	
Carry forward time (appointment date to SIP 9 period end date)	233.98	109,238.70	

## Appendix 6 Statement of Affairs, including creditor list

This is the Statement of Affairs for the Company as at the date of our appointment, as compiled by the directors of the Company.

The Statement of Truth attached to the front on the Statement of Affairs has been heavily caveated, due to the material misstatements in the Group's financial statements. A Statement of Concurrence has been received from a number of directors, which is similarly caveated.

The list of trade creditors was not provided by the directors when the statement of affairs was submitted. The list of trade creditors included below is taken from the Company's records and we have included this for the benefit of creditors.

The Statement of Affairs has been included in this report for completeness, however creditors should note the caveats inserted (see below).

Statement of Affairs Cover Note prepared by Directors

### Note on Statement of Affairs numbers

Due to the significant accounting misstatements covering these entities, it has not been possible to complete these Statements of Affairs to the normal required level of disclosure and integrity.

They are prepared on a best endeavours basis of presenting historical information rather than any attempt at correcting or coming to a 'true and fair' view. There has been no verification process undertaken and the current Finance Team are in no way claiming these statements truly represent accurate books of account for the entities involved.

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

Rule 3.30

### Statement of Affairs

Name of company Flour Power City Limited - In Administration	Company number 04212102
In the High Court of Justice, Chancery Division, Manchester District Registry <small>(full name of court)</small>	Court case number

Statement as to the affairs of

Flour Power City Limited, 146-156 Sarehole Road, Birmingham, B28 8DT

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

on the (b) 22-Jan-19 the date that the company entered administration

(c) Insert date of appointment

### Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the

Full name Stephen Francis  
Signed [Signature]  
Dated February 22, 2019

Flour Power City Limited  
Estimated Financial Position as at 22 January 2019

A - Summary of Assets

Assets	Book Value £	Estimated to Realise £
<b>Assets subject to fixed charge:</b>		
<b>Assets subject to floating charge:</b>		
<b>Uncharged assets:</b>		
Leasehold property	54,722.00	
Website	2,312.00	1.00
Plant & machinery	125,663.00	111,392.00
Fixtures & fittings	43,630.00	
Motor vehicles	862,210.00	30,000.00
Stock	103,086.00	30,000.00
Computer equipment	6,225.00	
Book debts	114,849.00	79,000.00
Intercompany debtors	1,707,643.00	
Prepayments	115,845.00	
Goodwill		10,001.00
Cash at bank	38,259.00	200.00
Other		2.00
<b>Estimated total assets available for preferential creditors</b>		<b>260,596.00</b>

Flour Power City Limited  
Estimated Financial Position as at 22 January 2019

A1 - Summary of Liabilities

	Estimated to Realise £
<b>Estimated total assets available for preferential creditors (Carried from Page A)</b>	260,596.00
<b>Liabilities</b>	
Preferential Creditors -	
<b>Estimated deficiency/surplus as regards preferential creditors</b>	<u>NIL</u> 260,596.00
Debts secured by floating charge pre 15 September 2003	
Other Pre 15 September 2003 Floating Charge Creditors	<u>NIL</u> 260,596.00
Estimated prescribed part of net property where applicable (to carry forward)	<u>NIL</u>
<b>Estimated total assets available for floating charge holders</b>	260,596.00
Debts secured by floating charges post 15 September 2003	
<b>Estimated deficiency/surplus of assets after floating charges</b>	<u>NIL</u> 260,596.00
Estimated prescribed part of net property where applicable (brought down)	<u>NIL</u>
<b>Total assets available to unsecured creditors</b>	260,596.00
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	
Trade & expense	157,357.00
Accruals	35,533.00
Non-preferential NIC	55,775.00
Liabilities & Charges provision	238,504.00
	<u>487,169.00</u>
<b>Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F.C's post 14 September 2003)</b>	(226,573.00)
<b>Estimated deficiency/surplus as regards creditors</b>	<u>(226,573.00)</u>
Issued and called up capital	
Ordinary shareholders	200,000.00
	<u>200,000.00</u>
<b>Estimated total deficiency/surplus as regards members</b>	<u>(426,573.00)</u>



**Flour Power City Limited**  
**Estimated Financial Position - Company Creditors**

**Unsecured Creditors**

Key	Name	Address	£
CAD2A	Aldion Waste	Wycombe Road, London, HA0 1RH	2,094.00
CAD2B	Alfan Reader Ltd	Unit 34 Acton Park Industrial Estate, London, W3 7QE	7,869.00
CA000	Apulka Blend(The Olive Oil Co)	55 Kufbronke Lane, SE9 6TA	2,225.00
CA00Q	Aquaid	Unit B4 OYO bussness Centre, Belvedere, Kent, DA17 6AX	364.00
CA13	Aquajet (Total Cleaning Equipment Ltd)	Units 24-26, Lion Barn Business Park, Needham Market, IP6 8NS	574.00
CB0F	Berendsen	PO Box 6114, RG24 8JP	1,607.00
CB0U	BNP PARIBAS	Unknown	273.00
CB0W	Bmke Bros Ltd	Credit Control, Eureka Business Park, Kent, TN25 4AG	29,424.00
CB15	BRITISH GAS BUSINESS-UNIT 2	PO Box 7655, LE19 1ZE	97.00
CB1E	Bumble Hole Foods	Bumble Hole Lane, B51 9JA	2,634.00
CC07	Castle Water Limited	Craigshall Castle, PH10 7JB	16,185.00
CC0W	Creeds	UNIT A3, Aylesbury, Bucks, HP19 8AR	469.00
CE0H	Eurofrutta	Rail Arch 27-28, London, SW8 5PP	1,265.00
CG01	GE Capital Equipment Finance	2630 The Quadrant, Almondsbury, Bristol, BS32 4GQ	1,220.00
CG0H	Gazprom Energy	Unknown	2,795.00
CJ03	J W Pike Ltd	Unit 9B Eley Road, Edmonton, N18 3BB	8,132.00
CK08	Khaman and Balter Ltd	Unit 8 The LO Centre, Waltham Abbey, EN9 1AS	11,537.00
CL07	Lewisham Borough	Environment Finance Cleanings, Wearside Road, London, SE1	8,507.00
CM01	Macphie Ltd	Glenbervie, Kincardineshire, AB39 3YG	4,765.00
CM02	Mars Drinks	Armstrong road, Hampshire, RG24 8NU	234.00
CM08	Menti Technology (UK) Limited	Units 4-5 Grove Dairy Business Centre, Sittingbourne, Kent, ME9 8NY	387.00
CN03	Nisbets	Fourtiway, Bristol, Somerset, BS11 8TB	1,206.00
CN08	NPower	PO Box 383, HU15 1YU	9,460.00
CP02	Packaging Supplies Ltd	Unit 1-2 Brandle Trading Estate, Wallington, OX10 9EZ	6,439.00
CP0F	POSITIVE ENERGY	7TH FLOOR, 90-92 BUTT ROAD, COLCHESTER, CO3 3DA	6,989.00
CP0I	PS OFFICE	40 Great Lister Street, B7 4LS	2,413.00
CQ00	Quality Office Supplies Limited	Anchor Lane, Bilston, WY14 9NE	487.00
CR01	Ranson NV UK	Units 4-5 Magnet Point, West Thurrock, Essex, RM20 4DP	4,494.00
CR0B	Rextec UK Ltd	Rextec UK Ltd, Holscombe, BA3 9EH	882.00
CR0I	Ronda Ltd	Unit 7 Chessington Park, Chessington, Surrey, KT9 1ST	88.00
CS04	Salesforce.com	Floot 26, 110 Bishopsgate, London, EC2N 4AY	1,296.00

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05 March 2019 11:45

**Flour Power City Limited**  
**Estimated Financial Position - Company Creditors**

**Unsecured Creditors**

Key	Name	Address	£
CS0A	Shpton Mill Ltd	Long Newmon, Gloucestershire, GL8 8RP	19,570
CT0R	Ta-Star Packaging Supplies Ltd	Tinstar House, Molkson Avenue, Enfield Middlesex, EN3 7NL	1,847
CU01	UK Office Direct Ltd	Dome House, London, E1 7LS	106
CV00	Veolia	The Drive, Brentwood, Essex, CM13 3BE	3,364
CW0A	W&H Marriage & Sons Ltd	Chelmer Mills, Chelmsford, CM1 1PN	770
CZ01	Zen Internet Ltd	9 Bath Road Industrial Estate, Wiltshire, SN14 0AB	47
<b>Unsecured Creditors</b>			<b>161,915.00</b>

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05 March 2019 11:45

## Appendix 7      Glossary

<b>HSBC</b>	HSBC Bank Plc
<b>Barclays</b>	Barclays Plc
<b>Company</b>	Flour Power City Limited - in Administration
<b>Gateley/Solicitor</b>	Gateley Plc
<b>Group</b>	The Company together with;  Patisserie Holdings Plc, Patisserie Acquisition Limited, Stonebeach Limited, Patisserie Valerie Holdings Limited, Patisserie Valerie (Ireland) Limited, Philpotts (Holdings) Limited, Philpotts Limited, Spice Bakery Limited, Stonebeach Limited, Leonardo Limited, Patisserie Valerie Limited, Hewmark Limited and Patisserie Valerie Express Limited
<b>Joint Administrators/we/our/us</b>	David Costley-Wood and Will Wright
<b>KPMG</b>	KPMG LLP
<b>Purchaser</b>	Pippen Production Limited
<b>Sandersons/Agents</b>	Sanderson Weatherall LLP
<b>Savills</b>	Savills Plc

Any references in these proposals to sections, paragraphs and rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules (England and Wales) 2016 respectively.

## Appendix 8 Notice: About this statement of proposals

This statement of proposals ('proposals') has been prepared by David Costley-Wood and Will Wright, the Joint Administrators of Flour Power City Limited – in Administration (the 'Company'), solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

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

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

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

David James Costley-Wood and William James Wright are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales.

We are bound by the Insolvency Code of Ethics.

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

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## AM03 Notice of Administrator's Proposals



### 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	Edward Kinsella
Company name	KPMG LLP
Address	1 St Peter's Square Manchester
Post town	M2 3AE
County/Region	
Postcode	
Country	
DX	
Telephone	Tel +44 (0) 161 246 4000



### Checklist

**We may return forms completed incorrectly or with information missing.**

**Please make sure you have remembered the following:**

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



### Important information

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



### Where to send

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

The Registrar of Companies, Companies House,  
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](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

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