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### 1 Company details

Company number 0 5 0 3 2 8 9 2

Company name in full CLS Finance Limited

#### → Filling in this form

Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) Lee

Surname Manning

### 3 Administrator's address

Building name/number 22 York Buildings

Street

Post town London

County/Region

Postcode W C 2 N 6 J U

Country

### 4 Administrator's name ①

Full forename(s) Mark

Surname Supperstone

#### ① Other administrator

Use this section to tell us about  
another administrator.

### 5 Administrator's address ②

Building name/number 22 York Buildings

Street

Post town London

County/Region

Postcode W C 2 N 6 J U

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	<sup>d</sup> <div>2</div>	<sup>d</sup> <div>6</div>	<sup>m</sup> <div>0</div>	<sup>m</sup> <div>3</div>	<sup>y</sup> <div>2</div>	<sup>y</sup> <div>0</div>	<sup>y</sup> <div>2</div>	<sup>y</sup> <div>2</div>
To date	<sup>d</sup> <div>2</div>	<sup>d</sup> <div>5</div>	<sup>m</sup> <div>0</div>	<sup>m</sup> <div>9</div>	<sup>y</sup> <div>2</div>	<sup>y</sup> <div>0</div>	<sup>y</sup> <div>2</div>	<sup>y</sup> <div>2</div>

### 7 Progress report


☒ I attach a copy of the progress report

### 8 Sign and date

Administrator's  
signature

Signature

X



X

Signature date

<sup>d</sup> <div>1</div>	<sup>d</sup> <div>8</div>	<sup>m</sup> <div>1</div>	<sup>m</sup> <div>0</div>	<sup>y</sup> <div>2</div>	<sup>y</sup> <div>0</div>	<sup>y</sup> <div>2</div>	<sup>y</sup> <div>2</div>
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**Presenter information**

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

Contact name **Kyle Woobey**

Company name **ReSolve Advisory Limited**

Address **22 York Buildings**

Post town **London**

County/Region

Postcode **W C 2 N 6 J U**

Country

DX

Telephone **020 7702 9775**

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- ☐ You have attached the required documents.
- ☐ You have signed the form.

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18 October 2022

T 020 7702 9775  
F 0845 094 1160

TO ALL KNOWN CREDITORS

[www.resolvegroupuk.com](http://www.resolvegroupuk.com)

Dear Sir / Madam

CLS FINANCE LIMITED – IN ADMINISTRATION (the Company)

Please find enclosed the Administrators' report on the progress of the Administration for the period from 26 March 2022 to 25 September 2022, which should be read in conjunction with the Administrators' proposals dated 18 May 2020 (the Proposals) and previous progress reports.

## Rights of creditors

An unsecured creditor may, with the permission of the court or with the concurrence of five per cent in value of the unsecured creditors (including the creditor in question) request further details of the Administrators' remuneration and expenses, within 21 days of receipt of this report. Any secured creditor may request the same details in the same time limit.

An unsecured creditor may, with the permission of the court or with the concurrence of ten per cent in value of the unsecured creditors (including the creditor in question), apply to court to challenge the amount and/or basis of the administrators' fees and the amount of any proposed expenses or expenses already incurred, within eight weeks of receipt of this report. Any secured creditor may make a similar application to court within the same time limit.

Should you have any queries in relation to this matter please do not hesitate to contact Kyle Woobey of this office.

Yours faithfully  
For and on behalf of  
CLS Finance Limited



Lee Manning  
Joint Administrator

For enquiries regarding this correspondence please contact:

Contact name: Kyle Woobey  
Phone number: 020 8066 3878  
Email: [kyle.woobey@resolvegroupuk.com](mailto:kyle.woobey@resolvegroupuk.com)

The affairs, business and property of the Company are being managed by the Administrators.  
Partners and staff acting as administrators, administrative receivers or supervisors act as agents of the company over which they are appointed at all times, and without personal liability.  
Cameron Gunn, Mark Supperstone, Lee Manning, Chris Farrington, Ben Woodthorpe, Simon Jagger and Russell Payne are licensed to act as Insolvency Practitioners in the United Kingdom by the Institute of Chartered Accountants in England and Wales  
Please refer to the firm's privacy notice setting out your rights and explaining how your data will be used. The notice can be found on our website here [www.resolvegroupuk.com/policies2/](http://www.resolvegroupuk.com/policies2/).

CLS Finance Limited – in Administration

**Administrators' progress report**

For the period 26 March 2022 to 25 September 2022

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## 1. ABBREVIATIONS AND DEFINITIONS

Abbreviations and terms that may be used in this progress report:

Abbreviation	Definition
Administrators/we/us/our	Lee Manning and Mark Supperstone
Arkle	Arkle Finance Limited
BEIS	Department for Business, Energy and Industrial Strategy
Close Bros	Close Brothers Limited
CLSF Pension	CLSF SSAS Pension Scheme
Company or CLS	CLS Finance Limited – in Administration
Conister	Conister Bank Limited
CRS	CR Services Limited – in Administration
Customer Contracts	Various hire purchase agreements or credit sale agreements between the Company and consumers
Debenture Lenders	CLSF Pension, LGB and Conister
DOP	Deed of priority of Debenture Lenders' security
The Court	High Court of Justice Business and Property Courts in Manchester, Company and Insolvency List (ChD)
FCA	Financial Conduct Authority
HMRC	HM Revenue & Customs
HSBC	HSBC Bank plc
IA86	The Insolvency Act 1986 (e.g. s248 IA86: section 248 Insolvency Act 1986)
ICAEW	Institute of Chartered Accountants in England & Wales, regulatory authority
IR16	The Insolvency (England and Wales) Rules 2016 (e.g. r3.30 IR16: rule 3.30 Insolvency (England and Wales) Rules 2016)
LGB	Lesmoir-Gordon, Boyle & Co. Limited
Master Agreements	Master Block Funding Agreements
Preferential creditor(s)	Mainly employee claims for unpaid wages earned in the 4 months preceding the administration, up to £800, holiday pay and in certain circumstances, unpaid pension contributions
Prescribed Part	The amount set aside for creditors from floating charge funds in accordance with s176A IA86 and the IA86 Prescribed Part Order 2003
ReSolve / Firm	ReSolve Advisory Limited
RoT	Retention of title: Claims made by suppliers that title of goods supplied to the Company remains with them after delivery to the Company but before payment made
RPS	Redundancy Payments Service, part of the Insolvency Service, an executive agency of BEIS. Authorises and pays the statutory claims of employees of insolvent companies under the Employment Rights Act 1996
Sch B1 IA86	Schedule B1 to the Insolvency Act 1986
Secured creditor(s)	Creditors with security in respect of their debt, in accordance with s248 IA86
Secured Lenders (together or individually a Secured Lender)	Arkle, Close Bros, Conister, LGB, CLSF Pension, Seneca, Shawbrook and Siemens
Seneca	Seneca Secured Lending Limited

Shawbrook	Shawbrook Bank Limited
Siemens	Siemens Financial Services Limited
SIP	Statement of Insolvency Practice. Issued to insolvency practitioners by regulatory authorities. SIPs set out the principles and key compliance standards by which insolvency practitioners are required to operate
SIP 9	This SIP deals specifically with payments to insolvency office holders and their associates
SoA	Statement of Affairs
Unsecured creditor(s)	Creditors that are neither secured nor preferential



## 2. INTRODUCTION

As you may be aware, Lee Manning and Mark Supperstone were appointed as Joint Administrators of the Company on 26 March 2020.

This report is the Administrators' fifth report on the progress of the Administration for the period 26 March 2022 to 25 September 2022 (the Reporting Period) and should be read in conjunction with the Administrators' proposals dated 18 May 2020 (the Proposals) and previous progress reports, copies of which are available on request to this office free of charge.

Please find attached the statutory information relating to the Company at Appendix I.

## 3. ADMINISTRATORS' ACTIONS SINCE THE LAST REPORT

A summary of the matters dealt with during the Reporting Period are outlined below:

- Retained solicitors, CMS, to provide legal advice on the following (not exhaustive):
  - Continued to provide advice regarding the CLSF Pension claims as to its priority as a secured creditor under its fixed and floating charge security and other related security priority documentation
  - Continued to provide technical advice in respect of areas of challenge within the reconciliation of the debt claimed by CLSF Pension
  - Continued to provide advice regarding the Deed of Priority between the CLSF Pension and LGB
  - Continued to provide advice relating to the fixed charge Secured Lenders' agreements
  - Continued to provide ad hoc advice on potential misfeasance and antecedent transaction claims against management and other third parties.
  - Finalised settlements with certain of the Company's connected parties and facilitate collection of the settlement funds
  - Finalised the Administrators' application to Court to extend the Administration
- Liaised with respondents regarding potential settlement offers for connected party claims
- Retained, via CMS, counsel, Chris Boardman QC, to provide advice on the Deed of Priority between the CLSF Pension and LGB
- Continued to collect and receive funds owed under certain settlement agreements
- Liaised with the Secured Lenders as to their contractual entitlements with regards to them retaining surplus funds on their individual loan books
- Prepared periodic financial updates for the independent Secured Lenders regarding the Administration progress and costs involved specifically with debt collection and run off of the loan book
- Continued to liaise with the Company's pre-appointment banker, HSBC, regarding the transfer of credit balances being made into the Company's pre-administration bank account to avoid any unnecessary disruption to collections
- Prepared and paid seven interim distributions (twenty-nine distributions paid in total) to four Secured Lenders under the Administrators' role as debt collection agents for those independent Secured Lenders who had debts formally assigned to them
- Prepared detailed Estimated Outcome Statements for floating charge holders under different scenarios and held update discussions with them regarding these estimates
- Corresponded with the Company's internal bookkeeper regarding various aspects the Company's financial information
- Correspondence with unsecured creditors and updating our system with their claims when proofs of debt are received

- Continued investigations into the Company's financial affairs and in particular a series of significant payments by the Company to third parties in the period close to its Administration
- Liaised with Conister regarding the outsource of collections operations and ongoing trading activities and consented to the assignment of the outsource agreement
- Prepared and submitted notice of the extension of the period of Administration to Companies House
- Liaised with customers regarding various queries and refunds where applicable
- Prepared and paid customer refund requests where applicable
- Settled certain outstanding professional costs
- Liaised with PCA regarding the progress of ongoing business rate reviews
- Liaised with various council authorities regarding parking fines relevant to customers as opposed to the Company
- Liaised with HMRC regarding the preparation of outstanding pre-appointment and post-appointment VAT returns
- Liaised with HMRC regarding outstanding pre and post appointment tax liabilities
- Prepared and issued the Administrators' previous progress report; and
- Addressed statutory duties associated with the Administration.

#### 4. RECEIPTS AND PAYMENTS

The Administrators' receipts and payments account for the Reporting Period is attached at Appendix II.

Details of the realisations and expenses paid or incurred in the Reporting Period are provided at sections five, eight and nine below.

#### 5. ASSETS

##### Debtors

The Company's management account balance sheet as at 31 March 2020 indicated the following amounts are due to the Company:

Description	Amount £
Debtors' ledger	15,961,002
Intercompany	1,242,493
Indemnity reserve	215,858
Total	17,419,353

##### *Debtors' ledger*

The debtors' ledger relates to amounts owing from consumers in respect of obligations under hire purchase agreements. In all, there are approximately 7,000 individual agreements in place with varying repayment terms and length remaining under the terms of their agreement(s) with the Company.

The significant majority of the Company's debtors' ledger is subject to finance arrangements in favour of the Secured Lenders. The majority of the Secured Lenders' finance arrangements relate to what are known as Master Agreements. The Administrators sought legal advice from CMS on the security arrangements in place. Essentially, the rights to receive debtor receipts vest with the individual Lender that financed the original hire purchase agreement with the customer under the terms of the Master Agreements. On default of the Master Agreements, the Administration being a crystallising/default

event, the rights to those debts automatically vest in the individual Lender. As a result, the right to receive those debtors' funds no longer vest with the Company, but with the individual Lender, effectively making those debts third party assets.

Due to the volume of the debtors' ledger, the Administrators continued to operate the business, on a limited basis, with consent of all Secured Lenders to facilitate the orderly collection of amounts due to the Secured Lenders and/or the Company on c. 4,000 live contracts.

The Administrators previously sought and received the consent of those Secured Lenders, to which the Master Agreements apply, to continue collecting those receivables on their behalf as collection agent. The Administrators have also sought their consent to the deduction of costs for the run-off of the debtor book from the realisations made on a pro rata basis, based on the level of realisations achieved for each particular Secured Lender. Further details are provided later in this report.

The role of primary collection agent for the Company has since been outsourced by the Administrators to Conister in accordance with the terms of the Outsourcing Agreement which was executed on 7 January 2021 and effective from 1 February 2021. Under the terms of the Outsourcing Agreement Conister is paid a fee of 14 per cent of realisations, which includes its holding costs (but excludes direct expenses for example in respect of vehicle collection / repossession costs). Conister's collection operations are ongoing and the Company's debtors' collection function remains in place. It should be noted that the Company's retained collection staff employees were transferred to Conister in accordance with the Outsourcing Agreement and TUPE. During the Reporting Period, Conister sought to assign this outsourcing agreement to another entity within its group, to which the Administrators consented. This assignment is not anticipated to have any effect on the current estimated outcome of the collection of debts.

Following collection of debtors' periodic payments, the amounts are allocated to the Lender to which they relate and are then distributed periodically to that Lender, net of allocated costs. The Administrators will continue to liaise with Conister, as collection agent, to facilitate these distributions.

As at 25 September 2022, customer debt collections post Administration totalled c.£10 million. Further recoveries are being made on a daily basis as and when customers pay. Of this sum £151,017 was received in respect of "other" or "free" customer debt collections which are not assigned to any specific lender and may be available to the Company's estate generally for the benefit of preferential creditors (and thereafter, floating charge holders and unsecured creditors (in respect of the prescribed part only)).

As at 30 September 2022, the Company's debtors' ledger showed a 60 day plus arrears delinquency rate (i.e. percentage of agreements in arrears) of over 55 per cent. Delinquency rates are higher than would be anticipated, however this is considered to be as a result of the adverse wider financial climate resulting from the lasting effects of the Covid-19 pandemic, exacerbated by the subprime consumer-based lending space that the Company operated in. The Company's collections team are working with customers in accordance with FCA guidelines and considering requests for forbearance in respect of the debtors' obligations, where necessary.

Realisations in respect of the Company's debtors' ledger remain uncertain as the impact on the wider UK economy following the continued impact of Covid-19 and further significant increases in the rate of inflation may have damaged some customers' ability to meet their obligations, impacting collections and delinquency rates thus far. Future effects on collections will greatly depend on the rate of recovery of the UK economy in the wake of the wider global economic climate and the impact of the rising cost of light, heat, fuel and power on lower income households.

Where appropriate, and in line with FCA guidelines, the Company will also consider the repossession of vehicles from customers in order to recover sums owing and there is an expectation that given the high delinquency rate, that several hundreds of vehicles may need to be recovered over the coming six months or so.

#### Intercompany balance

The Company's records indicate that c£1.45 million is outstanding to the Company from CRS. CRS' indebtedness is secured by way of a first ranking debenture over the assets of CRS.

Further investigation of how this debt has been incurred is ongoing, however it is understood that this debt has been incurred predominately as a result of CRS acquiring vehicles from the Company following repossessions from customers, together with funding advances made. As previously advised, CRS was placed into Administration on 15 April 2020 by its second ranking secured creditor, LGB, and the Administrators were also appointed to this entity. Our concerns remain as to the significant rate at which this intercompany debt built up, particularly in the three-month period to the Administration where the net balance due from CRS increased by almost £500,000 which was in the main through frequent and significant cash transfers from CLS to CRS.

CRS' main assets at the date of its insolvency consisted of a book debt (in respect of a bulk sale of motor vehicles shortly prior to its Administration) and residual stock of approximately 200 motor vehicles, located at multiple locations around the UK from which CRS traded or where vehicles were being repaired.

Since our appointment, that book debt of c£148,500 has been recovered in full and the residual stock has been sold. Total gross asset realisation within CRS' Administration has been less than £270,000.

It is anticipated that following conclusion of CRS' Administration, the Company may not receive a distribution under its floating charge security in the Company's favour. Based on present information, the level of recovery is not sufficient enough to allow for a distribution to CLS. However, the Administrators will update creditors further in their subsequent report as they continue to investigate the causes of the collapse of that company and the deficiency of its assets.

#### Indemnity reserve

The Company's management accounts detail an indemnity reserve held by Conister totalling circa £216,000.

It is understood that the above relates to cash collateral held by Conister which it is anticipated Conister will offset against its indebtedness. Following correspondence with Conister, it is considered that realisations are unlikely from this source. However, the Administrators will update creditors in subsequent reports of any subsequent recoveries made.

#### VAT Refund

The Company's management accounts balance sheet indicated a VAT refund of £8,711 due to the Company. However, as previously reported, the Administrators understood that certain of the Company's pre appointment VAT returns are outstanding. Accordingly, once the Company's pre-appointment VAT returns are brought up to date the Administrators will be able to determine the level of any VAT refund, if any, that maybe available.

However, it should be noted that any refund will be subject to HMRC's Crown offset making the likelihood of recoverability of the same limited should there be any other outstanding sums due to HMRC. Therefore, realisations in relation to pre-appointment VAT is considered unlikely given the modest value of the VAT refund, however, the Administrators' will update creditors on the Company's VAT position in subsequent reports.

#### Fixtures, fittings, plant, machinery and stock

The Company's management accounts balance sheet as at 31 March 2020 indicates that the Company does not own any fixed assets. Despite the above, the Administrators are aware of general computer equipment that was initially required for ongoing trading.

The Administrators assessed whether any items are surplus to requirements and whether they are of any worth.

It was determined that there was a collection of surplus IT equipment held at the Company's trading premises, however the Administrators were notified by one of the directors that the same had been sold prior to Administration to an associated party. The Administrators liaised with valuation agents, Hilco Appraisal, who indicated that on a desktop basis they would have expected to achieve between £1,500 and £2,500 for the surplus IT equipment. Whilst the Administrators consider the sale may be challengeable as a potential antecedent transaction, the value of the assets in question were nominal

and therefore the costs in challenging the same would likely negate the benefit. Accordingly, the uplift of the surplus IT equipment was allowed.

Continued use of the IT equipment was allowable in accordance with Outsourcing Agreement with Conister. It is considered likely that the costs of realising the same following the termination of the Outsourcing Agreement will negate the benefit. The Administrators will continue to update creditors in their subsequent reports.

#### Potential antecedent transactions

During the course of the Administrators' investigations into the Company's affairs, certain transactions were identified with third parties that require further investigation as they may represent potential antecedent transactions. Further details are provided at section seven of this report.

Four claims were identified and subsequently initiated by the Administrators. Initial demands were sent from the Administrators and due to the lack of substantial response, formal legal correspondence has been issued, via CMS. After further correspondence between CMS and respondents, these claims were eventually settled for the total sum of £220,000, together with a withdrawal of certain unsecured creditors' claims. The settlement funds were received in full during the Reporting Period.

## 6. DIVIDEND PROSPECTS

#### Secured creditors

A schedule of the secured creditors is detailed below:

Name	Date of Creation	Date of Registration	Type	Status
Arkle	6 June 2013	12 June 2013	Block discounting, contains fixed and floating charge	Outstanding
Conister	4 January 2011	26 January 2011	Block discounting, fixed and floating charge charges	Outstanding
Conister	4 September 2018	11 September 2018	Fixed and floating charge debenture	Outstanding
Close Bros	12 December 2016	12 December 2016	Block discounting, contains fixed charge	Satisfied on 11 September 2020
LGB	15 November 2016	21 November 2016	Fixed and floating charge debenture	Outstanding
Seneca	18 November 2015	24 November 2015	Block discounting, contains fixed and floating charges	Outstanding
Shawbrook	27 February 2015	27 February 2015	Block Discounting, contains fixed charge	Satisfied on 25 January 2022
Siemens	16 April 2010	23 April 2010	Block discounting, fixed and floating charge	Outstanding*
CLSF Pension	10 December 2012	22 December 2012	Fixed and floating charge debenture	Outstanding
Singers Corporate Asset Finance Limited (owned by Shawbrook)	6 June 2011	7 June 2011	Block discounting, contains fixed charge	Satisfied on 25 January 2022

\*The secured debt owing by the Company to Siemen has been paid out in full (plus interest and other charges), however, the status of the charge on Companies House has not yet been updated. We will continue to liaise with Siemens in this regard.

#### Conister

Conister provided the Company with funding pursuant to the following agreements:

- Master Block Discounting Agreement dated 14 January 2011 and subsequent facility letter dated 21 September 2017
- Integrated Wholesale Funding Agreement dated 4 September 2017 (IWFA), and

- A Debenture dated 4 September 2018 (of which the securities are ranked by a DOP between the Company, Conister, the CLSF Pension and LGB dated 11 October 2018).

Funds due under the terms of the IWFA are remitted directly to Conister by customers and are not available to the Company's estate. In certain instances customers have incorrectly paid funds to the Company's account and these are forwarded to Conister.

As at 25 September 2022, £1,519,333 has been received on behalf of Conister pursuant its IWFA lending. All receipts incorrectly received have been transferred to Conister.

As detailed above at the Debtors' section, debtors' sum received in respect of sums advanced under the Master Agreement from various hire purchase agreements funded by Conister have now vested in Conister. Accordingly, it is entitled to receipt of the receivables from these agreements and the same are not available to the Company's estate.

#### Master Agreements

In addition to the Conister Master Agreement above, the Company also entered into Master Agreements with Arkle, Close Bros, Seneca, Shawbrook and Siemens.

As detailed above, the Secured Lenders are entitled to receipt of receivables under the Master Agreements that attach to lending made in respect of each individual hire purchase agreement. Accordingly, the receipts are not available to the Company's estate and instead are for the benefit of the Lender to which that hire purchase agreement relates.

CMS has advised the Administrators of the validity of the Master Agreements and the Secured Lenders' entitlements to receive funds under the terms of the same.

Along with the Master Agreement, Close Bros also entered into a Deed of Assignment of certain Customer Contracts to capture any agreements that had not already been captured by its Master Agreement. Close Bros' debt was repaid in full on 24 August 2020 and the remaining sums collectible were transferred to the Company's estate.

On 16 September 2021, Shawbrook's debt was repaid in full. Shawbrook subsequently agreed to assign the remaining sums collectible back to the Company's estate. Accordingly, a Deed of Assignment was prepared for Shawbrook's execution, and has since been executed. In light of such, Shawbrook's outstanding charges were satisfied and filed at Companies House on 25 January 2022.

In July 2022, Siemens confirmed that they will be exercising their right of ownership over their assigned customer contracts and will still receive distributions following their charge being paid out in full. The Administrators will seek to fulfil the charge and have the status of this updated on Companies House to reflect this, however, Siemens are entitled to distributions in excess of their secured debt.

#### Debentures

The Company granted the Debenture Lenders debentures over the Company's assets. The priorities of all securities granted are ranked according to a DOP entered into between the Debenture Lenders, with the CLSF Pension ranking in priority.

However, the rights of certain Customer Contracts were assigned by way of additional security to LGB and Conister, having the effect of giving them the same rights as a funder with a Master Agreement as above. The DOP has implications on the distributions of any assets of the Company not subject to the security in favour of the Secured Lenders pursuant to Master Agreements referred to above.

Essentially any "free" Customer Contracts which have not been assigned to the Secured Lenders are the property of the Company, together with any other assets, and will be captured under the securities within the Debentures. Those assets will be available for distribution to the same, in the order of priority detailed in the DOP, after costs of the Administration, payment of preferential creditors and allocation of any Prescribed Part (further detailed below).

As previously advised, the Administrators engaged solicitors, CMS, and Counsel, Mr Boardman QC, to provide advice regarding the Secured Lenders security and validity of the same.

During the previous Reporting Period, of 26 September 2021 to 25 March 2022, it was agreed between the Secured Lenders that the deed of priority, whereby the CLSF Pension ranks first in priority, would be adhered to.

#### Distributions to the Secured Lenders

Please refer to section 5 of this report for a summary of the outstanding debts owed to the Secured Lenders.

#### Master Agreements

As detailed above, the majority of the realisations in this matter are for and on behalf of the Secured Lenders and those assets fall outside of the Company's Administration estate. The Administrators summarise below the collections made in the period to 25 September 2022 and the distribution sum paid to each respective Secured Lender in respect of the same, after retention of funds for provision of trading the Company, collection fees and contingencies. It should be noted that due to the determination that the CLSF Pension are first ranking floating charge holders, their claim will be paid out in full (plus interest) prior to any distributions being made to LGB:

Secured Creditor	Claims* (£)	Distributed (£)	Forecasted Timing for Repayment
Arkle	253,649	209,172	29 interim distributions paid to date, repayment to continue for up to 6 months
LGB	1,400,241	Nil	Uncertain, ongoing correspondence
Conister	14,462,620	4,219,915	29 interim distributions paid to date, repayment to continue for up to 12 months
Shawbrook	1,110,487	1,069,075	16 interim distributions and 1 final distribution paid – secured debt has been repaid in full
Close Brothers	21,995	21,995	3 interim distributions and 1 final distribution paid – secured debt has been repaid in full
Siemens	250,977	305,531	29 interim distributions paid to date, as reported above, Siemens will continue to receive distributions over their claim amount due to the exercising their right of ownership over the customer contracts
Seneca	1,049,769	1,097,453	29 interim distributions paid to date, Seneca has also exercised their right of ownership over the customer contracts
CLSF Pension**	903,128	Nil	2 interim distributions paid to date, 1 final distribution paid, this is subject to further dispute
<b>Total</b>	<b>19,452,866</b>	<b>6,923,141</b>	

\*As provided by the Secured Creditors.

\*\*The Administrators have conducted a detailed reconciliation of the CLSF Pension claim and have asserted that this claim amount should be materially reduced. However, the quantum of this reduction is being disputed by the CLSF Pension and a dialogue about this continues between us. The Administrators will report the outcome of this dispute in the subsequent progress report to creditors.

On 11 September 2020, following Close Bros recovering its indebtedness in full, it filed a satisfaction of its charge against the Company at Companies House. Accordingly, any further recoveries made on contracts assigned to Close Bros will now be considered "free" Customer Contracts and therefore available to the Company's general estate.

On 25 January 2022, following Shawbrook recovering its indebtedness in full, it filed a satisfaction of its charge against the Company at Companies House. Accordingly, any further recoveries made on contracts assigned to Shawbrook will now be considered "free" Customer Contracts and therefore available to the Company's general estate.

On 9 December 2021, Siemens recovered its indebtedness in full, and the Administrators are liaising with Siemens in relation to satisfying the charge on Companies House. As previously advised, any further recoveries will be distributed to Siemens due their right of ownership over the assigned customer contracts.

As at the end of the Reporting Period, the Administrators have made 29 interim distributions to Block Lenders totalling £6,923,141 and intend to make further interim distributions on a monthly basis as further recoveries are made.

During the Reporting Period, the Administrators have made no further interim distributions to CLSF Pensions, this is due to the ongoing dispute regarding the total quantum of the CLSF Pensions claim.

#### Debenture Lenders

After payment of expenses of the Administration and the preferential creditors, the balance of funds held is known as the net property. The Administrators are required to deduct the "Prescribed Part" of net property (approximately 20 per cent) from this surplus and make that available for distribution to unsecured creditors (detailed further below).

The remaining circa 80 per cent is then distributed to the floating charge-holders under their floating charge securities. As previously advised, it was concluded that the deed of priority between the CLSF Pension and LGB is upheld, therefore the CLSF Pension claim is to be paid out in full (plus interest) prior to LGB receiving any distribution under their floating charge.

Total distributions to the Debenture Lenders are dependent on the level of realisations from the "free" Customer Contracts, which are presently uncertain, together with realisations from the Company's other assets, such as the intercompany balance due from CRS and terminal tax refund (if agreed by HMRC). Based on present information, the CLSF Pension claim should be repaid in full and LGB will receive some distribution however the quantum of the same is presently unknown.

The initial claim amounts submitted by the CLSF Pension was £903,128 plus interest accrued from the date of Administration up to the date of payment. To date, the Administrators have distributed £548,929 to the CLSF Pension, which the Administrators believe payas out the CLSF Pension claim in full, including interest accrued during the Administration period. However, CLSF Pension are continuing to dispute the adjudicated amount and have engaged Shoosmiths and RSM to represent them on this matter.

Until such time that the CLSF Pension claim has been formally finalised, the Administrators are unable to proceed with distributions to the second ranking charge holder, being LGB. The Administrators will update creditors further on this matter in their subsequent reports.

#### Preferential creditors

Employee claims for arrears of wages (capped at £800) and holiday pay (uncapped) rank as preferential creditors.

Upon appointment, the books and records of the Company indicated the following:

- Wages were paid up to date, and
- Holiday pay is outstanding for the redundant employees in the amount of £2,176.

The Administrators have subsequently received a proof of debt from RPS, noting a preferential claim of £4,292.

Based on the information presently available, the Administrators anticipate a distribution to the Company's preferential creditors, most likely in full. The Administrators have continued preparations for a distribution to preferential creditors and will notify such creditors in due course.

#### Unsecured creditors

The Statement of Affairs included unsecured creditors with an estimated total liability of circa £265,000. The Administrators have received claims totalling £321,248. However, no adjudication on claims has been completed nor have the Administrators formally requested that creditors submit claims at this time.

As detailed earlier, the Company granted floating charges to CLSF Pension, LGB and Conister, accordingly, the prescribed part provisions will apply.



Based on present information, the Company's financial position indicates there may be sufficient assets to enable the Administrators to pay a dividend to non-preferential unsecured creditors. In any event, a distribution of the Prescribed Part of the net property will be made in due course. The Administrators will update creditors further in their subsequent report.

## 7. INVESTIGATION INTO THE AFFAIRS OF THE COMPANY

The Administrators undertook an initial investigation into the Company's affairs to establish whether there were any potential asset recoveries or conduct matters that justified further investigation. The Administrators took into account the public interest, potential recoveries, the funds likely to be available to fund an investigation, and the costs involved. The Administrators took the following action where they considered that further investigation was justified:

- Reviewed the Company's intercompany account with CRS
- Engaged MAPS to conduct a detailed analysis of the Company's bank statements
- Identified certain transactions that required further explanation as they may represent antecedent transactions (the Queried Transactions) which could give rise to significant recoveries
- Prepared and issued letters to various parties (associated and non-associated) requesting further information on the Queried Transactions
- Followed up responses from certain of the parties
- Considered the additional information provided from certain of the parties
- Issued initial demand letters to certain of the parties
- Engaged CMS to issue formal demand letters to certain of the parties
- Liaised further with CMS to determine the appropriate next steps of pursuing certain of the parties, and
- Liaised with CMS as to the consideration of certain settlement offers.

Investigations are presently still ongoing, but we believe there may be further material claims that we can pursue.

As detailed earlier in this report, four claims against connected party investors were identified and subsequently initiated by the Administrators. Initial demands were sent from the Administrators and due to the lack of substantial response, formal legal correspondence has been issued, via CMS. After further correspondence between CMS and respondents, these claims were eventually settled for the total sum of £220,000. The settlement funds have been received in full during the Reporting Period.

Should any further claim(s) be brought the Administrators will update creditors in due course.

## 8. ADMINISTRATORS' REMUNERATION

### Pre-appointment costs

As per previous agreements with Conister on 25 March 2020, pre-administration costs were proposed to be fixed at £5,000 plus expenses plus VAT. This sum is outstanding in full.

The payment of unpaid pre-administration costs as an expense of the Administration is a matter requiring a decision of the relevant class(es) of creditors.

The Administrators intend on seeking the approval of pre-appointment fees and expense from the Company's charge holders and preferential creditors in due course.

## Post appointment costs

On 3 September 2020, the Administrators received approval from Secured Creditors to be remunerated by reference to time costs at a discounted rate of 30 per cent. However, the Administrators will seek an uplift to 100 per cent of their time costs should the Secured Lenders be repaid in full.

Subsequently, the Administrators received approval from Secured Creditors in September 2021 to draw fees of £283,103, being the fees incurred under the floating charge up to 31 August 2021 (including the agreed discount of 30 per cent). The Administrators drew the approved fees during the previous reporting period. The Administrators are continuing to seek approval from the Secured Lenders for approval to draw similar fees incurred from 1 September 2021 onward.

Details of time costs and expenses to date are provided at Appendix IV. The Administrators' time costs for the Reporting Period total £73,596 representing 197 hours' time at an average charge out rate of £374. The Administrators' time costs since appointment total £1,100,916 representing 2,942 hours' time at an average rate of £374.

Of time costs incurred, certain amounts relate to the Administrators' work in acting as collection agents for the Secured Lenders. The Administrators advise that of the time costs outlined at Appendix IV the allocation between the Administration and Secured Lenders is as per the following table, noting that from the commencement of the Outsource Agreement (being from 1 February 2021), the Administrators have amended the percentage allocation split on the basis that the Administrators are no longer acting as debt collection agents for the Company. The percentage allocation was further amended from 1 January 2022 to reflect changes in the Administrators' debt collection role:

Category	Percentage charged PRE Outsource Agreement (%)	Percentage charged POST Outsource Agreement (%)	Percentage charged from 1 January 2022 (%)
Administration and planning (case planning only)	25	25	25
Creditors (secured creditor tasks only)	45	30	10
Investigations	Nil	Nil	Nil
Realisation of assets	100	30	10
Statutory	Nil	Nil	Nil
Trading	100	100	100

Total debt collection fees charged for the Administration period (up to 30 September 2022) are as follows:

	Total Debt Collection Fees £
Admin & Planning	10,848
Creditors - Secured	87,901
Realisation of Assets	87,725
Trading	342,466
	528,940
Discount at 30%	370,258

The sections effected are highlighted in yellow at Appendix IV for ease of comparison, please note these percentage allocations are subject to change but in the Administrators' view represent a fair split of the time allocated between tasks completed on behalf of the Secured Lenders for the collection of assets and time allocated to the Administration at the time of this report. The Administrators will advise creditors in of any further changes in the proposed percentage allocation splits, if applicable.

During the Reporting Period the Administrators drew £46,187 in respect of debt collection fees.

When seeking time cost approval the Administrators have to set out a fee estimate, which acts as a cap on time costs; so fees cannot be drawn for more than the estimate without further creditor approval. This estimate was provided at an early stage in the Administration and before the Administrators had full knowledge of the case. Whilst all possible steps have been taken to make this estimate as accurate as

possible, it was based on knowledge of the case at the time it was prepared and knowledge and experience of acting as administrators in respect of cases of a similar size and apparent complexity. As a result, the estimate does not account for the unknown complexities or difficulties that have arisen during the Administration of the case.

If the time costs incurred by the Administrators and staff exceed the estimate, or are likely to exceed the estimate, an explanation will be provided as to why in the progress reports to creditors. Since the Administrators cannot draw remuneration in excess of this estimate without first obtaining approval to do so, then where the Administrators consider it appropriate in the context of the case, a resolution will be sought to increase the fee estimate so that the Administrators will then be able to draw additional remuneration over and above this estimate.

The Administrators detail below a comparison between the original fee estimate (for a 12-month Administration) provided to creditors and the time incurred for the Reporting Period below:

Description	Fee estimate £	Incurred to date £
Administration and Planning	195,640	168,461
Investigations	55,028	87,482
Realisation of Assets	249,030	110,968
Creditors	374,535	310,279
Statutory	45,695	91,562
Trading	195,580	332,164
<b>Total</b>	<b>1,115,508</b>	<b>1,100,916</b>

So whilst at present the administrators' time costs incurred to date are £14,592 below their original estimate for the total fees of carrying out the administration, it is clear to the administrators that the eventual fee total will materially exceed their original estimate and consent will be sought from creditors to approve a higher level of fees being drawn.

Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>.

The relevant creditor's guide to Administrators' Fees can be found under the heading Creditor Guides on my website at <http://www.resolvegroupuk.com/resources/>. Please note that there are different versions of the Guidance Notes and in this case, you should refer to the latest version.

## 9. ADMINISTRATORS' EXPENSES

The Administrators' expenses to 25 September 2022 amount to £7,777, of which £986 were incurred in the Reporting Period.

A summary of the Administrators' expenses incurred to date are below:

Post-appointment	Category 1 £	Category 2 £	Total £	Incurred in period £	Paid to date £	Estimated future £
Bonding (Insurance)	1,280	-	1,280	-	-	-
Customer Refunds	1,183	-	1,183	-	-	-
Contractors	1,194	-	1,194	-	-	-
IT Support	92	-	92	27	-	-
Postage	980	-	980	959	-	500
Franking (Postage)	708	-	708	-	-	500
Professional Services	8	-	8	-	-	-
Communications	909	-	909	-	-	1,000
Data Protection	73	-	73	-	-	40
Expenses	1,350	-	1,350	-	-	-
<b>Total</b>	<b>7,777</b>	<b>-</b>	<b>7,777</b>	<b>986</b>	<b>-</b>	<b>2,040</b>

At present no sums have been drawn in respect of the Administrators' expenses.

Administrators anticipated that the above type of disbursements incurred are likely to be nominal as it is anticipated these sums will be paid directly from Administration funds going forward. However, the Administrators anticipate incurring certain category 1 disbursements in respect of franking, postage etc. These costs are incurred directly by ReSolve and recharged to the case.

## Professional Costs

The following agents or professional advisors have been utilised in the Administration:

Professional Advisor	Nature of Work	Fee Arrangement	Fees incurred to date	Incurred in Reporting Period	Paid in Reporting Period	Paid to date	Estimated Future Fees
			£	£	£	£	£
CMS	Legal	Time costs	263,211	c.50,000	45,428	263,211	60,000
Chris Boardman QC	Legal Counsel	Time costs	17,972	-	-	17,972	2,500
Stuart Reid	Compliance	Monthly Retainer: £6,500 per month	54,600	-	-	54,600	-
MAPS Solutions	Agents Fees	Mixed- time costs and fixed hire costs	19,320	-	-	19,320	-
Clumber Consultancy	Pension Adviser	Fixed fee	1,000	-	-	1,000	-
Davies McLennon	Professional Fees	Fixed fee	14,400	700	700	9,400	-
PCA	Rates Review	Percentage of Realisations	-	-	-	-	Unknown
<b>Total</b>			<b>370,503</b>	<b>55,297</b>	<b>46,128</b>	<b>365,503</b>	<b>62,500</b>

As at 25 September 2022.

## CMS

CMS have been engaged to provide us with advice relating to our appointment, conduct a security review on the validity of the Secured Lenders security, employee and Covid-19 furlough related matters and advice on connected party claims, together with ad hoc legal advice throughout the Administration. CMS engagement is presently ongoing.

The estimated further future fees are likely to increase significantly if the CLSF Pension reconciliation correspondence is further protracted. The Administrators will continue to consider whether the engagement of CMS should continue in light of current progression.

## Chris Boardman QC

Chris Boardman QC has been engaged, via CMS, to provide us with a Counsel opinion and further advice generally relating to the priority of the claims of the debenture holders however, Counsel is not currently instructed to complete any further work. The Administrators will continue to consider whether the engagement of CMS should continue in light of current progression.

## Stuart Reid

Mr Reid was engaged on a secondee basis for a minimum of six months (with the option to extend for a further three months having been exercised) to assist with the management of the Company's business and assist with compliance matters, including advice relating to compliance with FCA regulation and best practice guidance.

An extension was granted to the initial minimum period of the secondment to 3 January 2021, on a 4-day week basis (previously full-time).

From the commencement of the Outsourcing Agreement, Mr Reid is no longer seconded to the Company as Conister is now acting as the primary debt collection agent for the Company.

## MAPS Solutions

MAPS Solutions were instructed to assist with security of the Company's property and arranging for a monitored intruder alarm to be installed. Furthermore, MAPS Solutions was engaged to conduct a GDPR audit in respect of the data held by the Company and to advise the Administrators on GDPR related matters generally surrounding the data it holds, particularly given it relates to consumers.

MAPS Solutions were separately engaged to assist the Administrators with their investigations into the Company's pre appointment banking transactions and conduct a detailed analysis of the same.

MAPS Solutions are not currently instructed to complete any further work.

#### Clumber Consultancy

Clumber Consultancy were engaged to provide advice in respect of the Company's pension schemes and the Company and Administrators' continuing obligations in respect of the same.

#### Davies McLennon

Davies McLennon was engaged for the preparation of accounts and submission of a terminal tax loss claim.

#### PCA

PCA has been engaged to conduct a business rates review of the Company's premises. PCA has also liaised with ratings authorities to determine whether there are any rates refunds due to the Company and sought recovery of the same.

Whilst not requiring approval, when reporting to creditors during the course of the Administration the actual expenses incurred by these professionals will be compared with the original estimates provided and the Administrators will explain any material differences. It should be noted that legal fees are anticipated to increase over the above estimates if protracted legal advice is required when assessing claim(s) and or it becomes necessary to issue proceedings against parties.

The choice of professionals was based on the Administrators' perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the Administrators' fee arrangement with them. The fees charged have been reviewed and the Administrators are satisfied that they are reasonable in the circumstances of this case.

### 10. EXTENSION OF THE ADMINISTRATION

Given that customers' hire purchase agreements vary in length and extend past the statutory Administration period, an application for a second extension to the duration of the Administration was made to the Court.

The Administration was extended with approval of the Court on 17 February 2022. The Administration will now expire on 25 March 2024 unless concluded early.

At this stage, it is uncertain whether the Administrators will seek a further order of the Court, to extend the period of the Administration. However, the Administrators will update creditors in their subsequent report.

### 11. FURTHER INFORMATION AND COMPLAINTS

An unsecured creditor may, with the permission of the court or with the concurrence of five per cent in value of the unsecured creditors (including the creditor in question) request further details of the Administrators' remuneration and expenses, within 21 days of receipt of this report. Any secured creditor may request the same details in the same time limit.

An unsecured creditor may, with the permission of the court or with the concurrence of ten per cent in value of the unsecured creditors (including the creditor in question), apply to court to challenge the amount and/or basis of the Administrators' fees and the amount of any proposed expenses or expenses already incurred, within eight weeks of receipt of this report. Any secured creditor may make a similar application to court within the same time limit.

Should you have any comments or complaints regarding this Administration, please contact Lee Manning in the first instance. If you consider that we have not dealt with your comment or complaint appropriately, you may request we perform an internal independent review of your complaint. This review would be undertaken by a person within ReSolve not involved in the Administration. A request

for a review can be made in writing to the Compliance Manager, ReSolve Advisory Limited, 22 York Buildings, John Adam Street, London, WC2N 6JU or by email to [complaints@resolvegroupuk.com](mailto:complaints@resolvegroupuk.com).

If you still feel that you have not received a satisfactory response then you may be able to make a complaint to the Complaints Gateway operated by the Insolvency Service. Any such complaints should be addressed to The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds, LS11 9DA, or you may email [ip.complaints@insolvency.gsi.gov.uk](mailto:ip.complaints@insolvency.gsi.gov.uk), or you may phone 0300 6780015. The Complaints Gateway will in turn determine if such complaint should be addressed by Mr Manning's and Mr Supperstone's regulatory body. Details of the relevant call charges and opening hours can be found here: <http://www.resolvegroupuk.com/policies2/>.

## 12. SUMMARY

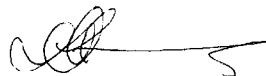
The Administration will remain open until the following matters have been finalised:

- Realisation of remaining book debts and other assets
- Conclusion of investigations into directors' conduct and Company's affairs
- Resolve outstanding tax matters with HMRC
- Conclude matters surrounding the quantum of CLSF Pension claim
- Complete distributions to secured creditors, preferential creditors and unsecured creditors (being a distribution of the prescribed part, or otherwise)

The Administrators estimate that this may take approximately 18-24 months, and once these matters have been finalised the Administration will cease and the Company will be dissolved.

Should you have any queries in relation to this matter please do not hesitate to contact Kyle Woobey of this office.

Yours faithfully  
For and on behalf of  
CLS Finance Limited



Lee Manning  
Joint Administrator

For enquiries regarding this correspondence please contact:

Contact name: Kyle Woobey  
Phone number: 020 8066 3878  
Email: [kyle.woobey@resolvegroupuk.com](mailto:kyle.woobey@resolvegroupuk.com)

The affairs, business and property of the Company are being managed by the Administrators.  
Partners and staff acting as administrators, administrative receivers or supervisors act as agents of the company over which they are appointed at all times, and without personal liability.  
Cameron Gunn, Mark Supperstone, Lee Manning, Chris Farrington, Ben Woodthorpe, Simon Jagger and Russell Payne are licensed to act as Insolvency Practitioners in the United Kingdom by the Institute of Chartered Accountants in England and Wales  
Please refer to the firm's privacy notice setting out your rights and explaining how your data will be used. The notice can be found on our website here [www.resolvegroupuk.com/policies2/](http://www.resolvegroupuk.com/policies2/).

## APPENDIX I

### STATUTORY INFORMATION

Statutory and other information	
Court details:	High Court of Justice Business and Property Courts in Manchester, Company and Insolvency List (ChD)  CR-2020-MAN-000364
Full name:	CLS Finance Limited
Trading name(s):	N/A
Registered number:	05032892
Registered offices:	c/o ReSolve, 22 York Buildings, London, WC2N 6JU
Former registered offices:	Unit 2 Alexandra Street, Hyde, Cheshire, SK14 1DX
Appointors:	QFCH
Company directors (current):	Shaun Patrick Young Charles Omar Holding
Shares held by directors:	Shaun Patrick Young (49,955 ordinary £1 shares) Charles Omar Holding (49,955 ordinary £1 shares)
<b>Date of the Administrators' appointments</b>	26 March 2020
Division of the <b>Administrators' responsibilities:</b>	For the purpose of paragraph 100(2) of Schedule B1, the Administrators may exercise any of the powers conferred on them by IA86 jointly or individually
Objectives being pursued by the Administrators:	B
Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (recast):	The regulation applies to this administration and these proceedings are main proceedings

APPENDIX II

RECEIPTS AND PAYMENTS ACCOUNT

CLS FINANCE LIMITED - IN ADMINISTRATION  
ADMINISTRATORS' RECEIPTS AND PAYMENTS  
FROM 26 SEPTEMBER 2021 TO 25 MARCH 2022

Notes	Estimated to realise - Estimated financial position £	For the period 26 March 2022 to 25 September 2022 £	For the period 26 March 2020 to 25 September 2022 £
<b>FIXED CHARGE RECEIPTS</b>			
Debtors' ledger - Conister IWFA	3,116,103	239,066	1,519,333
Debtors' ledger - Master Block Lending Agreement	6,166,015	726,921	8,368,409
Leasehold property	-	-	-
Coronavirus Job Retention Scheme	-	-	30,253
	<u>9,282,118</u>	<u>965,987</u>	<u>9,917,995</u>
<b>FIXED CHARGE PAYMENTS</b>			
Conister IWFA		(239,066)	(1,519,333)
Master Block Lending Agreement		(466,737)	(6,926,569)
Office Holders Fees		(46,188)	(288,578)
Collection Outsource Costs		(84,343)	(587,572)
Direct Labour		-	(8,606)
Indirect Labour		-	(49,731)
Debt Collection Fees		-	(14,897)
Rent		-	(34,595)
IT Costs		-	(68,393)
Insurance		-	(1,002)
Employee Related Costs		-	(51)
Sub Contractors		-	(10,294)
Customer Refunds		(2,149)	(41,590)
Heat and Light		-	(4,909)
Telephone		-	(5,205)
Rates		-	(8,961)
Bank Charges		-	(67)
Hire of Equipment		-	(1,314)
Sundry Expenses		-	(10,867)
Vehicle Running Costs		-	(11,856)
Postage		-	(966)
Stationery and Office Costs		-	(11,412)
Agents/Valuers Fees		-	(70,738)
Legal Fees		-	(25,674)
Wages and Salaries		-	(156,200)
PAYE & NIC		-	(46,692)
		<u>(838,482)</u>	<u>(9,906,069)</u>
<b>FIXED CHARGE TOTAL (receipts less payments)</b>		<u>127,505</u>	<u>11,926</u>

Continued on following page



<b>FLOATING CHARGE RECEIPTS</b>			
Cash at bank	33,004	-	33,004
Intercompany balance	72,918	-	-
Debtors' ledger - Master Block Lending Agreement	-	208,738	1,694,364
VAT refund	-	-	-
Other refunds	-	-	8,139
Terminal Tax Loss Relief	-	-	206,726
Interest	-	79	182
Connected Party Settlement	-	220,000	220,000
	<u>105,922</u>	<u>428,817</u>	<u>2,162,415</u>
<b>FLOATING CHARGE PAYMENTS</b>			
Agents/Valuers Fees	-	-	(20,917)
Professional Fees	-	-	(15,600)
Legal Fees	-	(45,428)	(250,311)
Statutory Advertising	-	-	(91)
Office Holders Fees	-	-	(323,311)
Collection Outsource Costs*	-	(14,884)	(103,689)
Trading Costs*	-	-	(118,247)
First Ranking Floating Charge Holder	-	(151,569)	(548,929)
		<u>(211,881)</u>	<u>(1,381,096)</u>
<b>FLOATING CHARGE TOTAL (receipts less payments)</b>		<u>216,936</u>	<u>781,319</u>

Fixed charge total (receipts less payments)	11,926
Floating charge total (receipts less payments)	<u>781,319</u>
<b>TOTAL FUNDS IN HAND</b>	<u><u>793,245</u></u>

<b>REPRESENTED BY</b>	
CLS Finance Limited - in Administration current account, non-interest bearing	262,536
CLS Finance Limited (pre-appointment) current account, non-interest bearing (HSBC)	476,455
VAT Receivable	<u>54,253</u>
<b>TOTAL</b>	<u><u>793,245</u></u>

\*Total debt collection costs and trading costs have been applied to the fixed and floating charges on a pro rata basis i.e. as per the percentage of the total debt book collected.

## APPENDIX III

### **ADMINISTRATORS' CHARGE OUT RATES, EXPENSE POLICY, NARRATIVE AND FEE ESTIMATE**

#### **Administrators' charge out rates**

The Joint Administrators are partly remunerated on a time cost basis. Charge-out rates used are appropriate to the skills and experience of a member of staff and the work that they perform. Time is recorded in six-minute units. Narrative is recorded to explain the work undertaken and the time spent is analysed into different categories of work. The hourly charge-out rates used on this case are as follows (please note that the rates increased on 1 August 2022):

Staff grade	Rate per hour from 1 August 2022 (£)	Rate per hour from 1 January 2020 (£)	Rate per hour from 1 January 2020 (£)
Principal	705 - 755	625 - 755	625 - 755
Director	515 - 615	515	515
Senior Manager	500	435	435
Manager	420	375	375
Assistant Manager	375	305	305
Senior Associate	300	255	255
Associate	245	220	220
Junior Associate	175	175	175

Secretarial and support staff are not charged to the cases concerned, being accounted for as an overhead of ReSolve Advisory Limited. Our cashier is charged at the Senior Associate rate. The charge out rate for Lee Manning, the lead office holder in this case, is £675 per hour.

The charge out rates are reviewed periodically (no more than once a year) and are adjusted to take account of inflation and the firm's overheads.

#### Percentage basis

Where approval is obtained on a mixture of bases, any fixed fee and time costs will then be charged against the remaining funds available after the realisation percentage has been deducted. A percentage of distributions made to unsecured creditors may also be requested to cover the work associated with the agreement of claims and making the distribution.

The disclosure that we make will include sufficient information about the insolvency appointment to enable you to understand how the proposed fee reflects the complexity (or otherwise) of the case, any responsibility of an exceptional kind falling on the office holder, the effectiveness with which the office holder has carried out their functions, and the value and nature of the property with which the office holder must deal. To meet the requirements of SIP 9 it will also explain why the basis requested is expected to produce a fair and reasonable reflection of the work that we anticipate will be undertaken on the case.

If the basis of remuneration has been approved on a percentage basis, then an increase in the amount of the percentage applied can only be approved by the committee or creditors (depending upon who approved the basis of remuneration) in cases where there has been a material and substantial change in the circumstances that were taken into account when fixing the original level of the percentage applied. If there has not been a material and substantial change in the circumstances, then an increase can only be approved by the Court.

#### Fixed fee basis

If the basis of remuneration has been approved on a fixed fee basis, then an increase in the amount of the fixed fee can only be approved by the committee or creditors (depending upon who approved the basis of remuneration) in cases where there has been a material and substantial change in the

circumstances that were taken into account when fixing the original level of the fixed fee. If there has not been a material and substantial change in the circumstances, then an increase can only be approved by the Court.

#### Expenses policy

In accordance with Statement of Insolvency Practice 9, the basis of expense allocation must be fully disclosed to creditors. Expenses are categorised as either Category 1 or Category 2 expenses:

##### Category 1

These are payments to persons providing the service to which the expense relates who are not an associate of the office holder. Category 1 expenses can be paid without creditor approval. Examples of Category 1 expenses are statutory advertising, external meeting room hire, external storage, specific bond insurance, external information hosting charges, and Company search fees.

##### Category 2

These are payments to associates or which have an element of shared costs. Before being paid, Category 2 expenses require approval in the same manner as an office holder's remuneration. Category 2 expenses require approval whether paid directly from the estate or as a disbursement. Category 2 expenses that are likely to be incurred, and require specific approval include:

Mileage	45 pence per mile paid to staff working on the insolvency appointment
Photocopying	20 pence per sheet of paper for reporting purposes (correspondence will be digital where at all possible to minimise this expense)

Category 1 and Category 2 expenses are subject to the rights of creditors to seek further information about them or challenge them.

Professional advisors may be instructed to assist the office holder on the case where they consider that such assistance is necessary to enable them to appropriately administer the case. The fees charged by any professional advisors used will be recharged at cost to the case. Where the professional advisor is not an associate of the office holder it will be for the office holder to agree the basis of their fees. Where the professional advisor is an associate of the office holder it will be for those responsible for fixing the basis of the office holder's remuneration to approve payments to them. The fees of any professional advisors are subject to the rights of creditors to seek further information about them or challenge them. Professional advisors that may be instructed on a case include:

- Solicitors/Legal Advisors
- Auctioneers/Valuers
- Accountants
- Quantity Surveyors
- Estate Agents
- Pension specialists
- Employment Claims specialists, and
- GDPR/Cyber Security specialists.

A summary of the Administrators' expenses incurred up to 25 September 2022 are provided in Section 9 of the report.

#### Narrative of work carried out:

##### Administration and Planning

This represents the routine administrative work that is required of the office holders and their staff, together with the control and supervision of the work done on the case by the office holders and their staff. It does not give direct financial benefit to the creditors, but has to be undertaken by the office holders to meet their requirements under the insolvency legislation and the SIP, which set out required practices that office holders must follow:

### Case planning

- Preparing the documentation and dealing with the formalities of appointment
- Review and storage of Company records
- Liaising with the directors throughout the administration process
- Liaising the Conister following appointment
- Case planning, strategy and administration

### Cashiering

- Dealing with the day to day management of the internal cash book
- Making payments and dealing with receipts
- Reconciling the Company's bank account
- Liaising with the Company's pre appointment bankers
- Liaising with the Administrators' bankers

### General administration

- Statutory notifications and advertising
- Case bordereau
- Liaising with the FCA regarding appointment
- Preparing documentation required
- Dealing with all routine correspondence
- Maintaining physical case files and electronic case details
- Liaising with the Company's directors and internal bookkeeper regarding provision of information

### Creditors

Work involved in dealing with all classes of creditors.

The office holder needs to deal with the ex-employees in order to ensure that their claims are processed appropriately by the RPS. That work will include dealing with queries received from both the ex-employees and the RPS to facilitate the processing of the claims. The office holders are required to undertake this work as part of his statutory functions.

The office holders need to maintain up to date records of the names and addresses of creditors, together with the amounts of their claims as part of the management of the case, and to ensure that notices and reports can be issued to the creditors. The office holders will also have to deal with correspondence and queries received from creditors regarding their claims and dividend prospects as they are received. The office holders are required to undertake this work as part of their statutory obligations.

### Secured

- Engaging solicitors, CMS, to review all security charges held over the Company
- Considering CMS' advice and Counsel, Chris Boardman QC's advice relating to the security
- Liaising with the directors regarding the CLSF Pension Debenture issued to the Company
- Liaising with CMS regarding the Master Agreements and debentures and the priority and rights attached to the same, following challenges by the CLSF Pension
- Liaising with the CLSF Pension, LGB and Conister regarding the DOP
- Liaising with the Secured Lenders with respect to sums due to these secured creditors and planning the release of surplus funds
- Prepare formal correspondence to the Secured Lenders detailing debt collection activities and related costs incurred for approval
- Prepare and distribute interim distribution funds to the Secured Lenders and Debenture Lenders
- Attending to correspondence with Secured Lenders as and when required
- Holding several discussions and email correspondence with the Company's directors, in their capacity as trustees of the CLSF Pension with particular reference to the challenges that the CLSF Pension is making, largely in respect of its claim that the DOP it signed with LGB and Conister overreaches the security/ownership that those two lenders have pursuant to the Master Agreements
- Detailed reconciliation of the CLSF Pension claim

## Unsecured

- Dealing with creditor correspondence, emails and telephone conversations
- Maintaining up to date creditor information on the case management system

## Employees

- Preparing and issuing correspondence to the employees regarding current employment status i.e. being retained, furloughed or made redundant
- Corresponding with employees regarding their claims
- Liaising with the RPS regarding employee claims

## Investigations

Insolvency legislation gives the office holders powers to take recovery action in respect of what are known as antecedent transactions, where assets have been disposed of prior to the commencement of the insolvency procedure and also in respect of matters such as misfeasance and wrongful trading. The office holders are required by the SIP to undertake an initial investigation to determine whether there are potential recovery actions for the benefit of creditors and any time costs recorded represent the costs of undertaking such an initial investigation. If potential recoveries or matters for further investigation are identified then the office holders will need to incur additional time costs to investigate them in detail and to bring recovery actions where necessary, and further information will be provided to creditors. Any approval for an increase in fees will be sought as necessary. Such recovery actions will be for the benefit of the creditors and the office holders will provide an estimate of that benefit if an increase in fees is necessary.

The office holders are also required by legislation to report to the BEIS on the conduct of the directors and the work to enable them to comply with this statutory obligation is of no direct benefit to the creditors, although it may identify potential recovery actions.

- General investigation into the Company's affairs and its trading relationship with CRS
- Statutory investigation into the directors' conduct, including preparation and submission of required reports
- Considering potential antecedent transactions and underlying documents that relate to them
- Liaising with third parties and connected parties regarding pre appointment transactions
- Pursuing claims against four connected party investors and the eventual settlement of the same

## Realisation of Assets

This is the work that needs to be undertaken to protect and then realise the known assets, which should directly benefit creditors.

## Book debts

- Reviewing the Company's debtors' ledger and consideration of whether to engage third party collection agents
- Liaising with the directors, internal bookkeeper, collections staff and the Secured Lenders in relation to the Company's book debts
- Continually liaising with the Company's pre-appointment banker, HSBC, to obtain updated statements from the pre-appointment bank account
- Liaise with Global Payments to obtain credit card receipts
- Undergo training to understand the Company's debt collection software
- Liaising with the Company's external IT provider, Anchor, to create specific reports for the purposes of allocating collections to their specific lender and also to report to the Secured Lenders
- Establishing the accuracy of the intercompany debt due from CRS

## Other assets

- Dealing with other miscellaneous asset matters
- Dealing with the sale of the residual stock
- Corresponding with agents regarding security related matters

## Statutory

These activities involve complying with legislation including but not limited to; The IA86, The IR16, The Companies Act 2006, The Bribery Act 2010, the Money Laundering Regulations 2017, SIPs and Pension Regulations. These activities do not add any direct benefit to creditors and they form part of the statutory obligations of the Administration.

- Preparation and delivery of all statutory documentation
- Informing Companies House of the Administration
- Liaising with solicitors regarding appointment documentation
- Internal discussions in relation to the timings of the appointment and preparing for the appointment
- Dealing with statutory issues required under IA86, IR 2016 and the Statements of Insolvency Practice

## Trading

These activities involve continuing to trade the business in Administration and day-to-day management of the collection of the book debts. It is hoped these activities will add direct benefit to creditors as the Administrators are seeking to preserve the value of the ledger.

- Assessment of trading position and viability of continuing run-off operations of its lending book
- Dealing with all employee-related tasks (refer to above)
- Liaising with Conister regarding ongoing trading requirements
- Reviewing and processing customer refunds
- Liaising with the FCA regarding compliance with regulatory requirements
- Facilitate the handover of trading operations to Conister pursuant to the Outsourcing Agreement
- Arrange periodic mail redirections as required

## APPENDIX IV

### ADMINISTRATORS' TIME COSTS SUMMARY

Since Appointment:

	PARTNER / DIRECTOR		MANAGER		OTHER SENIOR PROFESSIONAL		TOTAL		AVERAGE RATE	ALLOCATION TO
	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)		
Administration & Planning										
Case planning / monitoring	41.20	28,322.00	22.50	8,903.00	24.20	5,136.50	87.90	42,361.50	481.93	25
Cashiering	64.50	36,125.50	83.90	31,739.50	116.20	24,187.75	264.60	92,052.75	347.89	
General administration	13.80	9,419.00	38.00	15,513.50	44.93	8,844.25	96.73	33,776.75	349.19	
	119.90	74,136.50	144.40	56,156.00	185.33	38,168.50	449.63	168,461.00	374.67	
Creditors										
Secured	162.20	109,775.00	399.05	140,143.25	18.50	3,936.00	579.75	253,854.25	437.87	45
Preferential	10.50	7,087.50	2.30	734.50	5.40	1,156.50	18.20	8,978.50	493.32	
Unsecured	25.60	17,152.00	43.15	15,139.25	25.95	5,330.25	94.70	37,621.50	397.27	
Employees	6.10	4,147.50	9.60	3,166.00	11.80	2,511.00	27.50	9,824.50	357.25	
	204.40	138,162.00	454.10	159,183.00	61.65	12,933.75	720.15	310,278.75	430.85	
Investigations										
General investigation	0.60	413.00	23.70	8,820.50	14.90	4,544.50	39.20	13,778.00	351.48	
D returns	1.20	810.00	7.80	2,873.00	22.00	4,840.00	31.00	8,523.00	274.94	
Other investigation	17.50	11,812.50	103.90	38,157.50	66.00	15,211.00	187.40	65,181.00	347.82	
	19.30	13,035.50	135.40	49,851.00	102.90	24,595.50	257.60	87,482.00	339.60	
Realisation of Assets										
Book debts	18.00	12,169.00	118.00	37,875.00	2.60	477.50	138.60	50,521.50	364.51	100
Sale of business / assets	32.60	22,121.00	40.25	15,583.25	0.60	132.00	73.45	37,836.25	515.13	100
Property - freehold and leasehold	0.30	208.50	7.40	2,335.00	-	-	7.70	2,543.50	330.32	100
Other assets	14.10	9,665.50	24.00	9,225.00	5.45	1,176.50	43.55	20,067.00	460.78	100
	65.00	44,164.00	189.65	65,018.25	8.65	1,786.00	263.30	110,968.25	421.45	
Statutory										
Statutory paperwork / form completion	7.50	5,076.50	32.65	12,272.75	20.00	4,333.00	60.15	21,682.25	360.47	
Filing documents with CH / Court	0.40	238.00	1.95	744.25	3.20	704.00	5.55	1,686.25	303.83	
Reporting to creditors	23.70	16,017.50	93.70	34,838.50	85.10	17,337.50	202.50	68,193.50	336.76	
	31.60	21,332.00	128.30	47,855.50	108.30	22,374.50	268.20	91,562.00	341.39	
Trading										
Day one matters	-	-	0.10	43.50	-	-	0.10	43.50	435.00	
Ongoing trading administration	2.10	1,241.50	510.05	181,595.50	73.26	15,426.00	585.41	198,263.00	338.67	100
Close down	56.90	30,345.50	336.70	102,706.00	4.50	805.50	398.10	133,857.00	336.24	100
	59.00	31,587.00	846.85	284,345.00	77.76	16,231.50	983.61	332,163.50	337.70	
Total hours and cost	499.20	322,417.00	1,898.70	662,408.75	544.59	116,089.75	2,942.49	1,100,915.50	374.14	

The above costs exclude VAT.

For the Reporting Period:

	PARTNER / DIRECTOR		MANAGER		OTHER SENIOR PROFESSIONAL		TOTAL		AVERAGE RATE	ALLOCATION TO
	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)		
Administration & Planning										
Case planning / monitoring	4.60	3,531.00	1.50	567.00	1.30	294.00	7.40	4,392.00	593.51	25
Cashiering	2.80	1,823.00	9.90	4,047.00	13.00	2,805.75	25.70	8,675.75	337.58	
General administration	1.40	987.00	0.70	267.00	7.30	1,429.50	9.40	2,683.50	285.48	
	8.80	6,341.00	12.10	4,881.00	21.60	4,529.25	42.50	15,751.25	370.62	
Creditors										
Secured	6.50	4,584.50	19.70	7,644.00	0.90	198.00	27.10	12,426.50	458.54	45
Unsecured	-	-	6.20	2,406.00	2.15	413.75	8.35	2,819.75	337.69	
Employees	-	-	0.50	196.50	-	-	0.50	196.50	393.00	
	6.50	4,584.50	26.40	10,246.50	3.05	611.75	35.95	15,442.75	429.56	
Investigations										
Other investigation	-	-	1.30	487.50	-	-	1.30	487.50	375.00	
	-	-	1.30	487.50	-	-	1.30	487.50	375.00	
Realisation of Assets										
Book debts	0.10	70.50	6.90	2,587.50	0.90	180.00	7.90	2,838.00	359.24	100
Sale of business / assets	1.50	1,108.50	1.00	379.50	-	-	2.50	1,488.00	595.20	100
Other assets	2.10	1,497.50	1.20	459.00	0.15	33.00	3.45	1,989.50	576.67	100
	3.70	2,676.50	9.10	3,426.00	1.05	213.00	13.85	6,315.50	455.99	
Statutory										
Statutory paperwork / form completion	-	-	2.50	1,087.50	1.10	192.50	3.60	1,280.00	355.56	
Reporting to creditors	1.20	810.00	4.50	1,687.50	14.90	3,270.50	20.60	5,768.00	280.00	
	1.20	810.00	7.00	2,775.00	16.00	3,463.00	24.20	7,048.00	291.24	
Trading										
Ongoing trading administration	-	-	42.85	16,951.50	0.20	35.00	43.05	16,986.50	394.58	100
Close down	6.50	3,754.50	29.50	7,810.50	-	-	36.00	11,565.00	321.25	100
	6.50	3,754.50	72.35	24,762.00	0.20	35.00	79.05	28,551.50	361.18	
Total hours and cost	26.70	18,166.50	128.25	46,578.00	41.90	8,852.00	196.85	73,596.50	373.87	

The above costs exclude VAT.

Please refer to Section 8 of the report for further details on the allocation percentages charged.