

AM10

Notice of administrator's progress report



Companies House

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

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

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Period of progress report

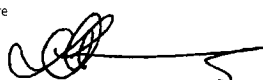
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To date	^d 2	^d 5	^m 0	^m 9	^y 2	^y 0	^y 2	^y 1	

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Progress report

☒ I attach a copy of the progress report**8**

Sign and date

Administrator's signature	Signature X 	X							
Signature date	^d 2	^d 5	^m 1	^m 0	^y 2	^y 0	^y 2	^y 1	

Our ref: ADMCLS001/LM/MS/LAM/CD/EB/KW/040

25 October 2021

T 020 7702 9775
F 0845 094 1160

TO ALL KNOWN CREDITORS

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 2021 to 25 September 2021, which should be read in conjunction with the Administrators' proposals dated 18 May 2020 (the Proposals) and previous progress reports.

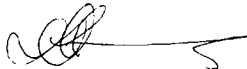
Rights of creditors

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 Elliot Bero 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: *Elliot Bero*
Phone number: *020 3051 2055*
Email: *elliot.bero@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 Myles Jacobson 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/.

CLS Finance Limited – in Administration

**Administrators' progress report
For the period 26 March 2021 to 25 September 2021**

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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' third report on the progress of the Administration for the period 26 March 2021 to 25 September 2021 (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):
 - 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
 - Provide advice regarding the Deed of Priority between the CLSF Pension and LGB
 - Facilitate discussion between the CLSF Pension and LGB and consider approaching the Court for directions
 - Provide advice relating to the fixed charge Secured Lenders' agreements
 - Provide advice on and begin drafting an application to Court for the approval of the Administrators' remuneration
 - Provide advice regarding potential misfeasance and antecedent transaction claims against management and other third parties, plus extensive drafting and review of witness statement
 - Prepare formal demands to pursue a number of preference payments claims, and
 - Contact former investors in the Company regarding potential preference payments.
- Retained, via CMS, counsel, Chris Boardman QC, to provide advice on the Deed of Priority between the CLSF Pension and LGB
- 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
- Prepared and distributed six interim distributions (seventeen distributions paid in total) to six Secured Lenders under the Administrators' role as debt collection agents for those (seven) independent Secured Lenders who had debts formally assigned to them
- Prepared detailed Estimated Outcome Statements for floating charge holders under different scenarios
- Corresponded with the Company's internal bookkeeper regarding 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
- Continue to liaise with the Company's pre-appointment banker, HSBC, regarding the credit balances being made into the Company's pre-administration bank account to avoid any unnecessary disruption to collections

- Liaised with secured creditors for the approval of an agreement to the deduction of costs of collections on behalf of the lenders, as well as approval of the Administrators' remuneration
- Liaised with various council authorities in respect of business rates refunds
- Liaised with HMRC regarding outstanding pre and post appointment tax liabilities
- Liaised with HMRC regarding the preparation of outstanding pre-appointment and post-appointment VAT returns
- 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 indicates 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.

Investigations into certain of the Secured Lenders' security and the relative ranking of that security is ongoing. We are also seeking advice on whether valid assignment of the receivables has occurred to constitute those receivables as third party assets or whether they are available to the Company's estate. The Administrators, together with their lawyers, CMS, are continuing to liaise with those Lenders affected on what is quite a complicated legal matter. If agreement cannot be reached with the parties it may be necessary for the Administrators to make an application to Court for directions.

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.

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 2021, customer debt collections post Administration totalled c.£8.3 million. Further recoveries are being made on a daily basis as and when customers pay. Of this sum £117,336 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 1 October 2021, the Company's debtors' ledger showed a 60 day plus arrears delinquency rate (i.e. percentage of agreements in arrears) of 48.33 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 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 in relation to the Covid-19 pandemic and considering requests for forbearance in respect of the debtors' obligations, where necessary. As a result of this, realisations in respect of the Company's debtors' ledger remain uncertain.

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 will receive a very modest distribution under its floating charge security in the Company's favour. Based on present information, the level of recovery anticipated from the CRS is likely to be less than one per cent of the outstanding debt. 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.

VAT Refund

The Company's management balance sheet indicates 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.

At present the Administrators lack the records to complete these returns and are awaiting HMRC to issue the outstanding VAT returns for completion.

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 update creditors in their subsequent report.

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 voidable preference payment claims have been 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. Discussions with the relevant parties and their lawyers are ongoing and the Administrators are continuing to work with CMS to determine the best next steps to pursue these claims. So as not to prejudice the position, the Administrators will update creditors in their subsequent reports.

Accordingly, it is uncertain whether there will be any recoveries available for the Company's estate. However, the Administrators will update creditors in their subsequent report.

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	Repaid but not yet registered as satisfied
Siemens	16 April 2010	23 April 2010	Block discounting, fixed and floating charge	Outstanding
CLS 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	Outstanding

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 2021, £995,056 has been received on behalf of Conister pursuant to 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.

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 have engaged solicitors, CMS, and Counsel, Mr Boardman QC, to provide advice regarding the Secured Lenders security and validity of the same. CMS' and Mr Boardman QC's advice in respect of LGB's security and the validity of the same in respect of the Customer Contracts purportedly assigned to it are ongoing, together with ongoing correspondence with CLSF Pension in respect of the same. In the event the position cannot be agreed between the parties it may be necessary to make an application to Court for directions. The Administrators will update creditors in their subsequent report.

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 2021 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 at this stage the sums available to LGB have been withheld pending the outcome of CMS' and Mr Boardman QC's advice relating to the validity of the assignment of the Customer Contracts and the correspondence with CLSF Pension in respect of the same:

Secured Creditor	Claims* £	Distributed £	Forecast Timing for Repayment
Arkle	253,649	166,443	17 interim distributions paid to date, repayment to continue for up to 18 months
LGB	1,400,241	-	Uncertain, ongoing legal correspondence
Conister	14,462,620	3,292,857	17 interim distributions paid to date, repayment to continue for up to 18 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	248,686	16 interim distributions paid to date, repayment to continue for up to 18 months
Seneca	1,049,769	871,177	17 interim distributions paid to date, repayment to continue for up to 18 months
CLSF Pension	903,128	-	Uncertain, ongoing legal correspondence
Total	19,452,866	5,670,233	

**As provided by the Secured 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.

As previously advised, Shawbrook has recovered its indebtedness in full, but has not filed a satisfaction of its charge against the Company at Companies House as at the end of the Reporting Period. Following execution of the agreed Deed of Assignment, 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.

As at the end of the Reporting Period, the Administrators have made 17 interim distributions to Block Lenders totalling £5,670,232 and intend to make additional interim distributions as further recoveries are made. It should be noted that any recoveries made that have been allocated to LGB have been retained pending the outcome of the legal advice as to whether LGB's security and the validity of the same in respect of the Customer Contracts purportedly assigned to it being valid. As mentioned earlier, correspondence in respect of the same is ongoing. In the event the position cannot be agreed between the parties it may be necessary to make an application to Court for directions.

The Administrators summarise below the collections since appointment:

	Total £	Arkle £	LGB £	Conister £	Shawbrook £	Close Brothers £	Siemens £	Seneca £	Others £
Total Collected	8,302,716	203,115	963,301	4,149,299	1,410,251	64,765	313,185	1,081,465	117,336
Less Collection Fees & Trading Expenses	1,948,593	36,672	353,939	856,442	341,176	42,771	64,499	210,288	42,807
Available for distribution	6,354,123	166,443	609,362	3,292,857	1,069,075	21,995	248,686	871,177	74,529
Distributed to date	5,670,232	166,443	-	3,292,857	1,069,075	21,995	248,686	871,177	-
<i>Difference/withheld</i>	<i>683,891</i>	<i>-</i>	<i>609,362</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>74,529</i>

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. Any distribution available to the floating charge-holders will likely take many months to conclude, if any is available.

A distribution to the Debenture Lenders is 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, if any distribution is available, it is considered likely that the same would only be available to CLSF Pension in respect of its floating charge, however the quantum of the same is presently unknown at this stage. The Administrators will update creditors further in their subsequent report.

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.

Unsecured creditors

The Statement of Affairs included unsecured creditors with an estimated total liability of circa £265,000. The Administrators have received claims totalling £241,563. 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, and
- Liaised further with CMS to determine the appropriate next steps of pursuing certain of the parties.

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

As detailed earlier in this report, the Administrators have requested repayment of various preferential payment claims and have retained CMS to assist with collection of those amounts.

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

Within three months of the Administrators' appointment, they are required to submit a confidential report to the BEIS to include any matters which have come to their attention during the course of their work which may indicate that the conduct of any past or present director would make him unfit to be concerned with the management of a company. The Administrators confirm that their report has been submitted.

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 will seek the approval of pre-appointment fees and expense from the Company's chargeholders 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%. 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 under the floating charge. The Administrators have drawn the approved fees in this respect however, this was after the current Reporting Period. Accordingly, further details will be provided in the subsequent report to creditors.

Details of time costs and expenses to date are provided at **Appendix IV**. The Administrators' time costs for the Reporting Period total £155,947, representing 416 hours' time at an average charge out rate of £375. The Administrators' time costs since appointment total £858,479 representing 2,309 hours' time at an average rate of £372.

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 (before applying the 30 per cent discount), 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:

	Gross (£)	Administration (pre-outsource)		Administration (post-outsource)		Debt Collection (pre-outsource)		Debt Collection (post-outsource)	
		Allocation (%)	Allocation (£)	Allocation (%)	Allocation (£)	Allocation (%)	Allocation (£)	Allocation (%)	Allocation (£)
Admin & Planning									
Case planning / monitoring	33,504	75	21,003	75	4,125	25	7,001	25	1,375
Cashiering	76,235	100	61,404	100	14,831	0	-	0	-
General administration	24,979	100	12,663	100	12,316	0	-	0	-
Creditors									
Secured	190,134	55	75,154	70	37,443	45	61,490	30	16,047
Preferential	8,599	100	3,064	100	5,535	0	-	0	-
Unsecured	30,262	100	16,611	100	13,651	0	-	0	-
Employees	9,378	100	9,182	100	196	0	-	0	-
Investigations	63,479	100	43,063	100	20,416	0	-	0	-
Realisations of Assets	95,907	0	-	70	10,696	100	80,627	30	4,584
Statutory	66,276	100	50,006	100	16,270	0	-	0	-
Trading	259,729	0	-	0	-	100	189,551	100	70,178
Total	858,482		292,150		135,479		338,669		92,184

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.

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 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 is 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 any unknown complexities or difficulties that may arise 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	134,718
Investigations	55,028	63,479
Realisation of Assets	249,030	95,907
Creditors	374,535	238,372
Statutory	45,695	66,276
Trading	195,580	259,729
Total	1,115,508	858,481

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 . A copy of 'A Creditors Guide to Administrators' Fees' also published by R3, together with an explanatory note which shows ReSolve Partner's fee policy are available at the link <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.

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 2021 amount to £6,791, of which none 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	65	-	65	-	-	-
Postage	21	-	21	-	-	-
Franking (Postage)	708	-	708	-	-	1,000
Professional Services	8	-	8	-	-	-
Communications	909	-	909	-	-	1,000
Data Protection	73	-	73	-	-	40
Employee Related Expenses	1,350	-	1,350	-	-	-
Total	6,791	-	6,791	-	-	2,040

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	130,269	46,126	34,878	130,269	30,000
Chris Boardman QC	Legal Council	Time costs	13,375	4,375	4,375	13,375	5,000
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 Advisor	Fixed fee	1,000	-	-	1,000	-
Davies McLennon	Professional Fees	Fixed fee	13,700	-	-	8,700	-
			232,264	50,501	39,253	227,264	35,000

*As at 25 September 2021.

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

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 antecedent transaction 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 security review correspondence becomes even further protracted or it is necessary to make an application to Court for directions. The Administrators are currently considering 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. This engagement is presently ongoing.

The estimated further future fees are likely to increase if security review correspondence becomes protracted or it is necessary to make an application to Court for directions. The Administrators are currently considering 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.

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.

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.

10. EXTENSION OF THE ADMINISTRATION

The Administrators' sought the extension of the Administration from the appropriate classes of creditors as follows:

- Secured creditor approval via written consent, and
- Preferential creditor approval via a deemed consent procedure.

The Administration was extended with consent by way of the above consent procedures on 5 February 2021. The Administration will now expire on 25 March 2022 unless concluded early.

It is highly likely that the Administrators will seek an order of the Court, to extend the period of the Administration beyond the extended period, given customers hire purchase agreements vary in length and extend past the statutory extended period. 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.

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, 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, including claims in respect of voidable preferences
- Conclusion of investigations into directors' conduct and Company's affairs
- Resolve outstanding tax matters with HMRC
- Determine the priorities relating to floating charge creditors, and
- 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 12-24 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 Elliot Bero 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: *Elliot Bero*
Phone number: *020 3051 2055*
Email: *elliott.bero@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 Myles Jacobson 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/.

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)
Date of the Administrators' appointments	26 March 2020
Division of the Administrators' responsibilities:	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 2020 TO 25 SEPTEMBER 2021

Notes	Estimated to realise - Estimated financial position £	For the period 26 March 2021 to 25 September 2021 £	For the period 26 March 2020 to 25 September 2021 £
FIXED CHARGE RECEIPTS			
Debtors' ledger - Conister IWFA	3,116,103	387,084	995,056
Debtors' ledger - Master Block Lending Agreement	6,166,015	1,788,270	6,989,012
Leasehold property	-	-	-
Coronavirus Job Retention Scheme	-	-	30,253
	9,282,118	2,175,353	8,014,320
FIXED CHARGE PAYMENTS			
Conister IWFA		(387,084)	(995,056)
Master Block Lending Agreement		(1,480,395)	(5,726,444)
Office Holders Fees		(15,729)	(184,001)
Direct Labour		-	(10,348)
Indirect Labour		-	(59,800)
Collection Outsource Costs		(350,620)	(419,886)
Debt Collection Fees		-	(17,913)
Rent		-	(41,600)
IT Costs		-	(82,201)
Insurance		(513)	(1,205)
Employee Related Costs		-	(61)
Sub Contractors		-	(12,378)
Customer Refunds		(20,078)	(41,285)
Heat and Light		(123)	(5,904)
Telephone		-	(6,259)
Rates		-	(10,775)
Bank Charges		-	(80)
Hire of Equipment		-	(1,579)
Sundry Expenses		-	(13,067)
Vehicle Running Costs		-	(14,257)
Postage		(321)	(642)
Stationery and Office Costs		-	(13,722)
Agents/Valuers Fees		-	(85,060)
Legal Fees		(6,850)	(21,747)
Wages and Salaries		-	(187,826)
PAYE & NIC		-	(56,146)
		(2,261,711)	(8,009,242)
FIXED CHARGE TOTAL (receipts less payments)		(86,358)	5,078
FLOATING CHARGE RECEIPTS			
Cash at bank	33,004	-	33,004
Intercompany balance	72,918	-	-
Debtors' ledger - Master Block Lending Agreement	-	223,383	1,054,000
VAT refund	-	-	-
Other refunds	-	6,176	6,464
Terminal Tax Loss Relief	-	206,726	206,726
Interest	-	29	63
	105,922	436,313	1,300,256
FLOATING CHARGE PAYMENTS			
Agents/Valuers Fees		(2,100)	(20,917)
Professional Fees		(5,200)	(14,900)
Legal Fees		(32,403)	(121,898)
Statutory Advertising		-	(91)
Debt Collection Costs	1	-	-
		(39,703)	(157,806)
FLOATING CHARGE TOTAL (receipts less payments)		396,610	1,142,450
Fixed charge total (receipts less payments)			
			5,078
Floating charge total (receipts less payments)			1,142,450
TOTAL FUNDS IN HAND			1,147,528
REPRESENTED BY			
CLS Finance Limited - in Administration current account, non-interest bearing			833,751
CLS Finance Limited (pre-appointment) current account, non-interest bearing (HSBC)			119,411
VAT Receivable			194,366
TOTAL			1,147,528

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 May 2021):

Staff grade	Rate per hour from 1 May 2021 (£)	Rate per hour from 1 January 2020 (£)
Principal	625 - 755	625 - 755
Director	515 - 535	515
Senior Manager	435	435
Manager	375	375
Assistant Manager	305	305
Senior Administrator	255	255
Administrator	220	220
Junior Administrator	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 Administrator rate. The charge out rate for Lee Manning, the lead office holder in this case, is £700 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:

<i>Mileage</i>	45 pence per mile paid to staff working on the insolvency appointment
<i>Photocopying</i>	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 2021 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 appointment process
- Assisting the directors with the formalities required to place the Company into administration.
- Liaising the Conister following appointment
- Considering the employee position of the Company
- 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
- Liaising with insurers regarding initial cover
- Updating the Insurers with respect to the disposal of assets
- 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
- Review of security documentation and CMS' advice
- 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
- Attend weekly teleconferences with the independent Secured Lenders to provide updates on the conduct of the Administration and debt collection activities
- Prepare and distribute first interim distribution funds
- 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

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
- Preparing and submitting claim to the HMRC for furloughed wages
- Liaising with employees with respect to their redundancy
- Obtaining information from the case records about employee claims
- Completing documentation for submission to the RPS
- 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
- Commence pursuing preference payments claims against four parties

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.

Sale of business / assets

- Consider expressions of interest received for the purchase of the Company's debtors' ledger
- Negotiating non-disclosure agreements
- Attending to correspondence with interested parties
- Updating the majority of the Secured Lenders on discussions with interested parties
- Providing information to the interested parties; and
- Internal correspondence and meetings regarding assets

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

Leasehold property

- Liaising with the landlord regarding the continued occupation of the Company's trading premises

Other assets

- Dealing with other miscellaneous asset matters
- Dealing with the sale of the residual stock
- Corresponding with agents regarding security related matters
- Reviewing offers in respect of intangible assets, goodwill and intellectual property

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
- Notify and liaise with the Company's suppliers to ensure continued services
- Dealing with all employee-related tasks (refer to above)
- Discussions with Directors and key management personnel regarding ongoing trading requirements
- Preparing and maintaining trading budgets and cash flow statement
- Reviewing and processing trading payments
- Regular review of the Company's expenses
- Meetings to discuss trading position
- Liaising with the FCA regarding compliance with regulatory requirements
- Agreeing trading strategy
- Liaising with Conister regarding Stuart Reid secondment
- Liaising with Stuart Reid throughout trading period
- Reviewing and issuing payroll for both furloughed and continuing employees
- Maintaining key customer loan analysis and financial systems software services with third party providers
- Facilitate the handover of trading operations to Conister pursuant to the Outsourcing Agreement

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	35.10	23,778.50	14.70	5,709.50	19.00	4,016.00	68.80	33,504.00	486.98	25
Cashiering	59.10	32,545.50	61.40	23,147.50	98.40	20,542.00	218.90	76,235.00	348.26	
General administration	11.40	7,745.00	32.20	13,142.00	19.00	4,091.50	62.60	24,978.50	399.02	
	105.60	64,069.00	108.30	41,999.00	136.40	28,649.50	350.30	134,717.50	384.58	
Creditors										
Secured	108.00	73,030.00	332.20	114,773.00	11.10	2,330.50	451.30	190,133.50	421.30	45
Preferential	10.50	7,087.50	2.20	697.00	3.70	814.00	16.40	8,598.50	524.30	
Unsecured	25.30	16,949.50	27.80	9,257.00	19.70	4,055.00	72.80	30,261.50	415.68	
Employees	6.10	4,147.50	8.90	2,894.50	10.80	2,336.00	25.80	9,378.00	363.49	
	149.90	101,214.50	371.10	127,621.50	45.30	9,535.50	566.30	238,371.50	420.93	
Investigations										
General investigation	0.60	413.00	18.40	6,683.00	14.90	4,544.50	33.90	11,640.50	343.38	
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	13.50	9,112.50	60.80	21,179.00	53.50	13,023.50	127.80	43,315.00	338.93	
	15.30	10,335.50	87.00	30,735.00	90.40	22,408.00	192.70	63,478.50	329.42	
Realisation of Assets										
Book debts	17.30	11,693.50	105.50	33,187.50	1.70	297.50	124.50	45,178.50	362.88	100
Sale of business / assets	31.00	20,945.00	38.10	14,727.50	0.60	132.00	69.70	35,804.50	513.69	100
Property - freehold and leasehold	0.30	208.50	7.40	2,335.00	-	-	7.70	2,543.50	330.32	100
Other assets	4.30	2,958.50	21.50	8,278.50	5.30	1,143.50	31.10	12,380.50	398.09	100
	52.90	35,805.50	172.50	58,528.50	7.60	1,573.00	233.00	95,907.00	411.62	
Statutory										
Statutory paperwork / form completion	4.20	2,849.00	15.10	5,364.50	18.90	4,140.50	38.20	12,354.00	323.40	
Filing documents with CH / Court	0.20	103.00	1.20	418.00	2.90	638.00	4.30	1,159.00	269.53	
Reporting to creditors	21.00	14,183.00	77.70	28,490.50	51.20	10,089.50	149.90	52,763.00	351.99	
	25.40	17,135.00	94.00	34,273.00	73.00	14,868.00	192.40	66,276.00	344.47	
Trading										
Day one matters	-	-	0.10	43.50	-	-	0.10	43.50	435.00	
Ongoing trading administration	2.10	1,241.50	408.00	141,322.00	63.50	13,718.00	473.60	156,281.50	329.99	100
Close down	39.20	20,599.00	257.30	82,069.00	4.10	735.50	300.60	103,403.50	343.99	100
	41.30	21,840.50	665.40	223,434.50	67.60	14,453.50	774.30	259,728.50	335.44	
Total hours and cost	390.40	250,400.00	1,498.30	516,591.50	420.30	91,487.50	2,309.00	858,479.00	371.80	

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	2.00	1,356.00	6.80	2,715.00	3.00	660.00	11.80	4,731.00	400.93	25
Cashiering	6.50	4,334.50	19.50	7,472.50	5.00	974.00	31.00	12,781.00	412.29	
General administration	7.20	4,876.00	11.50	4,722.50	9.90	2,016.00	28.60	11,614.50	406.10	
	15.70	10,566.50	37.80	14,910.00	17.90	3,650.00	71.40	29,126.50	407.93	
Creditors										
Secured	10.60	7,152.00	77.70	28,063.50	3.70	814.00	92.00	36,029.50	391.63	30
Preferential	3.00	2,025.00	-	-	-	-	3.00	2,025.00	675.00	
Unsecured	5.20	3,510.00	9.60	3,576.00	4.00	880.00	18.80	7,966.00	423.72	
Employees	-	-	0.40	122.00	-	-	0.40	122.00	305.00	
	18.80	12,687.00	87.70	31,761.50	7.70	1,694.00	114.20	46,142.50	404.05	
Investigations										
General investigation	0.20	135.00	3.00	1,141.00	-	-	3.20	1,276.00	398.75	
Other investigation	4.00	2,700.00	22.40	8,739.00	0.50	110.00	26.90	11,549.00	429.33	
	4.20	2,835.00	25.40	9,880.00	0.50	110.00	30.10	12,825.00	426.08	
Realisation of Assets										
Book debts	2.80	1,890.00	9.50	3,608.50	-	-	12.30	5,498.50	447.03	30
Sale of business / assets	3.60	2,430.00	1.70	609.50	-	-	5.30	3,039.50	573.49	30
Other assets	0.30	202.50	3.40	1,198.00	4.20	924.00	7.90	2,324.50	294.24	30
	6.70	4,522.50	14.60	5,416.00	4.20	924.00	25.50	10,862.50	425.98	
Statutory										
Statutory paperwork / form completion	0.30	202.50	9.20	3,474.00	0.50	110.00	10.00	3,786.50	378.65	
Reporting to creditors	0.60	413.00	19.60	7,026.00	19.10	4,202.00	39.30	11,641.00	296.21	
	0.90	615.50	28.80	10,500.00	19.60	4,312.00	49.30	15,427.50	312.93	
Trading										
Ongoing trading administration	-	-	52.20	18,360.00	0.20	35.00	52.40	18,395.00	351.05	100
Close down	14.50	7,746.50	58.60	15,421.00	-	-	73.10	23,167.50	316.93	100
	14.50	7,746.50	110.80	33,781.00	0.20	35.00	125.50	41,562.50	331.18	
Total hours and cost	60.80	38,973.00	305.10	106,248.50	50.10	10,725.00	416.00	155,946.50	374.87	

The above costs exclude VAT.

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