

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company Eam Extra 139 Limited	Company number 05999742
In the High Court of Justice, Chancery Division, Leeds District Registry	Court case number 90 of 2017

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

We Michael C Kienlen and Mark N Ranson of Armstrong Watson, 3rd Floor, 10 South Parade, Leeds, LS1 5QS

* Delete as applicable

attach a copy of our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

(b) Insert date

(b) 30 January 2017

Signed

Joint Administrator(s)

Dated

Contact Details:

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

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DX Number	DX Exchange

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Companies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff

Joint Administrators' Report and Statement of Proposals Pursuant to Paragraph 49 of Schedule B1

**Earn Extra 139 Limited -
In Administration**

30 January 2017

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

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EARN EXTRA 139 LIMITED - IN ADMINISTRATION

1 Introduction and Background

- 1.1 Earn Extra 139 Limited ("the Company") was incorporated on 15 November 2006, providing specialised tailored umbrella, CIS and PAYE payroll services for the telecommunications, construction, overhead powerline, utilities and civil engineering sectors in the UK and the Republic of Ireland.
- 1.2 The Company traded from the premises at 4 Phoenix Court, Wakefield Road, Brighouse, West Yorkshire, HD6 1PF.
- 1.3 On 22 January 2016, the Company was issued with a warning letter from HM Revenue & Customs ("HMRC") which alleged that they had incorrectly claimed up to 80% of their employees total earnings as expenses.
- 1.4 On 11 August 2016 and after extensive correspondence with the Company's representatives, Chartergate Legal Services Ltd, HMRC made a decision to issue an Income tax determination under Regulation 80 of the Income Tax (Pay As You Earn) Regulations 2003 (SI2003 No 2682) and NIC decisions under Section 8 of the Social Security Contributions (Transfer of Functions) Act 1999.
- 1.5 HMRC's determination was issued on 21 September 2016 which detailed that the Company was liable for £5,533,065 in historic Income Tax (PAYE) and £6,991,449 in NIC contributions. As at 23 September 2016 total interest of £761,145 had accrued on these balances
- 1.6 The Company took the decision to appeal against this determination. The appeal process is ongoing and it is currently uncertain whether the Company will be successful.
- 1.7 HMRC also issued three Accelerated Payment Notices ("APNs") totalling £292,831 between 17 August and 30 August 2016. The APNs issued by HMRC all related to Income Tax (PAYE) on the same Company scheme. Under the terms of the APNs, payment for the full balance was required on or before 1 December 2016.
- 1.8 The APNs would have seriously impacted on the Company's cash flow. The Company would have faced financial difficulty even if APNs were the sole action brought by HMRC. The additional burden of the Regulation 80 demand meant that the Company could not continue to trade.
- 1.9 In addition to the issues with HMRC, a major customer entered liquidation in October 2015. As a result, the Company had to write off a book debt of £140,000. The liquidation also resulted in a material loss of future revenue. The Company was trying to cope with this prior to the HMRC action commencing
- 1.10 Armstrong Watson's Restructuring, Recovery and Insolvency ("RRI") team were engaged by the Company on 6 December 2016 to consider the options available, which included placing the Company into administration.
- 1.11 The directors resolved on 6 January 2017 to appointment Michael C Kienlen and Mark N Ranson as Joint Administrators. A Notice of Intention ("NOI") to appoint administrators was duly filed at court on this date.
- 1.12 The NOI was extended on 20 January 2017 in order to continue the sales process, including negotiations with interested parties.
- 1.13 Michael Kienlen and Mark N Ranson both of Armstrong Watson, Third Floor, 10 South Parade, Leeds, LS1 5QS and licenced to act as insolvency practitioners in

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the UK by the Insolvency Practitioners Association and the Institute of Chartered Accountants in England and Wales respectively, were appointed Joint Administrators of the Company by the Directors on 23 January 2017.

- 1.14 A notice of appointment was lodged at the High Court of Justice, Chancery Division, Leeds District Registry on 23 January 2017 and we were duly appointed.
- 1.15 We are satisfied that the work carried out by Armstrong Watson before our appointment, including the pre-administration work summarised below, has not resulted in relationships which create a conflict of interest or which threaten our independence.
- 1.16 Furthermore, we are satisfied that we are acting in accordance with the relevant guides to professional conduct and ethics.
- 1.17 The Joint Administrators act jointly and severally in Administration.
- 1.18 The EC Regulation on Insolvency Proceedings 2000 applies to the Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.

2 Administration Strategy and Objective

- 2.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives: -
 - a) Rescuing the Company as a going concern;
 - b) Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or
 - c) Realising property in order to make a distribution to one or more secured or preferential creditors.
- 2.2 Insolvency legislation provides that objective (a) should be pursued unless it is not reasonably practicable to do so or objective (b) if this would achieve a better result for the company's creditors as a whole. Objective (c) may only be used if it is not reasonably practicable to achieve either (a) or (b) and can be pursued without unnecessarily harming the interests of the creditors as a whole.
- 2.3 The Joint Administrators do not consider objective (a) to be achievable due to the financial position of the Company.
- 2.4 Accordingly, the Joint Administrators have pursued objective (b). The reasons are as follows. -
 - The statutory moratorium granted by the Administration afforded the Company protection against the action brought by HMRC, including a winding up petition.
 - If the Company was immediately wound-up realisations in respect of book debts and to a lesser extent work in progress are likely to have been significantly reduced;

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- Similarly, it was considered that a greater realisable value of the Company's goodwill, office furniture and business equipment would be achieved via a sale of the business; and
- To protect the jobs of circa 364 internal and contractor employees.

Pre-administration work

- 2.5 We provided advice on the potential sale of the Company and/ or its assets under this engagement.
- 2.6 When it became apparent that a sale of the business via an administration was likely, we liaised with the directors, Clarion Solicitors ("Clarion"), Richmond Advisory and key stakeholders to progress a sale to completion immediately following our appointment as Joint Administrators.
- 2.7 The following work was carried out prior to our appointment with a view to placing the Company into administration: -
- Advising the directors in relation to the administration appointment;
 - Assisting with the sale of business process as detailed in the SIP16 memorandum which is included at Appendix G;
 - Liaising with key stakeholders such as HMRC prior to the administration appointment;
 - Details of the Joint Administrators' pre-administration costs are outlined in Section 7 below;
 - Instruction of agents, Richmond Advisory to carry out a formal valuation of the Company's assets. Richmond Advisory agreed to undertake this work for a fixed fee of £1,500 plus VAT; and
 - Clarion assisted with the preparation of the sale of business documentation and compiled and filed the appointment documents for the administration. Clarion have incurred time costs of £20,438 plus VAT and disbursements in connection with this work.
- 2.8 The protracted sales process meant that associated legal costs were higher than anticipated. The filing of a second NOI further increased the costs.
- 2.9 Due to the nature of a pre-packaged sale, these costs had to be incurred prior to the appointment of the Joint Administrators. The work carried out by Armstrong Watson, Clarion and Richmond Advisory led to the completion of the pre-packaged sale. The sale ensured that realisations were maximised and assisted in achieving objective (b) as detailed earlier in this report.
- 2.10 A pre-packaged sale of the Company's business and assets was concluded on 23 January 2017 to Earn Extra CIS Limited ("EE CIS Ltd"). Full information on the sale pursuant to the requirements of Statement of Insolvency Practice 16 can be found at Appendix G and should be read in conjunction with the remainder of this report.

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Sale of business

- 2.11 On 4 January 2017, Armstrong Watson's Corporate Finance team distributed a blind teaser document using their M&A Database to in excess of 1,000 advisors, intermediaries, institutional investors and individuals who have an active interest in businesses for sale to identify potential interested parties. A non-disclosure agreement ("NDA") was issued simultaneously with the teaser document.
- 2.12 The business was also advertised for sale on the website of Richmond Advisory.
- 2.13 30 interested parties signed and returned NDAs to entitle them to receive further information regarding the business for sale.
- 2.14 All parties who had expressed an interest and returned signed NDAs were put in contact with a director (if they so wished) with a view to holding an informal discussion and allowing interested parties an opportunity to ask any questions they may have regarding the business. They could then make a more informed decision as to whether they carried out further due diligence.
- 2.15 An email circular was issued on 10 January 2017 to all parties that returned a signed NDA. The email summarised the information disclosed during the informal discussions with interested parties and included management accounts for the period ended 30 November 2016. All interested parties were in receipt of the same information.
- 2.16 On 10 January 2017, an initial offer of £11,250 was received from EE CIS Ltd.
- 2.17 A request for best and final offers (plus proof of funding) within 24 hours was issued by the Joint Administrators on 11 January 2017.
- 2.18 Two serious offers were received for the business and assets. We would summarise the offers as follows: -
- 2.19 An offer of £120,000 (£70,000 on completion and £50,000 within 90 days) was received from Party 1. The offer was subject to satisfactory legal, financial and commercial due diligence; and
- 2.20 An offer of £60,000 (£10,000 on completion, followed by £10,000 per month for 5 months) was received from Party 2. The offer was subject to the newco retaining a minimum of 250 contractors a week.
- 2.21 The offer from Party 2 was immediately rejected on the grounds that the assurances sought on the minimum weekly contractors could not be given.
- 2.22 After consideration of their offer, Party 1 was given a further opportunity to hold talks with the current management team regarding their offer and plans for the business. After holding these discussions and carrying out further due diligence, Party 1 had concerns regarding the retention of contractors and after further consideration, withdrew their offer.
- 2.23 In the meantime, we returned to EE CIS Ltd to negotiate an increased offer.
- 2.24 On 15 January 2017, a revised offer of £36,250 was subsequently received and accepted from EE CIS Ltd. The offer was apportioned as follows: -

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Asset	£
Office Equipment	1,250
Goodwill, customer list, right to use the name Earn Extra and Extra 139 and intellectual property rights	35,000
Total	36,250

2.25 The sale completed simultaneously with the appointment of Joint Administrators on 23 January 2017.

2.26 An additional £960 was paid by the purchaser in respect of a licence fee

Office Furniture and Business Equipment

2.27 On 13 December 2016 our agent, Richmond Advisory attended the trading premises to carry out a valuation of the Company's office furniture and business equipment.

2.28 The assets have been valued on a market value ("MV") basis. MV is the estimated amount for which assets should exchange between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

2.29 The assets have been valued as follows: -

	Market Value as a whole in its working place (in situ) £	Market Value as individual items for removal (ex- situ) £
Office Furniture and Business Equipment	2,815	1,280
Total	2,815	1,280

2.30 The figures detailed above are based on the assets being free from encumbrance and excludes any items held on rent or owned by third parties.

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Progress Since Appointment

Administration (including statutory compliance and reporting)

- 2.31 Following our appointment, the strategy of the Administration was assessed to ensure a clear plan of action was outlined.
- 2.32 The work will have included liaison with solicitors to deal with any legal considerations surrounding the Company's pre-packaged sale of assets.
- 2.33 We have also dealt with all statutory formalities which are required under related legislation. Typically, this includes issuing and filing all appointment notices with creditors and the Registrar of Companies and also advertising our appointment in the London Gazette.
- 2.34 Where a pre-packaged sale of the Company's assets and business has taken place, I have prepared and issued the report on the transaction as required by Statement of Insolvency Practice 16 and I have also prepared and issued these proposals to creditors outlining how the purpose of the Administration may be achieved.
- 2.35 Other statutory duties performed are outlined in further detail in the fees estimate which can be found at Appendix E. Please note that much of this work will have been performed to comply with statutory requirements and as such may not necessary add any value to the insolvent estate.

Trading

- 2.36 The business and assets of the Company were sold as part of a pre-packaged sale (details of which are provided in paragraph 2.19).
- 2.37 The Joint Administrators were not required to trade the business in any form.

Realisation of assets

Debtors

- 2.38 The other significant asset of the Company is its book debts, the ledger for which had a value of £1,086,843 at the time of the appointment of the Joint Administrators.
- 2.39 As part of the sales contract, EE CIS Ltd will assist with the collection of book debts in return for 5% of the amount collected. Due to their relationship with the customers of the Company it is believed that EE CIS Limited's involvement with debt collection will enhance debtor realisations.
- 2.40 An update on the collection of book debts will be provided to creditors in our next progress report.

Cash at bank

- 2.41 Cash at bank of £294,684 is being transferred to the Joint Administrators' bank account. These funds will be used to cover the costs associated with the Administration.

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- 2.42 The additional sum of £52,172 is also being transferred and will be ring-fenced by the Joint Administrators as contributions towards the employees' workplace pension. These were not paid pre-appointment.

Summary

- 2.43 The work undertaken by the Joint Administrators and their staff to date in realising the Company's assets has been necessary in order to maximise the likelihood of a return to creditors being made. Where assets remain to be realised, these will be dealt with as the Administration progresses and further updates will be provided to creditors in our progress reports.
- 2.44 Further information on the estimated outcome of the Administration can be found in section 9 below.

Creditors

Secured Creditors

- 2.45 There are no secured creditor liabilities.

Preferential Creditors

- 2.46 There are no preferential creditor liabilities in addition to the £52,172 due towards the employees' workplace pension. Once this debt is discharged we do not anticipate any further preferential claims.

Unsecured Creditors

HMRC

- 2.47 The estimated liability in the sum of £13,578,490 due to HMRC is in respect of historic Income Tax (PAYE) and NIC contributions (excluding penalties on the APNs). However, this debt is subject to an appeal and it is therefore disputed by management.
- 2.48 Total claims will be adjudicated in due course.

Other Trade and Expense Creditors

- 2.49 According to the Company's records 6 trade and expense creditors are owed £2,875.
- 2.50 The Company's records also show a collective balance outstanding of £242,858 due to the directors under their loan accounts.
- 2.51 No unsecured claims have been received to date.
- 2.52 All claims will be assessed prior to the payment of a dividend to unsecured creditors.
- 2.53 It is anticipated that a dividend will be paid to unsecured creditors. However, the quantum and timing of such a dividend will depend upon the realisation of assets (mainly book debts and cash at bank) and the actual level of unsecured creditor claims once received and adjudicated upon.

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Investigations

- 2.54 The Joint Administrators are obliged to consider the conduct of the directors of the Company during the 3 years prior to the appointment of the Joint Administrators. If there are any matters you wish to bring to our attention, please supply details to my office as soon as practicable possible.
- 2.55 The Joint Administrators must submit their report to the Insolvency Service within 3 months of their appointment. This report must remain confidential.

Sale of Assets to Connected Parties

- 2.56 The business and assets of the Company was sold as part of a pre-packaged sale and therefore falls under the provisions of Statement of Insolvency Practice ("SIP") 16 (further information can be found at Appendix G)
- 2.57 No assets have been sold to a connected party since the pre-packaged sale and therefore no SIP 13 disclosure is required.

3 Joint Administrators' Receipts and Payments

- 3.1 A summary of receipts and payments for the Administration period from the date of my appointment to 28 January 2017 is attached at Appendix B.

4 Financial Position

- 4.1 The directors have not yet had sufficient time to complete a Statement of the Company's Affairs. Attached at Appendix C is a summary of the Estimated Financial Position of the Company as at 23 January 2017, together with a list of creditors names and addresses along with details of their debts (including details of any security held by them).

5 Proposals

- 5.1 It is proposed that the Joint Administrators will continue to manage the affairs of the Company in order to achieve the objective of the Administration. In the circumstances it is proposed that:
- 5.2 If, however, having realised the assets of the Company the Joint Administrators think that a distribution will be made to the unsecured creditors not via the Prescribed Part (which relates to section 176A(2)(a) of the Insolvency Act 1986 and sees a fund created out of the Company's net floating charge property), they propose filing a notice with the Registrar of Companies which will have the effect of bringing the appointment of the Administrator to an end and will move the Company automatically into Creditors' Voluntary Liquidation ("**CVL**") in order that the distribution can be made. In these circumstances, it is proposed that the Joint Administrators in office at the date of conversion to CVL will become the Joint Liquidators in the CVL. The acts of the Joint Liquidators may be undertaken by either or both of them.
- 5.3 Court approval is not required to enable the Joint Administrators to make a distribution to the unsecured creditors of the Prescribed Part. If however, a distribution to unsecured creditors not limited to the Prescribed Part is anticipated, the Joint Administrator may consider making an application to Court

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- to seek permission to distribute this in the Administration. If permission is granted, the Company will exit into dissolution once the distribution has been made and the Administration is concluded.
- 5.4 If the Joint Administrator thinks that the Company has no property which might permit a distribution to its creditors, he will file a notice with the Court and the Registrar of Companies for the dissolution of the Company.
- 5.5 See Section 6 below on **Exit Routes** for further information on the exit routes available from Administration.
- 5.6 The Joint Administrator shall do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986, as they consider desirable or expedient to achieve the statutory purpose of the Administration.
- 5.7 If the Joint Administrators consider it necessary to extend the period of the Administration, they will seek the consent of creditors or the approval of the Court to the extension. Creditors may consent to an extension for a period of up to one year and the Court can order that the Joint Administrators' term of office be extended for a specified period determined by it.
- 5.8 The creditors consider establishing a Creditors' Committee and that if any such Committee is formed they be authorised to sanction the basis of the Joint Administrators' remuneration and disbursements and any proposed act on the part of the Joint Administrators without the need to report back to a further meeting of creditors generally, to include any decision regarding the most appropriate exit route from the Administration.
- 5.9 The basis of the Joint Administrators' remuneration may be fixed as one or more of the following bases and different bases may be fixed in respect of different things done by them. -
- As a percentage of the value of the assets they have to deal with, or
 - By reference to time properly spent by the Joint Administrators and their staff managing the Administration, or
 - As a set amount.
- 5.10 In accordance with Statement of Insolvency Practice 9, issued by the Association of Business Recovery Professionals, the Joint Administrators be authorised to draw Category 2 disbursements as and when funds are available, in accordance with their firm's published tariff. Details of Category 2 disbursements charged by the firm can be found at Appendix E.
- 5.11 Where no Creditors' Committee is appointed the remuneration and disbursements of the Joint Administrators shall be fixed by resolution of a meeting of creditors or where the Joint Administrators think that the Company has insufficient property to enable a distribution to be made to the unsecured creditors (other than via the Prescribed Part), approval will be sought from the secured and (if necessary) the preferential creditors in accordance with R2.106 of the Insolvency Rules 1986. The Joint Administrators will also seek approval for any unpaid pre-administration costs detailed in this report and his discharge from liability in the same manner.
- 5.12 In this case, the Administrator is seeking to approve the basis of his remuneration as follows:

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- By reference to the time properly spent by the Administrator and his staff in attending to matters arising in the Administration.

Further details about the proposed fee basis can be found in Section 8 below and Appendix E.

- 5.13 The Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Administrator ceasing to have effect.

6 Exit Routes

Creditors Voluntary Liquidation

- 6.1 Based on present information, the Joint Administrators think a dividend will be paid to the unsecured creditors other than by virtue of the Prescribed Part. As a result, the Joint Administrators will either make an application to Court to enable him to make a distribution to unsecured creditors in the Administration or he will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation ("CVL") to facilitate this distribution. It is proposed that the Administrators in office at the date of conversion to CVL will become the Liquidator of the CVL.
- 6.2 It is proposed that the Joint Liquidators will be authorised to act jointly and severally in the subsequent liquidation
- 6.3 Creditors have the right to nominate an alternative liquidator of their choice. To do this, creditors must make their nomination in writing to the Administrator prior to these proposals being approved. Where this occurs, the Administrator will advise creditors and provide the opportunity to vote. In the absence of a nomination, the Administrator will automatically become the Liquidator of the subsequent CVL.

Dissolution of the Company

- 6.4 The Joint Administrators do not think that a distribution will be available to the unsecured creditors from the Prescribed Part by virtue of section 176A(2)(a).
- 6.5 The same notice will be filed and the Company moved to dissolution if the Administrator thinks that the Company has no property which might permit a distribution to its unsecured creditors. A copy of these documents will be sent to the Company and its creditors.
- 6.6 The Joint Administrators' appointment will end following the registration of the notice by the Registrar of Companies.

Compulsory Liquidation

- 6.7 If a move to Creditors' Voluntary Liquidation is not possible because a dividend to the unsecured creditors (other than by virtue of the Prescribed Part) is not anticipated, but the Joint Administrators concludes that an exit into liquidation is appropriate so that further investigations into the Company's affairs may be carried out for example, an application to Court may be made to exit into Compulsory Liquidation instead. If this exit route is appropriate, at this stage it is

anticipated (but is not mandatory) that the Joint Administrators will become the Joint Liquidators in the subsequent liquidation.

Ending the Administration

- 6.8 The Joint Administrators wish to retain all of the options available to them to bring the Administration to a conclusion in due course. At this early stage it would be inappropriate to speculate in the most likely exit route.

7 Pre-administration Costs

- 7.1 Pre-administration costs are defined as: -

- (i) Fees charged, and
- (ii) Expenses incurred

by the Joint Administrators, or another person qualified to act as an insolvency practitioner before the company entered Administration (but with a view to its doing so), and "unpaid pre-administration costs" are pre-administration costs which had not been paid when the company entered Administration.

- 7.2 Below is information on the pre-administration costs incurred in this case, together with details of any amounts which remain unpaid, where applicable.
- 7.3 It was agreed that the Joint Administrators' fees for the period leading up to their appointment will be calculated on the basis of time spent at hourly rates dependent on the level of experience of the individual.
- 7.4 The directors agreed that Armstrong Watson shall be paid £20,000 plus VAT and disbursements to include legal fees estimated at £6,000 plus VAT in respect of the costs associated with assessing the options available to the Company and processing the appointment of Michael Kienlen and Mark Ranson as Joint Administrators. The sum of £24,000 has been received into Armstrong Watson's client account.
- 7.5 The pre-appointment costs were higher than expected due to the level of interest in the business for sale. As detailed in subsection 2 of this report, 30 parties signed and returned NDAs to entitle them to receive further information and hold an informal discussion with the current management team. Time was also incurred responding to specific queries made by the interested parties.
- 7.6 Pre-appointment costs have also been incurred in preparing the SIP 16 disclosure once it became apparent this was the preferred method of sale.
- 7.7 The pre-appointment time incurred by Armstrong Watson staff generated interest in the business for sale and ultimately resulted in an increase in the offer received from EE CIS Ltd.
- 7.8 The sale of the business to EE CIS Ltd was delayed and as a result a further NOI had to be filed in court. The delay led to a further increase in pre-appointment time.
- 7.9 Pre-appointment fees charged and expenses incurred by the Joint Administrator are as follows:

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Armstrong Watson	Marketing of the company & negotiation of the sale	£28,856	£20,000	EE 139 Ltd	£8,856
Richmond Advisory	Valuation of plant & machinery	£1,500	Nil	n/a	£1,500
Clarion Solicitors	Placing Company into Administration/ dealing with sale contract	£20,438	Nil	n/a	£20,438
Clarion Solicitors	Legal disbursements	£53	Nil	n/a	£53

- 7.10 The payment of the unpaid pre-administration costs set out above as an expense of the Administration is subject to the approval of creditors, separately to the approval of the Administrator's proposals. This approval will be the responsibility of the Creditors' Committee if one is appointed or alternatively by resolution of a meeting of creditors where there is no Committee.

8 Joint Administrators' Remuneration

- 8.1 As Joint Administrator, under the provisions of R2 106 of the Insolvency Rules 1986, I am required to provide creditors with details of the work I propose to undertake in the Administration and the expenses I consider will be, or are likely to be, incurred in dealing with the Company's affairs, prior to determining the basis upon which my remuneration will be fixed.
- 8.2 In addition to this, where an Administrator seeks to pass a resolution to agree the basis of his remuneration by reference to time properly spent by him and his staff in attending to matters arising in the Administration, a fees estimate outlining the time and estimated cost of the work to be done must also be provided.
- 8.3 In this case, I am seeking to agree that my remuneration be based on the time properly spent by me and my staff in dealing with the affairs of the Company. Our fees estimate and details of the work we propose to undertake in the Administration can be found at Appendix E and further information on the work done since our appointment to the date of this report can be found in section 2
- 8.4 Please note that where appropriate, the fees estimate may be to a particular stage of the case only and if we consider the estimate will be exceeded during the Administration, we are obliged to seek further approval for any increase in our remuneration. The fees estimate provides details of these matters where relevant and appropriate approval to the basis of my remuneration will be sought as outlined in section 5 of this report
- 8.5 For information, attached at Appendix D is a time matrix outlining the time spent by the Joint Administrators and our staff since the date of our appointment as Joint Administrators. Please note that this time is included within the overall fees estimate provided with this report.
- 8.6 Please note however, that in circumstances where my initial investigations reveal matters for further detailed investigation or previously unknown assets to be realised, we reserve the right to refer back to creditors to establish how we are to be remunerated for such additional work, which may be proposed on a time cost

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basis. If such work proves necessary, we will revert to creditors with our fees estimate for approval.

- 8.7 We will provide updates on the expenses we consider will be, or are likely to be, incurred during this case with our progress reports in due course.
- 8.8 An Administrator may include details of the remuneration he anticipates will be charged and the expenses he anticipates will be incurred if he becomes the Liquidator in the subsequent CVL. This can be done when seeking approval to the basis of his remuneration as Administrator, or alternatively his fees estimate for the CVL can be provided once the Company has moved into CVL. Please refer to Appendix E to this report for further information.
- 8.9 A copy of "A Creditors' Guide to Administrators' Fees" is available on request or can be downloaded from www.armstrongwatson.co.uk. If you would prefer this to be sent to you in hard copy please contact Martin Wilman of this office on 0113 2211 349.

9 Estimated Outcome

- 9.1 An estimate of the outcome of the Administration as at 30 January 2017 is attached as Appendix F. This indicates that total asset realisations will be in the region of £1,103,654 and that after the costs and expenses of the Administration, unsecured creditors will be paid a dividend
- 9.2 We cannot comment on the quantum of a dividend to unsecured creditors at this stage as creditors' claims need to be adjudicated.

10 Meeting of Creditors

- 10.1 Under Paragraph 51 of Schedule B1 of the Insolvency Act 1986, an Administrator is required to call an initial meeting of creditors in order to present his proposals to creditors. However, in order to save costs, we are proposing to deal with this by correspondence under the provisions of Rule 2.48 of the Insolvency Rules 1986.
- 10.2 Further information on the meeting is contained in the letter accompanying this report.
- 10.3 A completed Form 2.25B must be received at Armstrong Watson, Third Floor, 10 South Parade, Leeds, LS1 5QS by 12:00pm on 13 February 2017 in order to be counted. It must be accompanied by details in writing of a creditor's claim. Failure to do so will lead to the creditor's vote being disregarded.

11 Next Report

- 11.1 An Administrator is required to provide a progress report within one month of the end of the first six months of the Administration and I will report to you again at this time.

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For and on behalf of
Earn Extra 139 Limited



Michael C Kienlen
Joint Administrator

Michael C Kienlen is licensed as an Insolvency Practitioner in the UK by the Insolvency Practitioners Association

Mark N Ranson is licensed as an Insolvency Practitioner in the UK by the Institute of Chartered Accountants in England and Wales

The affairs, business and property of the Company are being managed by the Joint Administrators
The Joint Administrators act as agents of the Company and without personal liability

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

Appendix A

Statutory Information

1 Company information

Company name	Earn Extra 139 Limited
Trading name(s)	N/a
Registered number	05999742
Registered office address	Third Floor, 10 South Parade, Leeds, LS1 5QS
Former registered office address	4 Phoenix Court, Wakefield Road, Brighouse, West Yorkshire, HD6 1PF
Trading address(s)	4 Phoenix Court, Wakefield Road, Brighouse, West Yorkshire, HD6 1PF
Court details	High Court of Justice, Chancery Division, Leeds District Registry
Court reference number	90 of 2017

2 Details of the Company's Directors, Secretary and Shareholdings

Director(s)			
John Norbert Jaekel	01 December 2008	N/a	50
Sharon Amanda Suttle	01 December 2008	N/a	50
Secretary			
Sharon Amanda Suttle	01 December 2008	N/a	N/a

3 Joint Administrators' Details

Name of Administrator	Michael C Kienlen
Address	Third Floor, 10 South Parade, Leeds, LS1 5QS
Telephone Number	0113 2211 300
Fax Number	0113 2211 301
Administrator's IP Number	9367
Authorising Body	Insolvency Practitioners Association

Name of Administrator	Mark N Ranson
Address	Third Floor, 10 South Parade, Leeds, LS1 5QS
Telephone Number	0113 2211 300
Fax Number	0113 2211 301
Administrator's IP Number	9299
Authorising Body	Institute of Chartered Accountants in England and Wales

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

Appendix B

Receipts and Payments Account for the Period from 23 January 2017 to 30 January 2017

**EARN EXTRA 139 LTD
(In Administration)
Joint Administrators' Summary of Receipts & Payments**

	From 23/01/2017 To 30/01/2017 £
<hr/>	
RECEIPTS	
Furniture & Equipment	1,250.00
Intellectual Property	1.00
Goodwill	34,995.00
Forward Order Book	1.00
Customer Contracts	1.00
Customer Lists	1.00
Fixtures & Fittings	1.00
Licence Fee	960.00
	<hr/> 37,210.00
 PAYMENTS	 <hr/> 0.00
	 <hr/> <hr/> 37,210.00

Mike Kienlen
Joint Administrator

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

Appendix C

Summary of Financial Results

Earn Extra 139 Limited - In Administration

£	FY16	FY15	FY14
Turnover	18,919,903	18,347,193	15,501,282
Cost of Sales	-18,005,418	17,423,762	14,675,871
Gross profit	914,485	923,431	825,411
Administrative Expenses	-911,466	-905,277	-760,807
Operating profit	3,019	18,154	64,604
Interest receivable	-	6	1,655
Profit before taxation	3,019	18,160	66,259
Tax	-	-4,950	-6,658
Profit before dividends	3,019	13,210	59,601
Dividends paid	-	-	-
Retained profit for year	3,019	13,210	59,601

£	FY16	FY15	FY14
Fixed assets	28,506	51,715	57,911
Current assets	1,336,119	1,387,290	1,199,631
Current liabilities	-1,264,320	-1,341,719	-1,173,466
Total assets less current liabilities	100,305	97,286	84,076
Non current liabilities	-	-	-
Net assets	100,305	97,286	84,076

Management Accounts to November 2016 (Draft)

£	
Fixed assets	13,015
Current assets	1,665,623
Current liabilities	-1,730,502
Total assets less current liabilities	-51,864
Non current liabilities	-
Net assets	-51,864

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

Armstrong Watson EARN EXTRA 139 LTD B - Company Creditors

Key	Name	Address	£
CB00	BT		176.84
CD00	Dominos Ltd	1 Cornhill, London, EC3V 3ND	348.00
CE00	eFax (J2 Global)	Unit 3, Woodford Business Park, Santry, Dublin 17	11.00
CF00	FP Mailing	74 Questor, Powdermill Lane, Dartford, Kent, DA1 1EF	72.00
CH00	HM Revenue & Customs	Counter-Avoidance Insolvency, Castle House, 31 Lisbon Street, Leeds, LS1 4SA	0.00
CH01	HM Revenue & Customs	Fraud Investigation Service, Labour Market, PO Box 176, Bootle, L30 4TW	13,285,659.00
CH02	HM Revenue & Customs	Counter-Avoidance AP Teams, SO937, Newcastle, NE98 1ZZ	292,831.00
CJ00	John Jaekel	4 Phoenix Court, Wakefield Road, Brighouse, HD6 1PF	93,506.25
CS00	Siemens	Selton Park, Bels Hill Stoke Poges, Buckinghamshire, SL2 4JS	1,605.02
CS01	Solutions For Thirst	The Old Exchange, 180 Wakefield Road, HD8 9HR	30.00
CS02	Sharon Suttle	4 Phoenix Court, Wakefield Road, Brighouse, HD6 1PF	149,352.30
CT00	TAS Software	North Park, Newcastle Upon Tyne, NE13 9AA	631.60
12 Entries Totalling			13,824,223.01

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

Appendix D

Time Analysis for the Period from 23 January 2017 to 28 January 2017

Statement of Insolvency Practice - SIP 9

Case EARN EXTRA 139 LTD (ADM) - 56906/L

	Insolvency Practitioner		Manager	Other Senior Professional	Assistant and Support Staff	Total	Average Hourly Rate
Admin Reports	Hrs	3 30		17 40		20.70	192
	Val	1,085.70		2,888.40		3,974.10	
Admin Stat Forms	Hrs	0 50	3.60	4 00		8.10	225
	Val	164.50	990.00	664.00		1,818.50	
Administration	Hrs			0 10	0 30	0.40	146
	Val			16.60	41.70	58.30	
Cashiering	Hrs			0 10	2 30	2.40	140
	Val			16.60	319.70	336.30	
Creditors	Hrs	0 80		0 10	0 80	1.70	230
	Val	263.20		16.60	111.20	391.00	
Debtors	Hrs			1 40	0 80	2.20	156
	Val			232.40	111.20	343.60	
Planning	Hrs	0 80				0.80	329
	Val	263.20				263.20	
Realisation of assets	Hrs		0 70	1 80		2.50	197
	Val		192.50	298.80		491.30	
Total	Hrs	5 40	4 30	24 90	4 20	38.80	
	Val	1,776.60	1,182.50	4,133.40	583.80	7,676.30	

Appendix E

Additional Information in Relation to Administrator's Fees

1 Fee Basis

- 1.1 The Joint Administrators are seeking to agree the basis of their remuneration in this case as time properly spent by themselves and their staff in dealing with the affairs of the Company. Attached to this appendix are details of the work the Joint Administrators propose to undertake and the expenses the Joint Administrators consider will be, or are likely to be, incurred. Information about the work done to date can be found in the body of the Joint Administrators' Report and Statement of Proposals at Section 2.
- 1.2 Where a time cost basis is being sought, the Joint Administrators' fees estimate will be included in this information, which also provides details of the rates the Joint Administrators and their staff propose to charge for each part of that work and the time they anticipate each part of that work will take.
- 1.3 The fees estimate is based on information about the Company's affairs available to the Joint Administrator at the present time. Should any matters arise which impact on this estimate, such as additional investigatory matters or potential realisable assets, further time or cost will be incurred and it may be necessary to revise the Joint Administrators' estimate of fees.
- 1.4 We do not currently anticipate that it will be necessary to seek further approval to increase the level of the fees estimate. If however, this is not the case, the Joint Administrators will provide an update and seek approval to increase the previously agreed fees estimate.

2 Work anticipated and the likely return to creditors

- 2.1 Some of the work undertaken by an insolvency practitioner is required by statute and may not necessarily provide a financial benefit to creditors. Examples of this work include investigations required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 or dealing with the claims of former employees via the National Insurance Fund.
- 2.2 Where the work to be done is anticipated to produce a financial benefit to creditors, this will be stated and it may be necessary for an Administrator to instruct third parties to assist in this process because of a particular expertise that the third party may bring such as valuation, tax or legal advice.
- 2.3 Where it is practical to do so, an Administrator will provide an indication of the likely return to creditors when seeking approval for the basis of his remuneration. Again due to the complex nature of the work undertaken by insolvency practitioners and the uncertainties that may exist in relation to the realisation of a company's assets at the outset of a case, this may not be possible. An Administrator is however, required by statute to provide periodic reports to creditors on the progress of a case which will include an update as to the likely return creditors may expect.

3 Outline of work to be done by the Joint Administrators

Below are details of the work we propose undertaking in support of our fees estimate for the period of the Administration.

3.1 Administration (including statutory compliance and reporting)

Administrators are required to carry out certain tasks in nearly every insolvency assignment, namely administrative duties and dealing with the Company's creditors. Whilst these tasks are required by statute or regulatory guidance, or are necessary for the orderly conduct of the proceedings, they do not necessarily produce any direct financial benefit for creditors, but nonetheless still have to be undertaken.

This work includes:

- Notifying creditors of the Joint Administrators' appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House
- Preparing and issuing the Joint Administrators' statement of proposals for achieving the purpose of the Administration and thereafter providing periodic progress reports to members and creditors (typically every 6 months)
- Lodging periodic returns with the Registrar of Companies for the Administration
- Complying with statutory duties in respect of the Joint Administrators' specific penalty bond
- Creation and update of case files on the firm's insolvency software
- Establishing and holding periodic meetings of the creditors' committee and associated filing formalities (if a committee is appointed)
- Securing the Company's books and records
- Completion and filing of the notice of the Company's insolvency to HMRC
- Initial assessment required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 (CDDA) including the review of the Company's books and records and the identification of potential further asset realisations which may be pursued in the Administration
- Filing a statutory report to the Department for Business, Innovation and Skills under the CDDA
- Periodic case progression reviews (typically at the end of Month 1 and every 6 months thereafter)
- Opening, maintaining and managing the Administration estate cashbook and bank account
- Dealing with all post-appointment VAT and corporation tax compliance
- Liaison with secured creditors, obtaining charge documents and validating the security
- Dealing with employees to provide support and assistance in lodging any claims they may be entitled to make for unpaid wages, holiday pay and other statutory entitlements from the National Insurance Fund and the Company. Liaising with (or appointing) union representatives and payroll providers and reviewing employment contracts as necessary

3.2 Realisation of assets

As outlined in the Joint Administrators' proposals, since appointment the Joint Administrators and their staff have pursued the realisation of the Company's assets including the book debts and cash at bank. This work is ongoing.

Work done by the Joint Administrators, their staff and any third parties engaged to assist the Joint Administrators in realising the Company's assets will, it is

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

anticipated, provide a financial benefit to creditors. This may involve realising assets to result in a distribution to the unsecured creditors of the Company. Further information on the likely outcome of the Administration process will be provided in the Joint Administrators' subsequent progress reports.

3.3 Creditors (claims and distributions)

As Joint Administrators, we will deal with all secured, preferential and unsecured creditor correspondence and claims as received, including any claims of creditors under retention of title. Based on current information we anticipate that we will be able to distribute a dividend to unsecured creditors. However, the quantum and timing of the dividend is uncertain at this stage

We will either deal with the review and adjudication of creditors' claims in the Administration or in the subsequent Liquidation, if and when it is determined that a dividend is to be declared to creditors.

Due to the complexity of HMRC's anticipated claim, we propose to engage tax specialists from both Armstrong Watson and Clarion to assist in the review and adjudication process.

It should be noted that the above is based on information provided by management and the projected realisable value of the Company's assets which at this stage is unconfirmed, together with the anticipated costs of the Administration. We will confirm the likely return to creditors in our future progress reports

3.4 Investigations

As Joint Administrators, we are required to conduct investigations into the conduct of the directors of the Company and transactions entered into prior to the Company's insolvency, as required by the Company Directors Disqualification Act 1986 and Statement of Insolvency Practice 2 (Investigations by Office Holders in Administrations and Insolvent Liquidations)

This work may not necessarily lead to any financial benefit to creditors yet is work we are required to undertake by statute. We have included the time we consider will be needed to comply with the above legislation within Administration above.

Should we require legal assistance with our investigations then we will engage the services of Clarion to advise on any potential claims that we may identify. If appropriate, we will instruct Clarion to investigate any antecedent transaction claims and to bring such claims if Clarion advise us that such claims have merit.

If however, our initial investigations reveal that further recoveries may be available for the insolvent estate, all work undertaken to pursue these recoveries will be estimated within this time category.

At this stage, we do not know whether any substantial investigation work will be required but if following the conclusion of our initial investigations we consider that further investigation work is then required to pursue assets of the Company, we will provide creditors with an update on our fees estimate in due course.

Additional investigation work may be led by HMRC following their allegations of fraud against the directors.

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

4 Expenses

- 4.1 Below is a table which outlines the expenses that I consider at this stage will be, or are likely to be, incurred in dealing with the Company's affairs. I will provide an update to creditors in my future progress reports.

Book debt collection	EE CIS Ltd	5% of realisations = £40,921	0
General legal advice	Clarion Solicitors	Time costs = £15,000	0
Taxation services	Clarion Solicitors	Time costs = £10,000	0
Statutory advertising	Courts Advertising Ltd	Cost = £296	74
Administrator's bond	Willis Ltd	Cost	300
Document upload	Creditor Gateway	Cost = £100	0
Travel costs	n/a	Cost	50
Bank charges	AIB	Cost	24

5 Staff Allocation and the Use of Sub-Contractors

- 5.1 The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.
- 5.2 The constitution of the case team will usually consist of a Partner, a Manager, and an Administrator or Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. Where the basis of the Administrator's remuneration is being proposed on a time cost basis, details of our current charge-out rates can be found at section 7 below.
- 5.3 On this case we are proposing to use the services of the following sub-contractors:

Taxation services	Armstrong Watson	Time costs = £10,000	0 00
-------------------	------------------	----------------------	------

6 Joint Administrators' Disbursements

- 6.1 Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case. Any Category 1 disbursements we anticipate being incurred in this case are included in the table of expenses above.
- 6.2 Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

reasonable basis such as internal room hire, document storage or business mileage.

- 6.3 We would advise that the following Category 2 disbursements are currently charged by this firm:

Business mileage @ 45p per mile incurred	200
--	-----

- 6.4 Separate approval will be sought for the authorisation of this firm's Category 2 disbursements from creditors.

7 Charge-out Rates

- 7.1 A schedule of Armstrong Watson's charge-out rates for this assignment effective from 1 April 2016 is detailed below. Please note this firm records its time in minimum units of 6 minutes.

	(Per hour) £
Partner / Director – Insolvency Practitioner	295 - 329
Manager / Senior Manager	250 - 275
Administrator / Senior Administrator	146 - 166
Assistant	139

- 7.2 It should be noted that this firm's charge-out rates may increase periodically. If any such increases impact on the fees estimate for the Administration, creditors will be notified accordingly.

8 Joint Administrators' Fee Estimate

- 8.1 Below is our fees estimate for the Administration. The work the Joint Administrators anticipate undertaking in relation to this estimate has been outlined above. It is an estimate for the entire period of the Administration and the subsequent Liquidation, should this be the chosen exit route. If we consider this estimate will be exceeded, we will advise creditors and seek approval for our revised fees estimate as appropriate.

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

	Hours			Total Estimated hours	Total Estimated Cost	Average hourly rate
	Partner / Director	Manager	Administrator			
Administration (incl stat compliance & reporting)	20	25	35	75	£19,265	£244
Realisation of assets	25	30	40	90	£23,115	£299
Creditors (claims adjudication and distributions)	25	30	50	100	£24,775	£235
Employees (claims and distributions)						
Investigations	5	5	5	15	£3,850	£270
	5	5	10	20	£4,680	£286
Total estimated hours by staff grade	80	95	140	315		
Hourly rate	329	275	166			
Total estimated time costs by staff grade	26,320	26,125	23,240		£75,685	£244

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

Appendix F

Estimated Outcome Statement as at 30 January 2017

	Notes	Realisations to date £	Anticipated Future Realisations £	Anticipated Total Realisations £
Assets subject to fixed charge				
None				
Assets subject to floating charge				
None				
Assets				
Sale Proceeds	1	36,250	0	36,250
Licence Fee	1	960	0	960
Book Debts	2	0	774,376	774,376
Cash at Bank	3	0	292,068	292,068
		37,210	1,066,444	1,103,654
Less professional fees				
Pre Appointment Administrator Fees	4	(8,856)	0	(8,856)
Pre Appointment Legal Fees	4	(20,438)	0	(20,438)
Pre Appointment Legal Disbursements	4	(53)	0	(53)
Pre Appointment Agent Costs	4	(1,500)	0	(1,500)
Taxation Services (Clarion)	5	0	(10,000)	(10,000)
Taxation Services (Armstrong Watson)	5	0	(10,000)	(10,000)
General legal advice (Clarion)		0	(15,000)	(15,000)
Statutory Advertising		(74)	(296)	(370)
Bank Charges		(24)	(72)	(96)
Employee Processing Costs		0	0	0
Travel Costs		(50)	(150)	(200)
Specific Bond		(300)	0	(300)
Document Upload		0	(100)	(100)
Post Appointment Administrator Fees	6	(7,676)	(68,009)	(75,685)
		(21,259)	(103,627)	(142,598)
Assets available for preferential creditors		15,951	962,817	961,056
Preferential creditors		0	0	0
Assets available to unsecured creditors		15,951	962,817	961,056
Unsecured creditors (estimated):				
Trade creditors	7	0	(2,875)	(2,875)
HMRC - VAT/PAYE/NIC	8	0	(13,578,490)	(13,578,490)
Directors' Loans	9	0	(242,858)	(242,858)
Total Unsecured creditors		0	(13,824,223)	(13,824,223)
Shortfall as regards unsecured creditors		15,951	(12,861,406)	(12,863,167)

- 1 Monies in respect of the pre packaged sale of assets, as per Paragraphs 2 11 - 2 26 of the proposal document
- 2 Estimated value of book debts (75% recovery) to be collected less 5% collection fee paid to EE CIS Ltd
- 3 Cash at bank less £52,000 ring-fenced as pension contributions
- 4 Costs relate to pre-appointment time as outlined in the proposal document
- 5 Estimated time costs relating to specialist tax advice as per Appendix E of the proposal document
- 6 Fee estimate as per Appendix E of the proposals document
- 7 Unsecured trade creditors as per management records
- 8 Debt claimed by HMRC is currently subject to a partial appeal
- 9 Balance due to the Directors as per the management records

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

Appendix G

Administrator's Statement on Pre-Packaged Sale

To All Known Creditors

Date:	30 January 2017
Please ask for:	Martin Wilman
Our Ref:	56906/ADM307A
Your Ref:	-
T:	0113 2211 349
e:	martin.wilman@armstrongwatson.co.uk

Dear Sirs

Earn Extra 139 Limited - In Administration ("the Company")

I am writing to advise you that I, Michael C Kienlen was appointed Joint Administrator of the Company along with Mark N Ranson of Armstrong Watson on 23 January 2017. We are licensed to act as Insolvency Practitioners in the UK by the Insolvency Practitioners Association and the Institute of Chartered Accountants in England and Wales respectively. Attached is formal notice of our appointment - Form 2.12B.

Please note that an insolvency practitioner is bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment.

Sale of the Company's business and assets

I am required to advise you that a sale of the Company's business and assets was concluded on 23 January 2017 to Earn Extra CIS Limited ("EE CIS Ltd"). A pre-packaged sale was considered necessary as it was clear that the Company could not continue to trade whilst the sizeable debt being claimed by HM Revenue & Customs ("HMRC") was defended and that the pre-packaged sale would achieve a higher value than if the assets were sold independently.

In agreeing to the pre-packaged sale, I can confirm that I have considered the purpose of the Administration and the fulfilment of my statutory obligations to creditors under paragraphs 3(2) and 3(4) of Schedule B1 to the Insolvency Act 1986. During the period leading up to my appointment, I acted as advisor to the Company. However, my role was not to advise the directors personally or any parties connected with any eventual purchaser of the Company's business or assets who were encouraged to take their own independent advice as appropriate.

Attached at Appendix A is further information in relation to the pre-packaged sale which provides a detailed explanation of the circumstances surrounding it.

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Leeds LS1 5QS
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F: 0113 221 1301

www.armstrongwatson.co.uk



Armstrong Watson Accountants and Financial Advisers is a trading style

Armstrong Watson is a partnership under English law. A list of partners is available at the principal place of business, 15 Victoria Place, Carlisle, CA1 1EW. Armstrong Watson is regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities.

Armstrong Watson Audit Limited is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Registered as a limited company in England and Wales No. 8800970. Registered Office: 15 Victoria Place, Carlisle, CA1 1EW.

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V201404

Joint Administrators' Proposals

My Report and Statement of Proposals, together with information about whether I am required to convene an initial meeting of creditors and fee information about the basis of my remuneration and the work I anticipate undertaking in this case, is also now available and can be downloaded from the following website, www.thecreditorgateway.co.uk.

To access the document you will require the following password, please note the password is case sensitive.

Password: ee48kt62ac

Meeting of Creditors

Under Paragraph 51 of Schedule B1 of the Insolvency Act 1986 an Administrator is required to call an initial meeting of creditors in order to present his proposals to creditors. However, in order to save costs, I am proposing to deal with this by correspondence under the provisions of Rule 2.48 of the Insolvency Rules 1986.

Enclosed with this letter and proposals is Form 2.25B, which I would ask you to complete and return to my office no later than 12.00 hours on 13 February 2017 with a completed statement of claim form (also enclosed) or your vote will be disregarded as will any forms returned after the closing date.

Creditors whose debts amount to at least 10% of the total debts of the Company may request that a meeting of creditors be convened, at which the formation of a creditors' committee may also be considered. Under the provisions of Rule 2.48, any requests for an initial creditors meeting must be made in writing to my office by 3 February 2017 and must include details of the purpose of the proposed meeting.

Useful information

A guide to the rights of creditors in Administrations is available on request or can be downloaded from www.armstrongwatson.co.uk.

You can also find useful information for creditors online through R3, the insolvency profession's trade body at www.creditorinsolvencyguide.co.uk.

Creditors registered for VAT may be able to claim VAT bad debt relief in accordance with Section 36 of the Value Added Tax Act 1994. Relief is available when the debt is six months old and "written off" by the creditor entering it on his VAT refunds-for-bad-debts-account. Insolvency Practitioners have no role in administering VAT bad debt relief. Creditors who are uncertain how to claim should contact their VAT office or take professional advice.

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Information request

Please provide details of the amount owing to you as at the date of appointment. If you contend that you hold any form of security or reservation of title, would you please forward details in writing to me as soon as possible.

Administrators have a duty to consider the conduct of those who have been directors of the Company at any time during the last three years, in particular whether any civil proceedings should be taken against the directors or others for the recovery of, or contributions to, the Company's assets.

Creditors are invited to provide information on any concerns regarding the way in which the Company's business has been conducted, and on potential recoveries for the estate. If you have any matters you wish to bring to my attention, please forward details to me or alternatively complete the attached questionnaire.

If there is any further information or explanation you require in the first instance please contact Martin Wilman on 0113 2211 349.

Yours faithfully
For and on behalf of
Earn Extra 139 Limited



Michael C Kienlen
Joint Administrator

Enc

Michael C Kienlen is licensed as an Insolvency Practitioner in the UK by the Insolvency Practitioners Association.

Mark N Ranson is licensed as an Insolvency Practitioner in the UK by the Institute of Chartered Accountants in England and Wales.

The affairs, business and property of the Company are being managed by the Joint Administrators.
The Joint Administrators act as agents of the Company and without personal liability.

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Appendix A

Earn Extra 139 Limited - In Administration ("the Company")

Overview

Where a sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an Administrator and the Administrator effects the sale immediately on, or shortly after appointment, this is known as a pre-packaged sale.

Prior to the appointment of an Administrator, an insolvency practitioner may act in an advisory capacity to the Company. During this time the insolvency practitioner's role is not to advise the directors personally or any parties connected with any eventual purchaser of the Company's business or assets. It is also possible that a different insolvency practitioner may be the eventual Administrator and not the insolvency practitioner who provided the advice to the Company before any formal appointment was made.

The role of an Administrator once the Company has entered Administration is for him to perform his functions with the objective of either rescuing the Company as a going concern or achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up rather than being placed into Administration first.

If neither of these objectives is reasonably practicable, the third objective of realising property in order to make a distribution to one or more secured or preferential creditors of the Company may be pursued, providing the Administrator avoids unnecessarily harming the interests of the creditors as a whole.

In this case, the Joint Administrators have pursued the second objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration) and consider that the pre-packaged sale enables the statutory purpose of Administration to be achieved and that the outcome achieved was the best available for creditors as a whole in all the circumstances.

Set out below is further information containing a summary of the circumstances relevant to the pre-packaged sale of all or part of the Company's business and assets to EE CIS Ltd in accordance with the provisions of Statement of Insolvency Practice 16 (**SIP16**).

Background

The Company was incorporated on 15 November 2006. The Company provided specialised tailored Umbrella, CIS and PAYE Payroll services for the telecommunications, construction, overhead powerlines, utilities and civil engineering sectors in the UK and the Republic of Ireland.

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The Company's registered office has been changed to c/o Armstrong Watson, 3rd Floor, 10 South Parade, Leeds, LS1 5QS. The Company's trading address was situated at 4 Phoenix court, Wakefield Road, Brighouse, West Yorkshire, HD6 1PF.

The Company has no charges registered against it.

The Company saw its turnover increase year on year in the three years ended 31 March 2016 and posted sales in the final period of £18,919,000. The Company's gross margin was broadly maintained at 4.8% - 5% during this three year period. However, due to recent changes in tax legislation and a resultant action by HM Revenue & Customs ("HMRC"), the Company has encountered cash flow problems.

On 22 January 2016, the Company was issued with a warning letter from HMRC which alleged that they had incorrectly claimed up to 80% of their employees total earnings as expenses.

On 11 August 2016 and after extensive correspondence with the Company's representatives, Chartergate Legal Services Ltd, HMRC made a decision to issue an Income tax determination under Regulation 80 of the Income Tax (Pay As You Earn) Regulations 2003 (SI2003 No 2682) and NIC decisions under Section 8 of the Social Security Contributions (Transfer of Functions) Act 1999.

HMRC's determination was issued on 21 September 2016 which detailed that the Company was liable for £5,533,065 in historic Income Tax (PAYE) and £6,991,449 in NIC contributions. Interest accrued on both sums at a daily rate.

The Company took the decision to appeal against this determination. The appeal process is ongoing and it is currently uncertain whether the Company will be successful.

HMRC also issued three Accelerated Payment Notices ("APNs") totalling £292,831 between 17 August and 30 August 2016. The APNs issued by HMRC all related to Income Tax (PAYE) on the same Company scheme. Under the terms of the APNs, payment for the full balance was required on or before 1 December 2016.

The APNs would have seriously impacted on the Company's cash flow. The Company would have faced financial difficulty even if APNs were the sole action brought by HMRC. The additional burden of the Regulation 80 demand meant that the Company could not continue to trade.

With the dispute with HMRC likely to be a long term matter and the Company's cash flow continuing to be an issue, the directors concluded that the Company cannot continue to trade and incur debt. There was a real prospect that the Company may not be able to continue as a live business if they were unsuccessful in their appeal and ultimately that would mean that they would be wound up by HMRC.

In addition to the issues with HMRC, a major customer entered liquidation in October 2015. As a result, the Company had to write off a book debt of £140,000. The liquidation

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also resulted in a material loss of future revenue. The Company was trying to cope with this prior to the HMRC action commencing.

Consequently, a pre-packaged sale of the Company's assets to another of the directors' companies, EE CIS Ltd, has been entered into as this will allow the assets of the Company, with particular reference to the goodwill of the business to preserve its value and provide the Joint Administrators with the best prospect of achieving a better result for creditors than would be likely if the Company were wound up.

All staff have been transferred to EE CIS Ltd in accordance with TUPE regulations.

Initial introduction

Following a direct approach from the director of the Company, Sharon Suttle to Armstrong Watson, two members of Armstrong Watson's Restructuring, Recovery and Insolvency team attended the Company's trading premises on 6 December 2016 to discuss the current financial position and to determine the ability of the Company to continue to trade following the threat of a multi million pound claim from HMRC.

It became apparent that due to the Company's inability to settle the determination and considering the possibility that an appeal may be unsuccessful, it should be placed into Administration in order to protect the Company from any potential winding up proceedings that may be brought against it by HMRC. An Administration would also preserve the value of the Company's assets and maximise the level of recovery of funds and in turn provide a better result for creditors than would otherwise have been achievable should the Company be placed into a winding up scenario.

Armstrong Watson were formally instructed on 6 December 2016.

The Joint Administrators do not believe that there is any significant personal or professional relationship between the Company or its directors and Armstrong Watson and carried out the appropriate conflict review prior to accepting the appointment.

Pre-appointment considerations

The following courses of alternative action were considered with management prior to the Administrator's appointment and the pre-packaged sale:

- Continued trade both with or outside of a formal Company Voluntary Arrangement;
- Distressed sale of the business and assets as a going concern by management;
- Sale of the business and assets as a going concern by the Administrator;
- Sale of assets by the Administrator after a period of marketing to third parties; and
- Liquidation and subsequent forced sale of the Company's assets.

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Trading the business

The Company's directors were not willing to continue trading with a potential risk that would result in the winding up of the Company by HMRC.

The Company's cash flow would not support any trading or organised wind down period by any potential Administrator. Therefore, trading the Company in Administration was not considered nor was the proposing of a Company Voluntary Arrangement ("CVA"), due to HMRC being the largest creditor by a clear margin and also being very unlikely to support any proposal put forward by a Nominee on behalf of the Company, due to the ongoing dispute regarding historic PAYE & NIC arrears.

No requests were made for funding as the Company has no prospect of generating sufficient funds to settle the HMRC liability in the short term should the appeal ultimately fail. The Company's assets would not be detrimentally affected if trading ceased and therefore trading this Administration was not considered.

Comparative outcome

The following table provides a comparative outcome with a sale of the Company's assets in liquidation or through a restricted marketing period post Administration as against the outcome obtained via the pre-packaged sale:

Details of Assets	Sale in Liquidation/under Restricted Marketing conditions £	Pre-packaged sale in Administration £
Office Furniture and Business Equipment	1,280	1,250
Goodwill	Nil	35,000

In addition, the Company also has assets including cash at bank totalling £294,684 and a book debt ledger of £1,032,501 (after associated collection costs). These are to be pursued in the Administration with the assistance of EE CIS Limited. Due to the relationships that EE CIS Limited has with the customers of the Company it is believed that this enhance debtor realisation.

Due to the nature of the Company's business the provision of available staff to clients are in effect it's main assets. However, all staff have had their employment transferred in accordance with TUPE regulations as previously advised in this letter.

The Company has no secured or preferential creditors and has nominal trade and expense creditors. HMRC are the largest creditor. As a result there were no consultations made with either trade and expense creditors or HMRC with regard to funding or

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reviewing alternatives to the Administration process, due to the determination and subsequent appeal with HMRC being ongoing.

The pre-packaged sale allowed for the transfer of the staff and the preservation of the Company's asset values.

Marketing of the business and assets

Marketing a business is an important element in ensuring that the best available consideration is obtained for it in the interests of the Company's creditors as a whole. The Administrator advised the Company prior to his appointment, that any marketing should conform to the marketing essentials set out in SIP16 which includes the following key considerations:

- The business should be marketed as widely as possible, proportionate to its nature and size in the time available using whatever media or other sources that are likely to achieve this outcome;
- Previous marketing of the business prior to the Joint Administrators' involvement may not provide justification to avoid further marketing. The Joint Administrators must be satisfied as to the adequacy and independence of any prior marketing undertaken by the Company;
- Marketing should have been undertaken for an appropriate length of time to satisfy the Administrator that the best outcome for creditors as a whole has been achieved;
- Any marketing attempts must by default, include the use of the internet.

Armstrong Watson's Corporate finance team issued a teaser document on 4 January 2017 to in excess of 1,000 advisers, intermediaries, institutional investors and individuals who have an active interest in businesses for sale in an attempt to identify other potential interested parties who may wish to acquire the business.

Additionally, the Joint Administrators' agent, Richmond Asset Advisory ("Richmond") advertised the business for sale on their website.

Following despatch of the teaser document, over thirty parties expressed an interest and duly completed and returned a non-disclosure agreement ("NDA's").

All parties who had expressed an interest and returned signed NDAs were put in contact with a director of the business for sale (if they so wished) with a view to holding an informal discussion and allowing interested parties an opportunity to ask any questions they may have regarding the business. They could then make a more informed decision as to whether they carried out further due diligence.

An email circular was issued on 10 January 2017 to all parties that returned a signed NDA. The email summarised the information disclosed during the informal discussions

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with interested parties and included management accounts for the period ended 30 November 2016. All interested parties were in receipt of the same information.

A request for best and final offers (plus proof of funding) within 24 hours was issued by the Joint Administrators on 11 January 2017.

Two offers were subsequently received from unconnected parties. However, one offer was immediately rejected on the grounds that the assurances sought regarding future contracts could not be given. The second offer was withdrawn after the interested party carried out further due diligence.

Therefore, the only offer for consideration was that of EE CIS Ltd. This offer was duly accepted and completed on 23 January 2017.

Further details on the sales process can be found in the Joint Administrators Proposals.

Valuation of the business and assets

The Company's assets were valued on 14 December 2016 by Richmond. They have confirmed their independence and that they carry adequate professional indemnity insurance.

Details of the assets sold and the nature of the transaction

- The assets of the Company were sold to EE CIS Ltd;
- The sale of assets took place on 23 January 2017;
- The consideration of sale for the Company's assets is £36,250 plus VAT;
- The assets sold were standard items of office furniture and business equipment, goodwill, customer list, the right to use the name 'Earn Extra' and 'Earn Extra 139' and the intellectual property rights;
- John Jaekel and Sharon Suttle are both directors of the Company and also hold directorships in EE CIS Ltd; and
- Sharon Suttle provided a personal guarantee that any debts repaid and the net work in progress received from customer contracts is to be paid to the Company.

Connected Party transactions

Where there are connections between an insolvent company and the purchasing entity, the purchaser meets the definition of a "connected party" and following recommendations made to The Department for Business, Energy & Industrial Strategy about pre-packaged sales to connected parties, it was felt that some of the concerns expressed about such transactions in the context of insolvency, may be

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overcome by having an independent party review the proposed sale and offer an opinion on the appropriateness of the grounds for the sale. This may provide reassurance to creditors that an independent person has considered the reasonableness of the proposed transaction.

As the transaction meets the definition of a connected party sale, the transaction is eligible for review by the Pre-Pack Pool ("**the Pool**"). The pool is an independent body of experienced business people and has been set up in response to a series of recommendations contained in an independent review of pre-packaged sales in administrations. A Pool member will offer an opinion on the purchase of a business and/or its assets by a party connected to a company where a pre-packaged sale is proposed by an Administrator.

The Pool, through its members, operates only to review and opine on applications made voluntarily by connected parties. Further information on the work of the Pool can be found in the 'Questions and Answers about the Pre-Pack Pool' document on the Pool's website at www.prepackpool.co.uk

The purchasers were made aware of their ability to approach the Pool and the potential for enhanced stakeholder confidence from the connected party approaching the Pool and preparing a viability statement for the purchasing entity.

In this case, the Pool has not been approached by the connected party.

Viability statement

Prior to my appointment whilst I was acting in the capacity as an advisor to the Company, I requested that the connected party provide me with a copy of their viability statement. The connected party declined to provide this to the Administrator.

Assets

- As previously advised, the assets sold were standard items of office furniture and business equipment, goodwill, customer list, the right to use the name 'Earn Extra' and 'Earn Extra 139' and the intellectual property rights; and
- The Company's book debt ledger is to be pursued by the Administrators and is therefore excluded from any element of the pre-packaged sale.

Sale consideration

- The consideration paid totals £36,250 exclusive of VAT and has been received in full. The sale was completed on 23 January 2017; and
- For clarity, there are no options, buy-back arrangements, deferred consideration or similar conditions attached to the contract of sale.

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Appendix B

Statement of Claim and Form 2.25B

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EARN EXTRA 139 LIMITED

CREDITOR'S STATEMENT OF CLAIM

Name and address of creditor.

Registered number (if company):

Amount claimed (Including VAT)

£ _____

If the above claim includes uncapitalised interest, state the amount:

£ _____

Particulars of how & when the debt was incurred by the company?

If security held

Type of security held _____

Value of security: £ _____

Date given _____

Particulars of any reservation of title claimed in respect of goods supplied to which the claim relates.

Signature of creditor:

Print Name:

Date

____/____/____

Telephone

Fax

E-mail

Please provide appropriate documentation in support of your claim.

If you are registered for VAT the amount claimed should include VAT even if VAT bad debt relief has been claimed under the Value Added Tax Act 1994.

Please return this form when you have completed it to Martin Wilman at Armstrong Watson, Third Floor, 10 South Parade, Leeds, LS1 5QS.

Creditors registered for VAT may be able to claim VAT bad debt relief in accordance with Section 36 Value Added Tax Act 1994. In broad terms relief is available when the debt is six months old and "written off" by the creditor entering it on his VAT refunds-for-bad-debts-account.

Claims lodged should be gross, including any VAT element. Amounts claimed should also be net of any discount and of any adjustment made to set-off amounts owed by the creditor to the company. If/when dividends are paid, creditors who have claimed VAT bad debt relief must apportion the dividend between VAT and the net element of their claim and account to HM Revenue & Customs for the VAT element through their VAT return.

Insolvency practitioners have no role in administering VAT bad debt relief under the Value Added Tax Act 1994. Creditors who are uncertain how to claim should contact their VAT office or take professional advice.

Notice of conduct of business by correspondence

Name of Company Earn Extra 139 Limited	Company number 05999742
In the High Court of Justice, Chancery Division, Leeds District Registry	Court case number 90 of 2017

Notice is hereby given by Mark N Ranson and I, Michael C Kienlen of Armstrong Watson, Third Floor, 10 South Parade, Leeds, LS1 5QS to the creditors of Earn Extra 139 Limited whose registered office is at 4 Phoenix Court, Wakefield Road, Brighouse, West Yorkshire, HD6 1PF that pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, below are a number of resolutions for your consideration. Please indicate whether you are in favour or against each resolution.

This form must be received at Armstrong Watson, Third Floor, 10 South Parade, Leeds, LS1 5QS by 12 00 hours on 13 February 2017 in order to be counted. It must be accompanied by details in writing of your claim. Failure to do so will lead to your vote(s) being disregarded.

Signed. 
 Joint Administrator

Dated. 28 January, 2017

Resolutions (* delete as appropriate)

- 1 That the Joint Administrators' proposals be approved. I am *in Favour / Against
- 2 Under Rule 2.67A of the Insolvency Rules and in the absence of a Creditors' Committee, the unpaid pre-administration costs as detailed in the Joint Administrators proposals be approved. I am *in Favour / Against
- 3 Under Rule 2.106 of the Insolvency Rules and in the absence of a Creditors' Committee, the remuneration of the Administrator be fixed in accordance with the Joint Administrators' fees estimate, as time costs as detailed in the Administrator's proposals. I am *in Favour / Against
- 4 That the Joint Administrators be authorised to draw Category 2 disbursements in accordance with his firm's published tariff. I am *in Favour / Against
- 5 The Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Joint Administrators ceasing to have effect. I am *in Favour / Against

To be completed by the creditor when returning the form

Name of creditor _____

Signature of creditor: _____

Date _____

(If signing on behalf of creditor, state capacity e g director/solicitor). If you require any further details or clarification prior to returning your votes, please contact me / us at the address above.

EARN EXTRA 139 LIMITED - IN ADMINISTRATION

Appendix H

Statement of Claim and Form 2.25B

EARN EXTRA 139 LIMITED

CREDITOR'S STATEMENT OF CLAIM

Name and address of creditor:

Registered number (if company):

Amount claimed (Including VAT):

£ _____

If the above claim includes uncapitalised interest, state the amount:

£ _____

Particulars of how & when the debt was incurred by the company?

If security held:

Type of security held: _____

Value of security. £ _____

Date given: _____

Particulars of any reservation of title claimed in respect of goods supplied to which the claim relates

Signature of creditor:

Print Name:

Date:

____/____/____

Telephone:

Fax:

E-mail:

Please provide appropriate documentation in support of your claim.

If you are registered for VAT the amount claimed should include VAT even if VAT bad debt relief has been claimed under the Value Added Tax Act 1994.

Please return this form when you have completed it to Martin Wilman at Armstrong Watson, Third Floor, 10 South Parade, Leeds, LS1 5QS.

Creditors registered for VAT may be able to claim VAT bad debt relief in accordance with Section 36 Value Added Tax Act 1994. In broad terms relief is available when the debt is six months old and "written off" by the creditor entering it on his VAT refunds-for-bad-debts-account.

Claims lodged should be gross, including any VAT element. Amounts claimed should also be net of any discount and of any adjustment made to set-off amounts owed by the creditor to the company. If/when dividends are paid, creditors who have claimed VAT bad debt relief must apportion the dividend between VAT and the net element of their claim and account to HM Revenue & Customs for the VAT element through their VAT return.

Insolvency practitioners have no role in administering VAT bad debt relief under the Value Added Tax Act 1994. Creditors who are uncertain how to claim should contact their VAT office or take professional advice.

Notice of conduct of business by correspondence

Name of Company Earn Extra 139 Limited	Company number 05999742
In the High Court of Justice, Chancery Division, Leeds District Registry	Court case number 90 of 2017

Notice is hereby given by Mark N Ranson and I, Michael C Kienlen of Armstrong Watson, Third Floor, 10 South Parade, Leeds, LS1 5QS to the creditors of Earn Extra 139 Limited whose registered office is at 4 Phoenix Court, Wakefield Road, Brighouse, West Yorkshire, HD6 1PF that pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, below are a number of resolutions for your consideration. Please indicate whether you are in favour or against each resolution.

This form must be received at Armstrong Watson, Third Floor, 10 South Parade, Leeds, LS1 5QS by 12.00 hours on 13 February 2017 in order to be counted. It must be accompanied by details in writing of your claim. Failure to do so will lead to your vote(s) being disregarded.

Signed


 Joint Administrator

Dated. 28 January 2017

Resolutions (* delete as appropriate)

- 1 That the Joint Administrators' proposals be approved. I am *in Favour / Against
- 2 Under Rule 2 67A of the Insolvency Rules and in the absence of a Creditors' Committee, the unpaid pre-administration costs as detailed in the Joint Administrators proposals be approved I am *in Favour / Against
- 3 Under Rule 2 106 of the Insolvency Rules and in the absence of a Creditors' Committee, the remuneration of the Administrator be fixed in accordance with the Joint Administrators' fees estimate, as time costs as detailed in the Administrator's proposals. I am *in Favour / Against
- 4 That the Joint Administrators be authorised to draw Category 2 disbursements in accordance with his firm's published tariff. I am *in Favour / Against
- 5 The Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Joint Administrators ceasing to have effect. I am *in Favour / Against

To be completed by the creditor when returning the form

Name of creditor: _____

Signature of creditor: _____

Date: _____

(If signing on behalf of creditor, state capacity e.g. director/solicitor). If you require any further details or clarification prior to returning your votes, please contact me / us at the address above.