

# AM03

## Notice of administrator's proposals



Companies House

THURSDAY



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03/08/2017

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COMPANIES HOUSE

<b>1</b>	<b>Company details</b>	
Company number	0 6 7 3 7 5 4 1	<b>→ Filling in this form</b> Please complete in typescript or in bold black capitals.
Company name in full	Hedge Capital Limited	

<b>2</b>	<b>Administrator's name</b>	
Full forename(s)	Gerard Anthony	
Surname	Friar	

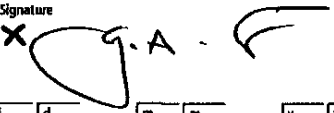
<b>3</b>	<b>Administrator's address</b>	
Building name/number	Saltire Court	
Street	20 Castle Terrace	
Post town	Edinburgh	
County/Region		
Postcode	E H 1 2 E G	
Country		

<b>4</b>	<b>Administrator's name</b> ①	
Full forename(s)	Blair Carnegie	<b>① Other administrator</b> Use this section to tell us about another administrator.
Surname	Nimmo	

<b>5</b>	<b>Administrator's address</b> ②	
Building name/number	Saltire Court	<b>② Other administrator</b> Use this section to tell us about another administrator.
Street	20 Castle Terrace	
Post town	Edinburgh	
County/Region		
Postcode	E H 1 2 E G	
Country		

AM03

## Notice of Administrator's Proposals

<b>6</b>		<b>Statement of proposals</b>	
		<input checked="" type="checkbox"/> I attach a copy of the statement of proposals	
<b>7</b>		<b>Sign and date</b>	
Administrator's Signature	<div>Signature</div> <div>X  X</div>		
Signature date	<div>d3 d1 m0 m7 y2 y0 y1 y7</div>		

# AM03

## Notice of Administrator's Proposals



### Presenter information

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

Contact name	Calum Pickett
Company name	KPMG LLP
Address	Saltire Court 20 Castle Terrace
Post town	Edinburgh
County/Region	
Postcode	E H 1 2 E G
Country	
DX	
Telephone	Tel +44 (0) 20 7311 1000



### Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



### Important information

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



### Where to send

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

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



### Further information

For further information please see the guidance notes on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)



# Joint Administrators' proposals

Hedge Capital Limited - in  
Administration

1 August 2017

# Notice to creditors

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

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

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

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

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+HH608A0602.html>. We hope this is helpful to you.

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



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# 1 Executive summary

- This administration relates to a 'pensions liberation' case. The Pensions Regulator ('tPR') appointed Dalriada Trustees Limited ('Dalriada') as independent trustees to the relevant pension schemes in 2012 and Dalriada obtained a Freezing Injunction over the assets of the companies involved. The Company's director, with the consent of the floating charge holder, agreed to put the Company into administration following a Settlement Agreement being reached between Dalriada and the various Hedge companies involved. (Section 2 - Background and events leading to the administration)
- The director of the Company appointed Blair Nimmo and Tony Friar as Joint Administrators of the Company on 7 June 2017 (Section 2 - Background and events leading to the administration).
- The Joint Administrators are assessing their strategy for dealing with and realising the Company's Loan Book in conjunction with KPMG's Portfolio Solutions Group (Section 3 - Strategy and progress of the administration to date).
- The outcome for the Company's secured creditor will be largely dependent on the level of realisations achieved from the Company's Loan Book (Section 4 - Dividend prospects).
- The Company has no employees or preferential creditors (Section 4 - Dividend prospects).
- There may be a distribution to unsecured creditors by way of the Prescribed Part but the level of dividend will be largely dependent of the level of realisations achieved from the Company's Loan Book (Section 4 - Dividend prospects).
- We might use any or a combination of the exit route strategies detailed in Section 5 in order to bring the administration to an end (Section 5 - Ending the administration).
- We propose to seek approval from the secured creditor (HCIL) that we will be discharged from liability in respect of any action as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies (Section 5 -Ending the administration).
- The administrators' proposals will be deemed approved, with no requirement to seek deemed consent or use a decision procedure, as it appears that the Company has insufficient property to enable us to make a distribution to the unsecured creditors – other than by virtue of the Prescribed Part, as detailed in Appendix 1 (Section 6 – Approval of proposals).
- We will seek approval from the secured creditor (HCIL) for our remuneration (which we are seeking on the basis of time properly given by us and our staff in accordance with the fees estimate provided in Appendix 3) and disbursements (as set out in Appendix 5). We also provide an estimate for the expenses of the administration at Appendix 4. (Section 7 - Joint Administrators' remuneration and disbursements).
- This document in its entirety is our statement of proposals. A summary list of the proposals is shown in Section 8 together with all relevant statutory information included by way of appendices. Unless stated otherwise, all amounts in the proposals and appendices are stated net of VAT.

## **2 Background and events leading to the administration**

### **2.1 Background information**

The Company was incorporated on 30 October 2008 and historically operated from leasehold office premises in Birmingham.

The Company was involved in a 'pensions liberation' scheme where various individuals have accessed their pension pots early in contravention of tax legislation i.e. they have had tax relief on their pension contributions, but have then accessed the cash in their pension pots early before their normal retirement age.

Various individuals were encouraged to transfer their pension pots into the Pennine and Mendips Retirement Benefits Schemes ('the pension schemes'). The pension schemes then subscribed for circa £19 million of preference shares in Hedge Capital Investments Group Ltd ('HCIGL').

HCIGL then loaned the money to Hedge Capital Investments Limited ('HCIL'), which undertook a number of highly speculative investments and also loaned a proportion of the money (£7.6 million) to Hedge Capital Ltd ('the Company').

The Company then provided unsecured, interest only loans totalling circa £6.4 million to many of the same individuals that had transferred their pension pots to the pension schemes.

Dalriada are a key stakeholder in the administration and will have the main economic interest in the outcome of the administration as independent Trustees of the pension schemes.

### **2.2 Events leading to the administration**

tPR appointed Dalriada Trustees Limited ('Dalriada') as independent trustees to the pension schemes in 2012 and Dalriada obtained a Freezing Injunction over the assets of certain Hedge companies (Hedge Capital Investments Group Limited, Hedge Capital Investments Limited and Hedge Tax Mitigation Limited) which had all been acquired using money from the pension schemes.

Reasons of the Determination Panel of the Pensions Regulator can be accessed at the following link <http://www.thepensionsregulator.gov.uk/docs/DN2362566.pdf>, which sets out further detailed background to this case.

*Our introduction originally came from Dalriada and we have been providing them with ad-hoc advice and assistance in relation to the Hedge companies since November 2014.*

At the time of our appointment, we disclosed to the Court details of the limited pre appointment work carried out by KPMG.

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

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



## **2.3 Appointment of Joint Administrators**

Following a long Court process between Dalriada, the various Hedge companies and the directors thereof a Settlement Agreement was reached. As part of the Settlement Agreement the Company's Director, John Woodward, agreed to appoint Administrators to the Company with the consent of HCIL in its capacity as floating charge holder.

The notice of appointment was lodged at the High Court of Justice in Birmingham on 7 June 2017 and Blair Carnegie Nimmo and Gerard Anthony Friar were duly appointed.

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

## **3.1 Strategy to date**

Strategy

The Joint Administrators, in conjunction with KPMG's Portfolio Solutions Group ('PSG'), are currently considering their strategy for dealing with and realising the Company's Loan Book (see 3.2 below).

The Company otherwise does not trade and has no employees.

## **3.2 Asset realisations**

No realisations have been made since the date of our appointment as set out in the attached receipts and payments account (Appendix 2).

A summary of the Company's assets is provided below:

Loan Book

The Company's main asset is a Loan Book comprising 363 unsecured, interest only loans to individuals. As at the date of administration the outstanding balance was £6,357,225. In addition, there were interest arrears of £937,614 (across 341 loans). We are currently liaising with PSG and our solicitor, Pinsent Masons, to ascertain the best strategy for realising value from the Loan Book for the benefit of HCL's creditors. This will include ensuring that all regulatory requirements are complied with.

Cash at bank

As at the date of administration the Company held £545,676 in an account with Lloyds Bank. This pre-administration bank account has been frozen and a new administration bank account has been set up.

We are currently liaising with Lloyds Bank to arrange the transfer of these funds to the administration account.

Debtors

The Director's Statement of Affairs shows four small debtor balances totalling £24,740. We will pursue recovery of these balances where it is economical to do so.

## Investigations

We are reviewing the affairs of the Company to find out if there are any actions which can be taken against third parties to increase recoveries for creditors.

In this regard, if you wish to bring to our attention any matters which you believe to be relevant, please do so by writing to Calum Pickett at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG United Kingdom.

### 3.3 Costs

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

No payments have been made from the date of our appointment to date as set out in the attached receipts and payments account (Appendix 2).

## 4 Dividend prospects

### 4.1 Secured creditor

The Company's largest creditor is HCIL, which is due £7,643,000 plus accrued interest of £1,880,420 (the HCIL loan bears interest at 4.5% per annum).

The Company has granted a Debenture containing a Floating Charge in favour of HCIL. The Debenture is dated 20 October 2011 and was registered on 28 October 2011.

Pinsent Masons have confirmed the validity of HCIL's security.

The recovery for HCIL under its security will depend on the level of realisations from the Company's Loan Book and other assets.

### 4.2 Preferential creditors

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

The Company's Director has confirmed that the Company did not have any employees as at the date of administration and we are not aware of any preferential creditors.

### 4.3 Unsecured creditors

The Director's Statement of Affairs shows four unsecured creditors with outstanding balances totalling £157,403 (see Appendix 6).

As the security in favour of HCIL was granted after 15 September 2003, section 176A of the Insolvency Act 1986 will apply and, depending upon the level of net floating charge asset realisations, there will be a Prescribed Part of the Company's net property available for unsecured creditors.

Based on current estimates, it is highly unlikely that there will be a dividend to unsecured creditors other than by way of the Prescribed Part.

The timing and quantum of any Prescribed Part dividend will depend wholly on the level of realisation from the Company's Loan Book and other assets.

## **5 Ending the administration**

### **5.1 Exit route from administration**

We consider it prudent to retain all of the options available to us, as listed in Section 8 to bring the administration to a conclusion in due course.

However, at this stage we anticipate that the most likely exit route will be dissolution.

### **5.2 Discharge from liability**

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

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

Should the circumstances of the administration change and the secured creditor is repaid in full, we reserve the right to revert to the unsecured creditors in order to obtain discharge from liability.

## **6 Approval of proposals**

### **6.1 Deemed approval of proposals**

The administrators' proposals will be deemed approved, with no requirement to seek deemed consent or use a decision procedure, as it appears that the Company has insufficient property to enable us to make a distribution to the unsecured creditors, other than by virtue of the Prescribed Part.

On expiry of eight business days from the date our proposals were delivered to the creditors, they will be deemed to have been approved by the creditors unless 10% in value of creditors request that a decision procedure is convened. Further details of the steps to convene a procedure are detailed below.

### **6.2 Creditors' right to request a decision**

We will use a decision making procedure or deemed consent to seek approval of our proposals (1) if asked to do so by creditors whose debts amount to at least 10% of the total debts of the Company, and (2) if the procedures set out below are followed.

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

- a statement of the requesting creditor's claim;

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

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

If you wish to request a decision, please complete and return the decision requisition form attached to the cover letter.

## **7 Joint Administrators' remuneration and disbursements**

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

*We propose to seek approval from the secured creditor that:*

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

Time costs

*From the date of our appointment to 20 July 2017, we have incurred time costs of £48,936. These represent 126.8 hours at an average rate of £385.93 per hour.*

Disbursements

Please note that the drawing of Category 2 disbursements must be approved in the same manner as the basis of our remuneration.

We have not incurred any disbursements during the period.

Additional information

We have attached (Appendix 5) an analysis of the time spent, the charge-out rates for each grade of staff and the disbursements paid directly by KPMG for the period from our appointment to 20 July 2017. We have also attached our charging and disbursements recovery policy.

## **8 Summary of proposals**

Rescuing the Company in accordance with Paragraph 3(1)(a) is not achievable as the Company effectively ceased to trade once Dalriada obtained the freezing injunction in 2012.

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

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

We propose the following:

#### General matters

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

#### Distributions

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

#### Ending the administration

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

- apply to Court for the administration order to cease to have effect from a specified time and for control of the Company to be returned to the Directors;
- formulate a proposal for either a company voluntary arrangement (CVA) or a scheme of arrangement and put it to meetings of the Company's creditors, shareholders or the Court for approval as appropriate;
- place the Company into creditors' voluntary liquidation. In these circumstances we propose that we, Tony Friar and Blair Nimmo, be appointed as Joint Liquidators of the Company without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by us may be taken by us individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- petition the Court for a winding-up order placing the Company into compulsory liquidation and to consider, if deemed appropriate, appointing us, Tony Friar and Blair Nimmo, as Joint Liquidators of the Company without further recourse to creditors. Any action required or authorised under any enactment to be taken by us as Joint Liquidators may be taken by us individually or together;
- file notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. The Company will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

#### Joint Administrators' remuneration

We propose that:

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

#### Discharge from liability

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

## Appendix 1 Statutory information

Company information	
Company and Trading name	Hedge Capital Limited
Date of incorporation	30 October 2008
Company registration number	06737541
Trading address	Elton House, 5 Powell Street, Birmingham, B1 3DH
Previous registered office	24 Goode Close, Oldbury, Birmingham, B68 9NT
Present registered office	KPMG LLP, 1 Snow Hill, Queensway, Birmingham, B4 6GH
Company Director	John Woodward, 100% shareholding
Company Secretary	Guardian Property Investment Ltd

Administration information	
Administration appointment	The administration appointment granted in the High Court of Justice Birmingham, 8151 of 2017
Appointor	Director
Date of appointment	7 June 2017
Joint Administrators	Tony Friar and Blair Nimmo
Purpose of the administration	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2).
Current administration expiry date	6 June 2018
Prescribed Part	<p>The Prescribed Part is applicable on this case.</p> <p>It has been taken into account when determining the dividend prospects for unsecured creditors (Section 3).</p>
Estimated values of the Net Property and Prescribed Part	The estimated Net Property is uncertain at this stage. The Prescribed Part is capped at the statutory maximum of £600,000.
Prescribed Part distribution	<p>The Joint Administrators do not intend to apply to Court to obtain an order that the Prescribed Part shall not apply.</p> <p>Accordingly, the Joint Administrators intend to make a distribution to the unsecured creditors.</p>
Application of EC Regulations	EC Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC Regulations.

## Appendix 2      Joint Administrators' receipts and payments account

Hedge Capital Limited - in Administration		
Abstract of receipts & payments		
Statement of affairs (£)	From 07/06/2017	From 07/06/2017
	To 20/07/2017 (£)	To 20/07/2017 (£)
	NIL	NIL



## Appendix 3 Joint Administrators' fee estimate

Estimated time costs for the engagement				
	Narrative	Estimated Total hours	Estimated Time cost (£)	Estimated Average hourly rate (£)
<b>Administration &amp; planning</b>				
<b>Bankrupt/Director/Member</b>	<b>Note 1</b>	3.0	1,166.25	388.75
<b>Cashiering</b> - processing receipts, payments and bank reconciliations	<b>Note 2</b>	20.5	5,437.50	265.24
<b>General</b> - books & records, fees & work in progress	<b>Note 3</b>	5.9	2,364.00	400.68
<b>Statutory and compliance</b> - appointment & related formalities, bonding, checklist & reviews, reports to secured creditors, advertising, strategy	<b>Note 4</b>	39.3	16,205.25	412.87
<b>Tax</b> - VAT & Corporation tax, initial reviews, pre and post appointment tax	<b>Note 5</b>	3.1	1,129.50	364.35
<b>Creditors</b>				
<b>Creditors and claims</b> - general correspondence, notification of appointment, statutory reports	<b>Note 6</b>	70.2	25,994.50	370.29
<b>Committees</b> - committee meetings and reports to the committee	<b>Note 7</b>	-	-	-
<b>Employees</b> - correspondence	<b>Note 8</b>	1.5	432.00	288.00
<b>Investigation</b>				
<b>Directors</b> - correspondence, statement of affairs, questionnaires	<b>Note 9</b>	41.0	16,595.00	404.76
<b>Investigations</b> - director conduct and affairs of the Company	<b>Note 10</b>	17.5	6,560.00	374.86
<b>Realisation of assets</b>				
<b>Asset Realisation</b> - including insurance of assets	<b>Note 11</b>	506.6	177,035.25	349.49
<b>Trading</b>				
<b>Trading</b> - purchases, sales, cash projections	<b>Note 12</b>	-	-	-
<b>Total</b>		<b>717.6</b>	<b>252,919.25</b>	<b>356.98</b>

### Note 1

Corresponding with shareholders including notifying them of our appointment.

### Note 2

A new bank account will be opened and maintained in the administration; receipts and payments will be processed and reconciled.

### Note 3

Time will include general time spent on administration matters, including ingathering and reviewing the Company's books and records, raising fee notes and reviewing WIP.

### Note 4

We will be required to comply with our statutory obligations. Time will be spent planning, and updating the strategy for the administration and ensuring that insurance issues are addressed.

**Note 5**

Time will be spent preparing pre-appointment tax and VAT reviews, statutory returns and dealing with general tax issues throughout the administration.

**Note 6**

Time will be spent liaising with creditors regarding the progress of the administration and dealing with general enquiries. This cost heading includes the time preparing these proposals as well as future progress reports, the estimated costs of adjudicating on creditors' claims and paying a Prescribed Part dividend.

**Note 7**

We are not anticipating the formation of a Creditor's Committee in this case.

**Note 8**

The Company had no employees as at the date of the administration, but time will be spent carrying out standard pensions checks.

**Note 9**

Liaising with the Director's regarding the Statement of Affairs and the request that the Director's Questionnaire is completed.

**Note 10**

As part of our statutory obligations, we are required to formally investigate the affairs of the Company and the conduct of Director prior to the Joint Administrators' appointment.

**Note 11**

Estimated time costs to realise the Company's assets, most notably the Loan Book as well as cash at bank and debtors. Time will be spent setting and implementing the strategy to maximise realisations. We will also ensure that all regulatory matters are complied with in connection with the Loan Book.

**Note 12**

The Company ceased to trade prior to the Joint Administrators' appointment as a consequence of the freezing injunction obtained by Dalriada.

## Appendix 4      Joint Administrators' expenses estimate

Summary of Expenses from appointment	
Expenses (€)	Initial Estimates (€ '000)
Legal fees	150-200
Other costs (including provision)	15-20
<b>Total</b>	<b>165-220</b>

This is an initial indicative high-level estimate of expenses, which is subject to change as the administration progresses.

The main expense in the administration will be legal fees, which will be largely dependent upon the amount of work required to be undertaken in connection with the Loan Book and which could differ from the estimated range set out above. Legal costs will also include any costs incurred in connection with recovery of the outstanding debtor balances.

Other costs will include statutory advertising, mail redirection costs, bonding costs and the costs of storing the Company's books and records.

The Company has no fixed assets and no agents' fees are anticipated in this regard.

## Appendix 5 Joint Administrators' charging and disbursements policy

### Joint Administrators' charging policy

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

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

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

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

If you are unable to access this guide and would like a copy, please contact Calum Pickett on 0131 527 6615.

### Hourly rates

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

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

Charge-out rates (£) for: Hedge Capital Limited – in Administration	
Grade	From 01 Nov 2016 £/hr
Partner	625
Director	560
Senior Manager	510
Manager	425
Senior Administrator	295
Administrator	215
Support	131

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

## Policy for the recovery of disbursements

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

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

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

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

Mileage claims fall into three categories:

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

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

We have not incurred any disbursements during the period 7 June 2017 to 20 July 2017.

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

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

Narrative of work carried out for the period 7 June 2017 to 20 July 2017

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"><li>■ collating initial information to enable us to carry out our statutory duties, including creditor information and details of assets;</li><li>■ providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment;</li><li>■ posting information on a dedicated web page;</li><li>■ arranging bonding and complying with statutory requirements;</li><li>■ ensuring compliance with all statutory obligations within the relevant timescales.</li></ul>
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"><li>■ formulating, monitoring and reviewing the administration strategy;</li><li>■ briefing of our staff on the administration strategy and matters in relation to various work-streams;</li><li>■ regular case management and reviewing of progress, including regular team update meetings and calls;</li><li>■ meeting with management to review and update strategy and monitor progress;</li><li>■ reviewing and authorising junior staff correspondence and other work;</li><li>■ dealing with queries arising during the appointment;</li><li>■ reviewing matters affecting the outcome of the administration;</li><li>■ allocating and managing staff/case resourcing and budgeting exercises and reviews;</li></ul>

	<ul style="list-style-type: none"> <li>■ liaising with legal advisors regarding the various instructions;</li> <li>■ complying with internal filing and information recording practices, including documenting strategy decisions.</li> </ul>
Reports to debenture holders	<ul style="list-style-type: none"> <li>■ providing written and oral updates to representatives of Dalriada regarding the progress of the administration and case strategy.</li> </ul>
Cashiering	<ul style="list-style-type: none"> <li>■ setting up administration bank accounts and dealing with the Company's pre-appointment accounts;</li> <li>■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.</li> </ul>
Tax	<ul style="list-style-type: none"> <li>■ gathering initial information from the Company's records in relation to the taxation position of the Company;</li> <li>■ submitting relevant initial notifications to HM Revenue and Customs;</li> <li>■ reviewing the Company's pre-appointment corporation tax and VAT position.</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>■ providing notification of our appointment;</li> <li>■ responding to enquiries from shareholders regarding the administration;</li> <li>■ providing copies of statutory reports to the shareholders.</li> </ul>
General	<ul style="list-style-type: none"> <li>■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9;</li> <li>■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage.</li> </ul>
Asset realisations	<ul style="list-style-type: none"> <li>■ collating information from the Company's records regarding the assets;</li> <li>■ liaising with KPMG's Portfolio Solutions Group regarding the Company's Loan Book;</li> <li>■ liaising with the Company's pre-appointment bank to arrange the transfer of pre-appointment funds to the administration bank account;</li> <li>■ reviewing outstanding debtors and writing to them seeking repayment of the outstanding balances;</li> <li>■ reviewing the inter-company debtor position between the Company and other group companies.</li> </ul>
Health and safety	<ul style="list-style-type: none"> <li>■ liaising with health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal obligations are complied with;</li> <li>■ liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance.</li> </ul>
Pensions	<ul style="list-style-type: none"> <li>■ conducting searches to establish the existence of any Company pension schemes.</li> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ drafting and circulating our proposals;</li> <li>■ creating and updating the list of unsecured creditors;</li> <li>■ responding to enquiries from creditors regarding the administration and submission of their claims;</li> <li>■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records.</li> </ul>
Investigations/ directors	<ul style="list-style-type: none"> <li>■ reviewing Company and directorship searches and advising the director of the effect of the administration;</li> <li>■ liaising with management to produce the Statement of Affairs;</li> <li>■ reviewing the questionnaires submitted by the Director of the Company.</li> </ul>

## Time costs

### SIP 9 –Time costs analysis (07/06/2017 to 20/07/2017)

	Hours	Time Cost: (£)	Average Hourly Rate (£)
<b>Administration &amp; planning</b>			
Bankrupt/Director/Member			
Notification of appointment	<b>0.50</b>	255.00	510.00
Cashiering			
General (Cashiering)	<b>8.50</b>	1,867.50	219.71
General			
Books and records	<b>1.90</b>	969.00	510.00
Fees and WIP	<b>1.00</b>	295.00	295.00
Statutory and compliance			
Appointment and related formalities	<b>15.80</b>	6,205.50	392.75
Bonding & Cover Schedule	<b>1.75</b>	559.25	319.57
Checklist & reviews	<b>0.90</b>	437.50	486.11
Reports to debenture holders	<b>2.60</b>	1,396.00	536.92
Strategy documents	<b>8.00</b>	3,880.00	485.00
Tax			
Post appointment VAT	<b>0.10</b>	29.50	295.00
<b>Creditors</b>			
Creditors and claims			
Secured creditors	<b>0.20</b>	102.00	510.00
Statutory reports	<b>6.00</b>	2,952.50	492.08
Employees			
Pensions reviews	<b>1.50</b>	432.00	288.00
<b>Investigation</b>			
Directors			
Correspondence with directors	<b>1.20</b>	612.00	510.00
Directors' questionnaire / checklist	<b>0.10</b>	51.00	510.00
Statement of affairs	<b>0.70</b>	357.00	510.00
Investigations			
Review of pre-appt transactions	<b>1.00</b>	510.00	510.00
<b>Realisation of assets</b>			
Asset Realisation			
Cash and investments	<b>1.40</b>	606.50	433.21
Insurance	<b>0.50</b>	169.00	338.00
Other assets (Loan Book)	<b>73.15</b>	27,249.75	372.52
<b>Total in period</b>	<b>126.80</b>	<b>48,936.00</b>	<b>385.93</b>

**SIP 9 –Time costs analysis (07/06/2017 to 20/07/2017)**

	Hours	Time Cost (£)	Average Hourly Rate (£)
Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	126.80	48,936.00	
Carry forward time (appointment date to SIP 9 period end date)	126.80	48,936.00	



## Appendix 6 Statement of Affairs, including creditor list

### Hedge Capital Limited - in Administration

#### Director's Statement of Affairs

£	Notes	Book Value	Estimated to realise
<b>Assets subject to floating charge</b>			
Loan Book	1	6,357,225	n/k
Cash at bank	2	545,676	545,676
John Davies	3	14,510	-
New Options Housing Ltd	4	6,150	6,150
Guardian Property Investment Ltd	5	3,980	3,980
John Woodward	6	100	100
Total assets available for preferential creditors		6,927,641	n/k
Less: Preferential creditors	7	-	-
Net Property			n/k
Less: Prescribed Part	8		n/k
Total assets available for floating charge holder			n/k
Less: Hedge Capital Investments Ltd	9	(9,523,420)	(9,523,420)
Estimated deficiency as regards floating charge holder			n/k
Add: Prescribed Part			n/k
Total assets available for unsecured creditors			n/k
Less: Unsecured creditors	10	(157,403)	(157,403)
Estimated deficiency as regards unsecured creditors			n/k
Issued and called up capital	11	(100)	(100)
<b>Estimated total deficiency as regards members</b>		<b>(2,753,282)</b>	<b>n/k</b>

#### Joint Administrators' comments on the Directors' Statement of Affairs

- 1 The Loan Book comprises 363 unsecured, interest-only loans to individuals.
- 2 As at the date of administration the Company held £545,676 in a current account with Lloyds Bank.
- 3 The Director has offset this balance against the creditor balance due to Credit Centre (UK) Mortgages Ltd. The reason for this is unclear.
- 4 The abbreviated accounts for New Options Housing Limited show that it had net assets of £nil as at 30 June 2016.
- 5 The Abbreviated accounts for Guardian Property Investment Ltd show that it had net assets of £21,978 as at 31 January 2016.
- 6 The outstanding balance due by John Woodward appears to relate to unpaid share capital (see Note 11).
- 7 The Company had no employees as at the date of administration and we are not aware of any preferential creditors.
- 8 The Prescribed Part is calculated as 50% of the first £10,000 of the Company's Net Property plus 20% of the balance of Net Property and is restricted to a statutory maximum of £600,000. The Net Property and Prescribed Part will be dependent on the level of realisations from the Loan Book and other assets.

- 9 The Company was due £7,643,000 to HCIL plus accrued interest of £1,880,420. The HCIL loan bears interest at 4.5% per annum. The Company granted a debenture containing a floating charge in favour of HCIL on 20 October 2011.
- 10 The Director's Statement of Affairs show that the Company had four unsecured creditors totalling £157,403. Creditors are detailed in the table below.
- 11 The Company is wholly owned by its sole Director, John Woodward, who holds 100 ordinary shares of £1 each.
- 12 The Director's Statement of Affairs does not provide for the costs of realisation of any assets, or the costs of the administration.

<b>Hedge Capital Limited - in Administration</b>	
<b>Unsecured Creditors</b>	<b>(£)</b>
Howard Davies	50,704
Credit Centre (UK) Mortgages Ltd	42,544
LHA Network	34,834
Hedge Tax Mitigation Ltd	29,321
	<b>157,403</b>

## Appendix 7      Glossary

<b>Dalriada</b>	Dalriada Trustees Limited
<b>Company</b>	Hedge Capital Limited - in Administration
<b>Joint Administrators/we/our/us</b>	Tony Friar and Blair Nimmo
<b>KPMG</b>	KPMG LLP
<b>Secured creditor</b>	Hedge Capital Investments Limited ('HCIL')
<b>PSG</b>	KPMG's Portfolio Solutions Group
<b>Pinsent Masons</b>	Pinsent Masons LLP
<b>tPR</b>	The Pensions Regulator

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

## Appendix 8 Notice: About this statement of proposals

This statement of proposals ('proposals') has been prepared by Tony Friar and Blair Nimmo, the Joint Administrators of Hedge Capital Limited – in Administration (the 'Company'), solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

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

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

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

Gerard Anthony Friar and Blair Carnegie Nimmo are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland.

We are bound by the Insolvency Code of Ethics.

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

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