

**2.24B**

The Insolvency Act 1986

**Administrator's progress report**

Name of Company

Pikeville Investments LLP /

Company number

OC303531

In the

HIGH COURT OF JUSTICE CHANCERY DIVISION

(full name of court)

Court case number

5264 of 2015

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

We (a)

David Rubin  
David Rubin & Partners  
26 - 28 Bedford Row  
London WC1R 4HEStephen Katz  
David Rubin & Partners  
26 - 28 Bedford Row  
London WC1R 4HE

administrators of the above company attach a progress report for the period

From

To

(b) Insert date

(b) 6 August 2015

(b) 5 February 2016 /

Signed

Joint Administrator

Dated

4/3/2016

**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.

David Rubin & Partners  
26 - 28 Bedford Row  
London WC1R 4HE

Tel 020 7400 7900

DX Number 267

DX Exchange London/Chancery Lane

When you have completed and signed this form please send it to the Registrar of Companies at -

Companies House, Crown Way, Cardiff CF14 3UZ

DX 33050 Cardiff



\*A52DKCS1\*

A28

09/03/2016

#239

COMPANIES HOUSE

WEDNESDAY

**IN THE HIGH COURT OF JUSTICE**

**NO 5264 OF 2015**

**IN THE MATTER OF**

**PIKEVILLE INVESTMENTS LLP - IN ADMINISTRATION**

**AND**

**THE INSOLVENCY ACT 1986**

**THE JOINT ADMINISTRATORS' FIRST PROGRESS REPORT  
PURSUANT TO RULE 2.47 OF THE INSOLVENCY RULES 1986  
FOR THE PERIOD 6 AUGUST 2015 TO 5 FEBRUARY 2016**

**PIKEVILLE INVESTMENTS LLP - IN ADMINISTRATION**  
**PURSUANT TO RULE 2.47 OF THE INSOLVENCY RULES 1986**

**CONTENTS**

- a Introduction
- b Statutory Information
- c Administrators' names and addresses
- d Administrators' remuneration and expenses
- e Progress of the Administration
- f Details of any assets that remain to be realised
- g Investigations
- h Other relevant information
- i Creditors' Rights
- j Next Report

**APPENDICES**

- 1 Joint Administrators' Remuneration and Expenses
- 2 Time Analysis
- 3 Receipts and Payments Account
- 4 Estimated Outcome Statement
- 5 Form 2 25B 'Notice of Conduct of Business by Correspondence'

**PIKEVILLE INVESTMENTS LLP – IN ADMINISTRATION**  
**JOINT ADMINISTRATORS' FIRST SIX MONTH PROGRESS REPORT**  
**PURSUANT TO RULE 2.47 OF THE INSOLVENCY RULES 1986**  
**FOR THE PERIOD 6 AUGUST 2015 TO 5 FEBRUARY 2016**

**(a) Introduction**

I refer to the appointment of David Rubin and myself as Joint Administrators of Pikeville Investments LLP pursuant to an appointment made by the Company and filed at the High Court of Justice, Chancery Division. As the first six months' anniversary has recently passed, I am pleased to provide creditors with my first six month progress report as required by Rule 2.47 of the Insolvency Rules 1986. This report should be read in conjunction with our earlier report to creditors presented at the Creditors Meeting on 24 September 2015, which outlined the proposals for the Administration.

**Rule 2.47(1): Progress Report**

**(b) Statutory Information**

**(i) Court:** High Court of Justice, Chancery Division, Companies Court

**Reference Number:** 5264 of 2015

**(ii) Company name:** Pikeville Investments LLP

**Company number:** OC303531

**Registered office:** 26 - 28 Bedford Row, London, WC1R 4HE

**(c) Administrators' names and address:**

David Rubin and Stephen Katz, both of David Rubin & Partners, 26 - 28 Bedford Row, London, WC1R 4HE were appointed Joint Administrators of the Company on 6 August, 2015. This appointment was made by an Administration Order following an Application to the Court by the members of the Company pursuant to Paragraph 12 of Schedule B1 to the Insolvency Act 1986.

The Joint Administrators act jointly and severally in the exercise of any and all functions exercisable by an administrator appointed under the provisions of Schedule B1 of the Insolvency Act 1986.

**(d) Details of any extensions to the initial period of appointment:**

None

However, the Joint Administrators are proposing that the term of the Administration be extended for an additional 12 months and that the Administration will end on 6 August 2017. The purpose of the extension is to allow sufficient time for the pending legal proceedings, which are detailed later in this report.

Accordingly, I attach at Appendix 5, Form 2.25B 'Notice of Conduct of Business by Correspondence', which I request creditors to complete and return to this office by the date stipulated on the form, in order to register their vote in respect of the proposed extension of the Administration.

**(da) Basis of Administrators' remuneration**

The Joint Administrators' remuneration is fixed by reference to time spent in attending to matters arising in the Administration. A detailed explanation is provided at Appendix 1.

**(db) Statement of remuneration charged and description of work undertaken**

A detailed explanation is provided at Appendix 1.

**(dc) Statement of expenses incurred during reporting period**

A detailed explanation is provided at Appendix 1.

**(e) Details of progress for the period under review:**

Our primary objective since our appointment as Joint Administrators has been to obtain as much information as possible regarding the Company's assets and liabilities and to devise an appropriate strategy for the realisation of the properties, which are based in Italy and for the collection and realisation of other assets which have been identified during the course of the Administration.

**Joint Receiver Managers' Appointment**

As detailed in our Statement of Proposals issued to creditors previously, we have also been appointed as Joint Receiver Managers of the membership interests in the Company, pursuant to an Order of the High Court dated 21 July 2015. The proceedings were commenced by JSC VTB Bank (a company incorporated in Russia) ("VTB") against Pavel Skurikhin ("Mr Skurikhin"), the Company and another in the Commercial Court ("the Commercial Court Proceedings").

In the Commercial Court Proceedings, VTB sought the appointment of Receivers over the LLP membership interests in the Company. The appointment was sought to enforce money judgments which VTB had obtained against Mr Skurikhin, who is considered the beneficial owner of the Company. The sterling equivalent of the Rouble sums for which those judgments have been made, is understood to be in the region of £15 million.

**Assets**

Following my review of the Company's records, I have identified substantial assets in addition to the Company's Italian properties, as follows:

- 1) 100% shareholdings in Paradis de Beauté Srl ("PDB") at a cost of €50,000, which is a spa based in Bologna,
- 2) 100% shareholding in SAHO Group ZAO at a cost of €238,500, a Russian-registered Company
- 3) Loan to PDB in the sum of €1,122,920.17
- 4) Loan to IQM Srl, a company based in Italy, in the sum of €110,000
- 5) Loan to A F Kaempf, an individual based in France, in the sum of €50,000

In respect of points 4 and 5 above, despite my requests for repayment, no responses have been received and I have appointed solicitors to recover these debts in each jurisdiction.

### Paradis de Beauté

As noted above, in addition to the Company's investment in the shares of PDB, the Company had also loaned PDB in excess of €1million. The business was traded by the wife of Mr Skurikhin and in order to evaluate the value of the business and the potential return on the Company's investment, we appointed a new director to conduct a business review and remove Mrs Skurikhina as a director. After a short trading period, it was concluded that the business was loss making and the decision was made to cease trading. Accordingly, no recovery of the Company's investment and loan to PDB is expected.

### The Properties

The Company's primary assets are its three properties located in Italy with a book value in excess of €17million, being

|   | €                    |
|---|----------------------|
| 1) Sasso Marconi, Bologna ("Sasso Marconi")   | 800,000 00           |
| 2) Viale Tiziano 14, Cervia ("Viale Tiziano") | 9,306,819 75         |
| 3) Via Gaibara 3, Bologna ("Via Gaibara")     | 7,668,647 36         |
| Total   | <u>17,775,467 11</u> |

To assist with the realisation of the properties, we have instructed the Italian office of K&L Gates LLP ("K&L") to agree on a suitable strategy for taking possession of, and in due course assisting with the realisation of the properties in accordance with Italian law.

### Joint Administrators' Travel to Bologna

Given the location and high value of the Properties and other assets it was appropriate for one of the Joint Administrators to travel to Italy to meet with our appointed solicitors to take the appropriate action to initially secure the Properties where accessible.

It had come to our attention that two of the properties were subject to registered interests known in Italy as "Usufructo's" held by Nominees appointed under agreements governed by Swiss law and further. Advice was taken from K&L about the prospect of securing these properties under Italian Law and where leases and other interest are in place, the advice received was that possession would need to be granted by way of Court Order.

### Sasso Marconi

Therefore, the Joint Administrators decided that they would firstly attend to the property located in Sasso Marconi, Bologna, as this was not subject to any leases according to the records in our possession.

We attended the Sasso Marconi property on 28 August 2015 and discovered that the property had been demolished and that the site was vacant. It was noted that the application for the demolition commenced in 2008 and it was clear that the site had been unoccupied for some time. In view of this, the exterior locks for the site were changed. Property agents have now been instructed with the assistance of K&L and the site has been put up for sale.

### Usufructs

As noted above, in respect of the other two properties, Viale Tiziano and Via Gaibara, we have established that the Usufructs, were issued to one of the LLP members, Zenos Meier ("ZM").

providing him with the general life estate of both properties. However, it has now been established that ZM holds these interests on trust for the Company.

#### Viale Tiziano

In respect of the Viale Tiziano property, ZM issued a lease to Mr Skurikhin, for a 10 year period, of which rent is charged at the sum of €12,000p a. There is no evidence to suggest that this rent has been ever paid.

#### Via Gaibara

In respect of the Via Gaibara property, ZM has issued a lease to Mrs Skurikhina, which runs for a year and automatically renews. No rent is charged.

#### Edwin Coe LLP ("EC")

In light of this information, I instructed the services of specialist lawyers EC to advise in relation to the property leases and seeking for the nominee agreements to be revoked, returning control of the properties back to the Company. However, as the Usufructs, Nominee Agreements and Leases issued to Mr and Mrs Skurikhin cover multiple jurisdictions, further specialist international legal advice has been required.

Following the advice received from EC, it was considered that, the creation of the Usufructs and the issuing of the leases to Mr and Mrs Skurikhin were potentially Transactions at an Undervalue pursuant to section 423 of the Insolvency Act 1986, intended to put the assets beyond the reach of creditors for the benefit of Mr and Mrs Skurikhin. Proceedings have now been issued in the UK with matters being adjourned until April 2016 to allow for service on all parties.

#### Tax

In addition to the above, we have been notified by the Company's former Italian tax adviser that the Company faces proceedings in Italy in respect of under payment of Tax following the purchase of the Via Gaibara property. This was previously appealed against by the Company on instruction of the members, but following a hearing in November 2015, the Company was unsuccessful and now faces a liability in excess of €300,000. We are seeking specialist advice from K&L in respect of this matter.

A Receipts and Payments account is attached at appendix 3, which is further explained below.

#### **1. Receipts**

##### **1.1 Third Party Funds**

To date we have received the sum of £28,000 from VTB in order to assist with the payments of external costs and disbursements. This is to be reimbursed to VTB out of the asset realisations.

##### **1.2 Bank interest gross**

Interest earned on the funds in hand amounts to £0.01.

**2. Payments**

**2.1 Specific Bond**

The sum of £1,920 has been incurred in respect of the specific bond, which is the cost of insurance, based on the level of realisations by the Joint Administrators, as required by the Insolvency Practitioners Regulations 2005

**2.2 Meeting Room Hire**

A charge of £150 has been paid for use of the meeting room for the meeting of creditors held on 24 September 2015

**2.3 Travel & Subsistence**

The sum of £1,953 80 has been incurred in respect of the travel costs of Stephen Katz in attending to the Company's assets in Bologna on 28 August 2015 and 24 September 2015. These costs comprise of flights, hotel, taxi, and subsistence costs. This also includes travel costs of £11 incurred in respect of travel to meetings in the UK.

**2.4 Carriage & Archiving Costs**

The sum of £130 50 has been incurred in respect of the costs of collection of legal files relating to the Company's previous litigation from Charles Russell solicitors who represented the Company.

**2.5 Legal Fees – K&L**

The amount of €12,000 inclusive of VAT and local taxes (£7,584 73 exclusive of VAT), has been paid to K&L in respect of their services and advice received to date in relation to the Company's properties and taking control of PDB. Currently €19,139 93 is outstanding in respect of legal fees. In addition to their outstanding time costs for the work they have undertaken from their first involvement in this matter to date, I estimate additional time costs in the region of £100,000, should this matter proceed to simulation and possession proceedings in Italy.

K&L solicitors were chosen on the basis of having an office located in Italy that would be able to advise specifically in relation to Italian law aspect of this matter and also after taking into account the size and complexity of the legal issues. K&L charge their fees on a time costs basis.

**2.6 Legal Fees - EC**

The sum of £9,845 was paid to EC in order to pay for required disbursements relating to the case.

Out of the funds held, £6,817 (exclusive of VAT) has been recharged by EC to date, as follows



|  | <u>£</u>        |
|--|-----------------|
| Counsel's Fee for initial meeting & drafting | 4,000 00        |
| witness statement                            |                 |
| Translation costs                            | 539 74          |
| Swiss Legal fees                             | 2,277 26        |
| VAT  | 1,363 39        |
| Total  | <u>8,180 39</u> |

The balance of £1,664 61 is being held by EC

In addition to this, EC have incurred additional Counsel fees of £6,200 exclusive of VAT and anticipate an additional fee of £2,500 plus VAT in respect of their time cost for the court hearing on 2 February 2016

In bringing this matter to trial, EC are expecting to incur further disbursements in the region of £50,000. In addition to their outstanding time costs for the work they have undertaken from their first involvement in this matter to date of £73,436 50, EC estimate additional time costs of £125,000, should this matter proceed to trial

EC have a specialist Insolvency department and they were chosen on that basis after taking into account the size and complexity of the legal issues. EC charge their fees on a time costs basis and they have agreed to act under a Conditional Fee Arrangement ("CFA") and will be paid upon successful possession and sale of the Company's properties. The CFA agreement is yet to be formalised.

## **2.7 VAT Irrecoverable**

The Company is not registered for VAT and therefore any VAT paid on fees, disbursements and other costs, and is unable to be recovered.

## **2.8 Telephone Conferencing**

The sum of £10 14 has been recharged in respect of telephone conference charges.

## **2.9 Notary fees**

The sum of £445 00 has been paid in respect of providing certified and apostilled documents.

## **2.10 Storage Costs - PDB**

The sum of £840 84 has been paid on behalf of PDB in respect of the fees incurred for the storage of the company's tangible assets, of which VTB has agreed to fund pending its Liquidation in Italy.

## **2.11 Courier Fees**

The sum of £113 87 has been paid in respect of courier fees incurred in transporting documents to K&L in Italy.

**2.12 Statutory advertising**

The sum of £1,120 50 has been paid in respect of the costs for the publishing of statutory advertising in the London Gazette and Financial Times in respect of the Joint Administrators' appointment and notice of the meeting of creditors

**2.13 Court Fees**

The sum of £155 has been paid on account of the Court Fees payable in respect of the Application to Court

**2.14 Other Property Expenses**

The sum of £156 28 has been paid in respect of locksmith costs incurred for changing the external locks to the Sasso Marconi site

**2.15 Bank Charges**

The sum of £30 has been paid in respect of bank charges applied to the electronic transfer of funds

**3. Payments incurred but not yet recharged**

**3.1 Costs of Administration application**

The Court Order for our appointment provided that the costs of the application shall be paid as an expense of the Administration

The solicitors appointed for the purpose of the Application were PCB Litigation LLP. They have advised that their costs for the application, to include Counsel were £6,248, together with disbursements of approximately £1,000 in respect of court fees and translation costs

**3.2 Pre-Administration Time Costs: Rule 2.47(2B)**

In my earlier report to creditors, I set out the costs my firm incurred between our first being consulted and the date of our appointment, and I provided details as required by Rule 2.33(2A) and (2B). Creditors may recall that I reported that my firm's time costs were £10,785 50 plus VAT for a total of 32 06 hours. This represents an average hourly charge out rate of £336 00 per hour. To date I have not received any payments on account of these costs.

At the paragraph 51 meeting of Creditors held on 24 September 2015 for creditors to consider my Proposals, I sought and obtained creditors' approval for these costs to be paid in accordance with Rule 2.67A of the Insolvency Rules 1986 as a Creditors' Committee was not formed.

**3.3 Joint Administrators Remuneration**

As detailed in Appendix 1, the Joint Administrators have outstanding time costs of £164,100 50 to date.

### **3.4 Storage Costs**

My firm uses a commercial archiving company for storage facilities for the Company's records and papers. This is recharged at the rate of £10 per box per quarter and includes a small charge to cover the administration costs of archiving and retrieval of documents. I am also required to keep my working papers for 6 years from the conclusion of this matter.

In view of the above, I am currently storing 15 boxes, with an estimated annual charge of £600.

### **3.5 Agents Fees**

We have instructed Affiliato Tecnocasa soluzioni abitative s n c ("Tenocasa") local estate agents in Italy to market the Sasso Marconi property for sale. Tenocasa charge their fees on a percentage basis, being 3% of the selling price, plus VAT.

Tenocasa were instructed based upon the recommendation of K&L and their experience and local expertise in the property market.

#### **(f) Details of any assets that remain to be realised**

As detailed in (e) above, the properties Viale Tiziano and Via Gaibara, together with the land at Sasso Marconi are yet to be realised and are subject to legal proceedings. Should this matter proceed to trial, due to the various cross border complications the Joint Administrators estimate further time costs in the region of £200,000 in addition to costs incurred to date detailed at Appendix 1. I refer to section (e) 2.6 above for the estimated costs of EC in bringing this matter to trial. The ultimate purpose of these proceedings is to secure possession of the Company's properties and following their sale, this will result in significant income to the estate, providing for a substantial dividend to unsecured creditors after costs.

In addition, there are two outstanding loans which we will seek to recover. I am continuing to review the information available, should any further assets be identified in the future.

#### **(g) Investigations**

In accordance with the Company Directors Disqualification Act 1986 I have submitted a report on the conduct of the Directors of the Company to the Department for Business Innovation & Skills (BIS). As this is a confidential report, I am not able to disclose the contents.

Shortly after appointment, I made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors either at the initial meeting (where held) or as a response to my request to complete an investigation questionnaire.

My investigations revealed the creation of the Usufructs, long term lease interests, in respect of Viale Tiziano and Via Gaibara properties, in favour of the member ZM providing him with the general life estate of both properties. However, it was further established that ZM holds the Usufructs as nominee on behalf of the Company.

In respect of the Viale Tiziano property, ZM issued a lease to Mr Skurikhin, for a 10 year period, of which rent is charged at the sum of €12,000p a. There is no evidence to suggest that this rent has been ever paid.

In respect of the Via Gaibara property, ZM has issued a lease to Mrs Skurikhina, which runs for a year and automatically renews. No rent is charged.

As noted above steps are being taken to challenge these transactions in the Court.

**(h) Any other relevant information:**

**(i)** An Estimated Outcome Statement as at 5 February 2016 is attached at Appendix 4. This is based on the information available to me at the time of preparing this report and is subject to change.

**(i)(a) Secured creditors**

To my knowledge, the Company has no secured creditors.

**(i)(b) Prescribed Part**

Section 176A of the Insolvency Act 1986 provides for a prescribed part of the Company's net property to be retained from distribution to the floating charge holder, where the debenture was created on or after 15 September 2003 and made available for the satisfaction of unsecured debts.

Accordingly this regulation does not apply as there is no floating charge holder.

**(ii) Preferential creditors**

To my knowledge, the Company has no preferential creditors.

**(iii) Unsecured creditors**

As and when funds become available for unsecured creditors, the Joint Administrators will be requesting creditors to submit their claims so that they can be established in principle for subsequent adjudication by the liquidator. As at the date of this report the claims of 4 creditors, with a total value of £12,251,185.90, have been received. The claims of 3 creditors with an estimated total value of £15,737,643 have yet to be established.

**(i) Creditors' rights**

Within 21 days of the receipt of this report, in accordance with Rule 2.48A, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors) may request in writing that the Administrator provide further information about his remuneration or expenses (other than pre-administration costs) which have been itemised in this progress report.

Under Rule 2.109, any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of receipt of this progress report make an application to court on the grounds that, in all the circumstances, the basis fixed for the Administrator's remuneration is inappropriate and/or the remuneration charged or the expenses incurred by the Administrator, as set out in this progress report, are excessive.

**(j) Next Report**

We propose to continue our efforts in securing the remaining properties and seek to realise the Company's remaining asset. In that regard we do not propose to end the Administration process before the expiry of the additional 12 month term (subject to approval), unless circumstances dictate otherwise.

On 24 September 2015, creditors agreed our proposal that the Joint Administrators may exit the Administration by placing the Company into Creditors' Voluntary Liquidation. It was also resolved that the Joint Administrators, David Rubin and I, would be appointed as Joint Liquidators of the Company.

However, you will note from the Joint Administrators Statement of Proposals, that the Joint Administrators have also left the choice of exit route from the Administration open so that an alternative strategy can be adopted, should this prove more appropriate at the time.

I trust you will find this report adequate for your purposes but should you require any further information, please do not hesitate to contact in the first instance either my Senior Manager, Yin Lee, or her assistant, Robert Cook at this office.



**STEPHEN KATZ - JOINT ADMINISTRATOR**

DATE: **4/3/2016**

## APPENDIX 1

### JOINT ADMINISTRATORS' REMUNERATION AND EXPENSES

#### 1. Joint Administrators' Remuneration

I have now reviewed my firm's time costs, and would advise that from the date of appointment to 5 February 2016, the total time costs amount to £164,100.50 for 566.48 hours, which equates to an average cost of £289.52 per hour. A breakdown of these time charges is set out in Appendix 2. To date we have not been paid on account of these time costs.

##### 1.1 *Staff allocation and the use of subcontractors*

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The constitution of the case team will usually consist of a Partner, Manager, Senior Administrator and two Administrators. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and additional staff may be allocated to meet the demands of the case.

We have not utilised the services of any subcontractors in this case.

##### 1.2 *Basis of Joint Administrators' Remuneration*

Creditors may recall that at the meeting of creditors on 24 September 2015 to discuss the Joint Administrators' proposals, a resolution was passed to fix the Joint Administrators' remuneration by reference to the time given by the Joint Administrators and the various grades of their staff according to their firm's usual charge out rates in attending to matters arising in the administration, and further the Joint Administrators were authorised to draw category 2 disbursements and be entitled to draw sums on account of their remuneration and disbursements as and when funds permit.

#### 2. Chargeout rates

In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), I would advise that my firm's current hourly chargeout rates applicable to this appointment, which are charged in units of 6 minutes, exclusive of VAT, are as follows -

|                            | £         |
|----------------------------|-----------|
| Senior / Managing Partners | 450       |
| Partners/Office holders    | 300 - 395 |
| Managers / Senior Managers | 250 - 295 |
| Senior Administrators      | 180 - 220 |
| Administrators             | 130 - 160 |
| Cashiers and Assistants    | 120 - 160 |
| Supports                   | 110 - 120 |

Chargeout rates are normally reviewed annually in November, when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance. Time is charged in minimum units of 6 minutes.

### 3. Case overview

This should be read in conjunction with section (e) of the main report above

This Administration has involved extensive investigations in order to ascertain the true ownership of its assets and the various structures used to mask the true beneficial owner. This case has also involved many multi-jurisdictional matters, which has required specialist legal advice.

The main priority of the Joint Administrators has been to obtain possession of the Company's properties. However, as detailed in section (e) of the main report, long term life interests and leases have been created, which has significantly complicated possession of the properties and we have engaged solicitors in Switzerland, Italy and the UK to advise.

We have identified grounds that the action by the members in issuing long term leases, to Mr & Mrs Skurikhin, being considered as the ultimate beneficial owners of the Company, an attempt to place the assets beyond the reach of creditors. Accordingly, our appointed solicitors have commenced proceedings under the provisions of the Insolvency Act 1986, with the next hearing due to take place in April 2016. The ultimate objective is to secure vacant possession, in order to market the properties for sale.

### 4 Issues affecting costs

Due to the complex nature of legal aspect of this case, a high level of partner and senior manager involvement was required with this part of the assignment. In addition, as the Company's assets were located in the Bologna region of Italy, this required for the Joint Administrator to attend, which is detailed in full in section (e) of the main report.

In addition to the above functions, other work undertaken to date are the following -

- i) Preparation and circulation of notice of appointment and subsequent the proposals to creditors pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986
- ii) Obtaining and acknowledging the claims of unsecured creditors and dealing with any correspondence therein
- iii) Arranging the insolvency practitioner's bond and submission of the bordereau as required by Section 390 of the Insolvency Act 1986
- iv) Preparation and submission of the Joint Administrators' report on the conduct of the directors pursuant to the requirements of the Company Directors Disqualification Act 1986
- v) Attended the property located at Sasso Marconi on 28 August 2015
- vi) Attended the premises of PDB, which is a spa in the centre of Bologna for which the Company holds 100% of the shares. This was in order to establish if the business was still trading and to gather additional information as to the scale of PDB's operations
- vii) With the assistance of K&L, removed the current director of PDB and appointed a new director to take control of the business, in order to establish if the Company was trading profitably and whether the Company will see any returns on its investment
- viii) In order to complete the removal of the former management of PDB and to formally take control of the business, Stephen Katz attended the replacement director, the accountants in Vicenza and the premises in Bologna again on 24 September 2015

- ix ) Undertaking various correspondence and telephone conferences with K&L in respect of the two remaining properties (Viale Tiziano and Via Gaibara)
- x ) Thoroughly reviewing 15 boxes of documents and 120 plus PDF documents received on a USB memory stick, provided by the Company's accountants
- xi ) Entering into correspondence with the lawyers acting on behalf of the members, ZM, Beat Lerch and Crown Capital Holdings Limited
- xii ) Meeting with EC on multiple occasions to review the pertinent Company records that we have identified, and to review suitable strategies for taking any potential actions against the Company's former members, utilising the powers available to the Joint Administrators under the Insolvency Act 1986
- xiii ) We have been in contact with the Company's former accountants, SMP Partners on numerous occasions to obtain copies of the Company's financial records and statutory records. These have been provided to us in our capacity as Administrators
- xiv ) We also identified that the Company previously engaged the services of Charles Russell Speechlys and following requests for the Company's files, we received 15 boxes of their files which have been reviewed extensively
- xv ) Various meetings with EC and Counsel to discuss and agree on the strategy for issuing legal proceedings against the members for alleged breaches in fiduciary duties and transactions defrauding creditors in the issuing of Usufructs on the two remaining properties (Viale Tiziano and Via Gaibara)
- xvi ) Reviewing the witness statement prepared by EC and Counsel and consultations regarding amendments required, including obtaining various documentation from the available Company's records required for the exhibit
- xvii ) Liaising with K&L in Italy, and obtaining valuations of the Sasso Marconi land and arranging for the site to be placed on the market for sale
- xviii ) Liaising with EC and correspondence with UBS bank in Switzerland in trying to obtain bank statements, which are currently being withheld
- xix ) Investigating a tax liability that has been incurred in Italy following the purchase of the Via Gaibara, including liaising with specialist Italian tax advisor
- xx ) Statutory investigations into the conduct of the Members and submission of the Joint Administrators report in accordance with the Company Directors Disqualification Act 1986

To view an explanatory note concerning Administrators' remuneration issued by the Joint Insolvency Committee, please visit the Publications folder on our website [www.drpartners.com/cases](http://www.drpartners.com/cases), using the following log-on details

USERNAME p421 pik@sharesrvr.com

PASSWORD kip124P\*

Alternatively, please contact this office to arrange for a copy to be sent to you

## **5. Policy as regards disbursements:**



**Direct expenses ("Category 1 disbursements")**

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case, will be charged to the estate at cost, with no uplift. These include but are not limited to such items as case advertising, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case.

**Indirect expenses ("Category 2 disbursements")**

It is normal practice to also charge the following indirect disbursements ("Category 2 disbursements" as defined by SIP 9) to the case, where appropriate:

**Postage and stationery: circulars to creditors**

|              |               |           |             |
|--------------|---------------|-----------|-------------|
| Headed paper | 25p per sheet | Envelopes | 25p each    |
| Photocopying | 6p per sheet  | Postage   | Actual cost |

**Meeting Costs:** Use of Meeting Room is charged at £150 per session.

**Storage and Archiving**

We use a commercial archiving company for storage facilities for companies' records and papers. This is recharged to the estate at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of maintaining the archiving database and retrieval of documents. We also use our own personnel and vehicle for collection of books and records for which we charge £30 per hour.

**Mileage** incurred as a result of any necessary travelling is charged to the estate at the Inland Revenue approved rate, currently 45p per mile.

## PIKEVILLE INVESTMENTS LLP - IN ADMINISTRATION

| JOINT ADMINISTRATORS' TIME COSTS<br>FOR THE PERIOD 08 SEPTEMBER 2015 TO 05 FEBRUARY 2016 |               |                          |                      |              |               |                   |                       |
|--|---------------|--------------------------|----------------------|--------------|---------------|-------------------|-----------------------|
| Classification of work function  | Hours         |                          |                      |              |               | Total Cost £      | Average hourly rate £ |
|  | Partners      | Manager / Senior Manager | Admin / Senior Admin | Cashiers     | Total hours   |                   |                       |
| Statutory compliance, admin and planning   | 19 24         | 11 00                    | 76 12                | 01 36        | 108 12        | 27,648 00         | 255 53                |
| Investigations   | 21 36         | 15 00                    | 103 30               | 00 00        | 140 06        | 34,331 50         | 245 05                |
| Realisations of assets   | 97 30         | 01 48                    | 45 30                | 00 00        | 144 48        | 49,529 00         | 342 05                |
| Creditors  | 06 54         | 00 48                    | 02 24                | 00 00        | 10 06         | 3,652 00          | 361 58                |
| Trading  | 00 00         | 00 00                    | 00 00                | 00 00        | 00 00         | 0 00              | 0 00                  |
| <b>Total hours and costs</b>   | <b>145 24</b> | <b>28 36</b>             | <b>227 36</b>        | <b>01 36</b> | <b>403 12</b> | <b>115,160 50</b> | <b>285 62</b>         |

| JOINT ADMINISTRATORS' CUMULATIVE TIME COSTS<br>FOR THE PERIOD 6 AUGUST 2015 TO 5 FEBRUARY 2016 |               |                          |                      |              |               |                   |                       |
|--|---------------|--------------------------|----------------------|--------------|---------------|-------------------|-----------------------|
| Classification of work function  | Hours         |                          |                      |              |               | Total Cost £      | Average hourly rate £ |
|  | Partners      | Manager / Senior Manager | Admin / Senior Admin | Cashiers     | Total hours   |                   |                       |
| <b>Statutory compliance, admin and planning</b>  |               |                          |                      |              |               |                   |                       |
| IPS set up & maintenance   | 00 00         | 00 00                    | 01 12                | 00 00        | 01 12         | 246 00            | 205 00                |
| Statutory filings, circulars, notices, etc   | 03 24         | 00 36                    | 13 30                | 00 00        | 17 30         | 4,434 00          | 253 37                |
| Case planning, strategy & control  | 11 18         | 02 30                    | 19 48                | 00 00        | 33 36         | 9,757 00          | 290 39                |
| Taxation PAYE, C/Tax & VAT   | 00 48         | 00 00                    | 00 00                | 00 00        | 00 48         | 332 50            | 415 63                |
| Accounting & Cashiering  | 00 18         | 00 00                    | 13 54                | 02 12        | 16 24         | 3,528 00          | 215 12                |
| Case reviews & Diary maintenance   | 07 00         | 05 18                    | 03 54                | 00 00        | 16 12         | 4 863 00          | 300 19                |
| Statutory reporting and compliance   | 08 06         | 16 00                    | 72 54                | 00 00        | 97 00         | 23,473 50         | 241 99                |
| <b>Investigations</b>  |               |                          |                      |              |               |                   |                       |
| CDDA preparation & reporting   | 00 30         | 03 00                    | 21 06                | 00 00        | 24 36         | 5,688 50          | 231 24                |
| SIP2 assessment and financial review   | 01 06         | 02 30                    | 16 54                | 00 00        | 20 30         | 3,535 00          | 172 44                |
| Investigating antecedant transactions  | 03 06         | 02 00                    | 49 24                | 00 00        | 54 30         | 12,257 00         | 224 90                |
| Proceedings & recoveries   | 18 36         | 07 30                    | 20 54                | 00 00        | 47 00         | 14,399 50         | 306 37                |
| <b>Realisation of assets</b>   |               |                          |                      |              |               |                   |                       |
| Freehold & leasehold properties  | 62 30         | 06 00                    | 41 54                | 00 00        | 110 24        | 36,577 50         | 331 32                |
| Intangible assets  | 00 12         | 00 00                    | 00 00                | 00 00        | 00 12         | 79 00             | 395 00                |
| Shares & investments   | 00 00         | 00 00                    | 01 18                | 00 00        | 01 18         | 286 00            | 220 00                |
| Book debts collection  | 00 00         | 00 00                    | 00 00                | 00 00        | 00 00         | 0 00              | 0 00                  |
| Tangible assets  | 83 24         | 04 18                    | 24 24                | 00 00        | 112 06        | 39 749 00         | 354 59                |
| <b>Creditors</b>   |               |                          |                      |              |               |                   |                       |
| Secured creditors  | 00 00         | 00 00                    | 00 00                | 00 00        | 00 00         | 0 00              | 0 00                  |
| Unsec'd Creditors correspondence & claims  | 09 06         | 00 48                    | 03 36                | 00 00        | 13 30         | 4 895 00          | 362 59                |
| Preferential creditors & employees   | 00 00         | 00 00                    | 00 00                | 00 00        | 00 00         | 0 00              | 0 00                  |
| Retention of Title   | 00 00         | 00 00                    | 00 00                | 00 00        | 00 00         | 0 00              | 0 00                  |
| Creditors' Committee   | 00 00         | 00 00                    | 00 00                | 00 00        | 00 00         | 0 00              | 0 00                  |
| <b>Trading</b>   | <b>00 00</b>  | <b>00 00</b>             | <b>00 00</b>         | <b>00 00</b> | <b>00 00</b>  | <b>0 00</b>       | <b>0 00</b>           |
| <b>Total hours and costs</b>   | <b>209 24</b> | <b>50 30</b>             | <b>304 42</b>        | <b>02 12</b> | <b>566 48</b> | <b>164,100 50</b> | <b>289 52</b>         |

## (In Administration)

## Joint Administrators' Abstract of Receipts &amp; Payments

| Statement of Affairs (£) |                                      | From 06/08/2015 To 05/02/2016 (£) |                   |
|--------------------------|--------------------------------------|-----------------------------------|-------------------|
|                          |                                      | Funds held in the Administration  | Third Party Funds |
| ASSET REALISATIONS       |                                      |                                   |                   |
| 9,171,371 59             | Investment Property                  | NIL                               |                   |
| 3 52                     | Shares & Investments                 | NIL                               |                   |
| 848 74                   | Cash at Bank                         | NIL                               |                   |
|                          | Bank Interest Gross                  | 0 01                              |                   |
|                          | Third Party Funds (1)                |                                   | 28,000 00         |
|                          |                                      | 0 01                              | 28,000 00         |
| COST OF REALISATIONS     |                                      |                                   |                   |
|                          | Specific Bond                        |                                   | 1,920 00          |
|                          | Meeting Costs                        |                                   | 150 00            |
|                          | Travel & Subsistence                 |                                   | 1,953 80          |
|                          | Carriage & Archiving                 |                                   | 130 50            |
|                          | Legal Fees - K&L Gates               |                                   | 7,584 73          |
|                          | Legal Fees - Edwin Coe               |                                   | 6,817 00          |
|                          | VAT Irrecoverable                    |                                   | 4,363 39          |
|                          | Telephone conference costs           |                                   | 10 14             |
|                          | Notary Fees                          |                                   | 445 00            |
|                          | Storage Costs                        |                                   | 840 84            |
|                          | Courier Fees                         |                                   | 113 87            |
|                          | Statutory Advertising                |                                   | 1,120 50          |
|                          | Court Fees                           |                                   | 155 00            |
|                          | Other Property Expenses              |                                   | 156 28            |
|                          | Bank Charges                         | NIL                               | 30 00             |
|                          |                                      | NIL                               | 25,791 05         |
| UNSECURED CREDITORS      |                                      |                                   |                   |
| (890,888 00)             | Trade & Expense Creditors            | NIL                               | NIL               |
| (15,600,348 00)          | Miccros Group Limited                | NIL                               | NIL               |
|                          |                                      | NIL                               | NIL               |
| <b>(7,319,012.15)</b>    |                                      | <b>0 01</b>                       | <b>2,208.95</b>   |
| REPRESENTED BY           |                                      |                                   |                   |
|                          | Current Account                      | 0 01                              |                   |
|                          | Funds Held by David Rubin & Partners |                                   | 544 34            |
|                          | Funds Held by Edwin Coe LLP          |                                   | 1,664 61          |
|                          |                                      | 0 01                              | 2,208.95          |

## Note:

(1) Third Party Funds have been provided by VTB and do not form part of the Insolvency estate. These will be repaid from asset realisations. A formal funding agreement with VTB is currently being negotiated in order to assist with the payment of future disbursements.

**Pikeville Investments LLP**  
**(In Administration)**  
**Joint Administrators' Estimated Outcome Statement**  
**08/09/2015 to 05/02/2016**

| Statement<br>of Affairs £   | Realised<br>/ Paid £ | Projected<br>£    | Total<br>£     |
|-----------------------------|----------------------|-------------------|----------------|
| <b>ASSET REALISATIONS</b>   |                      |                   |                |
| 9,171,371 59                | NIL                  | 9,000,000 00      | 9,000,000 00   |
| 3 52                        | NIL                  | NIL               | NIL            |
| 848 74                      | NIL                  | NIL               | NIL            |
|                             | 0 01                 | NIL               | 0 01           |
|                             | 28,000 00            | (28,000 00)       | NIL            |
|                             | 28,000 01            | 8,972,000 00      | 9,000,000 01   |
| <b>COST OF REALISATIONS</b> |                      |                   |                |
|                             | 1,920 00             | NIL               | 1,920 00       |
|                             | NIL                  | 10,785 50         | 10,785 50      |
|                             | NIL                  | 365,000 00        | 365,000 00     |
|                             | 150 00               | NIL               | 150 00         |
|                             | 1,953 80             | 2,500 00          | 4,453 80       |
|                             | 130 50               | NIL               | 130 50         |
|                             | NIL                  | 270,000 00        | 270,000 00     |
|                             | 7,584 73             | 100,000 00        | 107,584 73     |
|                             | 6,817 00             | 230,000 00        | 236,817 00     |
|                             | 4,363 39             | 108,397 10        | 112,760 49     |
|                             | NIL                  | 64,900 00         | 64,900 00      |
|                             | 10 14                | 150 00            | 160 14         |
|                             | 445 00               | 350 00            | 795 00         |
|                             | 840 84               | 1,200 00          | 2,040 84       |
|                             | 113 87               | 150 00            | 263 87         |
|                             | 1,120 50             | NIL               | 1,120 50       |
|                             | 155 00               | NIL               | 155 00         |
|                             | 156 28               | NIL               | 156 28         |
|                             | 30 00                | NIL               | 30 00          |
|                             | (25,791 05)          | (1,153,432 60)    | (1,179,223 65) |
| <b>UNSECURED CREDITORS</b>  |                      |                   |                |
| (890,888 00)                | NIL                  | 7,820,776 36      | 7,820,776 36   |
| (15,600,348 00)             | NIL                  | NIL               | NIL            |
|                             | NIL                  | (7,820,776 36)    | (7,820,776 36) |
| <u>(7,319,012 15)</u>       | <u>2,208 96</u>      | <u>(2,208 96)</u> | <u>NIL</u>     |
| <b>REPRESENTED BY</b>       |                      |                   |                |
|                             | 0 01                 | (0 01)            | NIL            |
|                             | 544 34               | (544 34)          | NIL            |
|                             | 1,664 61             | (1,664 61)        | NIL            |
|                             | <u>2,208 96</u>      | <u>(2,208 96)</u> | <u>NIL</u>     |