

Liquidator's Progress Report**Pursuant to Sections 92A, 104A and 192 of the
Insolvency Act 1986****S.192**

To the Registrar of Companies

Company Number

OC314724

Name of Company

(a) Insert full name of
company

(a) Cobbetts LLP – In Liquidation

Limited

(b) Insert full name(s)
and address(es)I Lyn Vardy of PricewaterhouseCoopers LLP Central Square, 29
Wellington Street, Leeds LS1 4DLthe liquidator(s) of the company attach a copy of my/our Progress Report
under section 192 of the Insolvency Act 1986The Progress Report covers the period from 31 July 2015 to 30 July
2016

Signed



For L Vardy

Date 23 09 16

Presenter's name, David Cheverton, PwC LLP, central Square, Leeds LS1 4DL
address and
reference
(if any)

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COMPANIES HOUSE



**Second progress report
to members & creditors**

22 September 2016

Companies	Cobbetts LLP – in liquidation		
Registered Numbers	OC314724		
Registered address	Central Square, 29 Wellington Street, Leeds LS1 4DL		
Type of Insolvency	Creditors' Voluntary Liquidation		
Date of Appointment	31 July 2014		
Appointees	Lyn Vardy and Toby Underwood		
Address	PricewaterhouseCoopers LLP, 29 Central Square, 29 Wellington Street, Leeds, LS1 4DL		
Dividend Prospects		Current estimate p in £	Previous estimate p in £
	Preferential	N/a	N/a
	Unsecured	Uncertain	Uncertain

Please note that the guidance on dividend prospects is indicative only. It should not be used as the sole or principal basis of any bad debt provision.



Cobbetts LLP – in Creditors’ Voluntary Liquidation (“the Partnership”)

Report to members and creditors

As you are aware, Lyn Vardy and Toby Underwood were appointed Joint Liquidators (“the Liquidators”) of the Partnership on 31 July 2014 following a period in Administration from 6 February 2013 to 31 July 2014

In accordance with Rule 4 49C of the Insolvency Rules 1986 (“IR86”), this is our second progress report to members and all known creditors covering the year to 30 July 2016. Attached at Appendix A is a summary of the financial information relating to the Liquidation.

Asset realisations

The Partnership’s assets have been realised as follows -

	Realisations (£)
Surplus from Administration	1,479,502 62
Rates Refund	317,128 33
Pre-appointment VAT refund	39,605 55
Bank interest gross	7,071 08
Sundry receipts	2,276 31
Book debts	644 71
Total	<u>1,846,228.60</u>

Rates refunds

During the period of this report, we received £242k in business rates refunds negotiated by our agents in respect of the Partnership’s various former premises. As shown on the enclosed receipts and payments account, a further £70k of agents’ fees have been paid in the period in relation to refunds to date. There are no further rates realisations expected.

Book debts

We have recovered a further £423 35 during the period in relation to the payment of 2 dividends in relation to Welchs Parks Limited (in liquidation).

Interest

Funds in the estate continue to be held on an interest bearing account and have generated further interest of £3,746 10 in the period.

Unrealised assets

On appointment, we were made aware of various assets that remained to be realised. We have therefore summarised briefly below those remaining assets that continue to be pursued.



VAT Bad Debt Relief claim ("VAT BDR")

As previously disclosed, a claim has been submitted for VAT BDR in respect of those Partnership book debts that are deemed uncollectible and have been written off. The claim was submitted on the basis of information provided to us by the administrators (KPMG), and following enquiries with DWF LLP, HMRC and from within the Partnerships own records.

The claim has been challenged by HMRC and has been the subject of further discussion and additional information, in anticipation of a further VAT inspection taking place shortly. The outcome of this issue cannot yet be predicted with certainty.

Legal actions

As previously disclosed, a number of possible legal claims had been identified and are currently the subject of ongoing legal advice. At present it is not appropriate to disclose any substantive detail concerning the potential claims.

Monies due under the Sales and Purchase Agreement ("SPA")

As previously disclosed, an account exists between DWF LLP ("DWF") and the Partnership, which arose from the SPA by which DWF acquired the business and certain of its assets. There has been ongoing discussions with DWF and a settlement offer was received earlier in the year. Certain aspects of this settlement offer are now being considered in light of information available and therefore this matter remains ongoing.

Miscellaneous balances

Whilst some further recoveries are possible it is likely that disputes will prevent these balances being recovered. The sums in question represent balances not covered by the terms of the SPA and are not significant with a total value of less than £5,000.

Outcome for creditors

Secured creditor

The balance of the secured creditor's claim is £336,687. As you will be aware, the final balancing payment to Lloyds TSB Bank was delayed pending the conclusion of an alleged trust claim made by former members of the Partnership ("the Trust Claim" or "the Trust Claimants"). Our response to this claim is ongoing (see further comment below), however, we are still not able at present to make this final payment.

Preferential creditors

Enquiries into the status of unpaid contributions to the Partnership's pension scheme are still being investigated with the assistance of the PwC pension team. We would advise that the statement of affairs prepared for the administration disclosed a potential liability of £16,667. Accordingly should this claim be payable it will be settled in full in due course.

Unsecured creditors

The ongoing Trust Claim is preventing us from issuing formal notice of our intention to make a distribution to unsecured creditors. Further discussions between our solicitors and the Trust Claimants have taken place although no conclusion has been reached. It is therefore likely that the Trust Claim may only be resolved by referral to Court.



As previously stated, the effect of a successful Trust Claim would be to attach trust status to some, if not all remaining LLP assets, which would rank the Trust Claimants ahead of unsecured creditors

However, we can confirm that the process for agreeing creditor claims has commenced and numerous claims have been received and admitted. As explained above, formal notice of the dividend has yet to be issued, however any creditor that has yet to have its claim agreed should contact my colleague Sian Lamont on 028 9041 5338

The value of claims in the directors' statement of affairs (in the Administration) was £91.6m. We have admitted claims totalling £2.5m and received a further £15.2m. Until formal notice of a dividend has been issued, further claims may be received that can participate in the dividend.

Given the material uncertainties regarding the outcome of the Trust Claim, potential further realisations and final value of creditor claims, we are unable to give an indication of the quantum or timing of the dividend distribution.

Investigations

The affairs of the Company prior to Liquidation have been considered and any points raised by creditors, in discharging our duties under the Company Directors' Disqualification Act 1986.

Creditors are reminded that we have a statutory obligation to consider the directors' conduct and to submit a return/report to the Insolvency Service. We have complied with this requirement.

Professional advisers

On this assignment we have used the professional advisers listed below

Name	Nature of Work	Basis of Fee Arrangement
Pinsent Masons LLP	Legal advice	Hourly rates and disbursements
Bond Dickinson LLP	Legal advice	Hourly rates and disbursements
GVA Grimley Ltd	Business rates review	25% of rates realisations
KPMG	Providing assistance on issues arising from Administration	Fixed fee of £10,000

Our choice was based upon their perception of the advisers' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the fee arrangement with them.

Liquidation Committee

A Liquidation Committee was established from the creditors committee formed during the preceding Administration and consists of

- Wesleyan Bank Limited, represented by Steve Wilkinson
- Syscap Limited, represented by Mark Henry
- Close Leasing Limited, represented by Liz Wadsworth
- New Ireland Assurance Company Plc, represented by Niall Browne

The Liquidation Committee has met formally on two occasions, the latest being a formal meeting (held by conference call) on 26 November 2015. Periodic updates have been issued thereafter.

Liquidators' remuneration

At the first meeting of the Liquidation Committee held on 7 November 2014, a resolution was passed to enable us to draw remuneration by reference to the time properly given in attending to the matters arising in the winding up. Approval was also given for us to draw fees of £97,494.25 in respect of time costs incurred.



Approval to draw further fees of £261,837 80 was given at the second meeting of the Liquidation Committee on 26 November 2015

To 30 July 2016, we have incurred time costs of £588,310 50. This represents 870 10 hours at an average hourly rate of £305 06, against which some £359,332 05 has been drawn. These figures include a change in charge out rates effective from 1 July 2016.

It is our policy to delegate the routine administration of the Liquidation to junior staff in order to maximise the cost effectiveness of the work performed. These staff have been supervised by senior staff and by us. Any matter of particular complexity or significance that has required responsibility of an exceptional kind has also been dealt with by senior staff and by us.

Details of the time costs incurred from our appointment on 31 July 2015 to 30 July 2016, by work category, are attached at Appendix B.

In common with all professional firms, scale rates increase from time to time over the period of the administration of each insolvency case. PricewaterhouseCoopers LLP, or any successor firm, reserves the right to change the rates and grade structure. Following the passing of the fee resolution on 7 November 2014 the charge out rates were increased on 1 July 2015 and 1 July 2016. Full details of the charge out rates applicable to this case are included at Appendix B.

Specialist departments within PricewaterhouseCoopers LLP, such as tax, VAT, property and pensions, sometimes charge a small number of hours should we require their expert advice. Their rates vary, however, the figures given provide an indication of the maximum rate per hour.

Remaining work to be undertaken

We summarise below the key issues remaining in the Liquidation, why the work is necessary (including any financial benefit for creditors) and an estimate of our costs for dealing with that work.

Resolving the Trust Claim

As disclosed earlier within this report, a conclusion to the Trust Claim is required before the first dividend can be paid to creditors. Solicitors (Pinsent Mason) have been engaged to deal with the issue and while discussions have been ongoing, it is likely that a Court resolution will be required. A previous settlement offer was received by us and agreed to in principle, however this now appears to have effectively been withdrawn.

We estimate that our costs could be in the region of £15,000. However, legal costs could be significant if the process requires Court resolution and current estimates range from £80,000 to £400,000. We have now sought Counsel's opinion and hope that this matter can be resolved before significant further expense is incurred.

Resolution of this matter is required for determining proprietary interests in the Partnership's assets and therefore what assets are distributable to creditors.

First and final dividend payment to creditors

As disclosed, assuming the Trust Claim is resolved in favour of the Partnership, a first and final dividend to creditors will be paid. Work has already been undertaken to agree creditor claims, in order to avoid any unnecessary delays, although no formal notice of intended dividend has been issued. Once it is appropriate to issue such a notice, this will establish a declaration and distribution date for the dividend.

We would anticipate further costs (in addition to those already incurred) of approximately £16,800.



VAT Bad Debt Relief claim

As disclosed earlier, there is an ongoing discussion with HMRC over the treatment of the VAT BDR claim. This issue has become protracted and therefore costs in this area have been higher than anticipated. There is no ongoing VAT reporting as the Partnership has now de-registered, although future input VAT recovery will still be available.

We anticipate further costs (in addition to those already incurred) of approximately £7,000 will be incurred.

Legal actions, monies due under the Sales and Purchase Agreement ("SPA"), and miscellaneous balances

The above ongoing issues should generate additional recoveries for the benefit of the Partnership estate and its' creditors. Due to the varying issues and the sensitivity of certain aspects of these claims, it is not possible to disclose these in detail, or to reliably predict the costs to their conclusion. However for the purposes of this report, we would anticipate total further costs (in addition to those already incurred) of approximately £35,000, with additional legal costs and disbursements of up to £50,000 possible.

Statutory costs

We will incur costs arising from the appointment such as reporting to creditors on an annual basis, responding to enquiries, maintaining internal systems and reporting on issues such as Corporation Tax and VAT, as well as dealing with other less substantive issues.

We anticipate further costs of approximately £15,000 on these matters.

The final meeting of creditors

Once all matters are concluded, a final meeting of creditors is required to bring the Liquidation to an end, at an estimated cost of £4,000.

Liquidators' disbursements

Category 1 disbursements

We have incurred the following Category 1 disbursements (excluding VAT), all charged at cost, during the period 31 July 2015 to 30 July 2016 and £299.92 has been drawn in this respect as shown on the attached receipts and payments account.

Disbursement	Amount (£)
Rail fares	60.30
Postage	322.40
Archiving	87.78
	<u>470.48</u>

Category 2 disbursements

Our current disbursements policy, as approved by the creditors, is as follows:

- 1 Photocopying for circulars or any other bulk copying is charged at 5p per sheet,



- 2 Mileage – this is reimbursed at a maximum of 71p per mile (up to 2,000cc) and 93p per mile over 2,000cc)

We have not incurred any Category 2 disbursements in the period 31 July 2015 to 30 July 2016. All other disbursements (Category 1) are reimbursed at cost.



Statement of expenses

The following expenses have been incurred during the period of the report, irrespective of whether payment has been made

Expenses incurred	Total £ Expenses Incurred brought forward from 30 July 2015	Total £ expenses paid to 30 July 2016	£ Expenses outstanding at 30 July 2016	£ Expenses incurred in this period	£ Total expenses to 30 July 2016 (cumulative)
Agent's fees and disbursements	18,743 42	89,116 32	-	70,372 90	89,116 32
Settlement of insurance claim	83,430 09	83,430 09	-	-	83,430 09
Office holders' fees	292,877 30	359,332 05	198,978 45	265,433 20	558,310 50
Officeholder expenses	911 75	326 65	-	470 48	1,382 23
Legal fees and expenses	52,095 20	75,362 90	8,429 19	31,696 89	83,792 09
Legal expenses relating to administration	7,980 00	7,980 00	-	-	7,980 00
Statutory advertising	445 27	445 27	-	-	445 27
Bank charges	15 00	30 00	-	15 00	30 00
Total	456,498 03	616,023 28	207,407 64	367,988 47	824,486 50

Additional information

If any creditor requires further explanations on any aspect of this progress report, then please telephone or write to Nadia Mann who will be pleased to deal with such enquiries

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 4 49E of the Insolvency Rules 1986. Any request must be in writing. Creditors can also challenge the Liquidators fees and expenses within eight weeks of receiving this report as set out in Rule 4 131. This information can also be found in the guide to fees via the link below

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/creditors-guide-liquidators-fees-final.pdf>



Appendix A

Cobbetts LLP – in creditors' voluntary liquidation

Receipts and payments account

	31 July 2014 to 30 July 2015	31 July 2015 to 30 July 2016	Total for the period
	£		£
Floating charge receipts			
Rates refunds	74 973 71	242 154 62	317 128 33
Book debts	221 36	423 35	644 71
Sundry receipts	2 276 31		2 276 31
Bank interest	3 324 98	3 746 10	7 071 08
Surplus from Administration	1 479 502 62		1 479 502 62
Pre-appointment VAT refund	39 605 55		39 605 55
	1 599 904 53	246 324 07	1 846 228 60
Floating charge payments			
Agents' fees and disbursements	18 743 42	70 372 90	89 116 32
Settlement of insurance claim	83 430 09		83 430 09
Office holders' fees	97 494 25	261 837 80	359 332 05
Office holders' expenses	326 65		326 65
Legal fees and expenses	37 484 50	37 878 4	75 362 90
Legal expenses relating to the Administration	7 980 00		7 980 00
Statutory advertising	445 27		445 27
Bank charges	15 00	15 00	30 00
	245 919 18	370 104 10	616 023 28
Net floating receipts/payments	1,353,985 35	(123,780 03)	1,230,205 32
VAT receivable	43 789 86	76,367 88	120 157 74
VAT refund	(36 433 90)	(66 261 84)	(102 695 74)
VAT balance (receivable)	(7 355 96)	(10 106 04)	(17 462 00)
Balance on interest bearing current account	1,346,629 39	(133 886 07)	1,212,743 32

The statement of affairs figures have not been included as a number of asset realisations and repayments were carried out in the Partnership's administration and would not relate to the Liquidation's recoveries/payments

The Administrators' final receipts and payments account including statement of affairs figures can be found in the Administrators' final progress report dated 1 August 2014



Appendix B

Cobbetts LLP - in creditors' voluntary liquidation

Analysis of time costs for the period from 31 Jul 2015 to 30 Jul 2016

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	-	9.30		31.45	10.85	3.00		54.60	17,787.25	325.77
Secured creditors	2.00	-	-	0.85	-			2.85	1,484.00	520.70
Trading				2.30	1.30	1.60		5.20	1,286.50	247.40
Assets	-	4.10	-	50.05	44.35	9.60		108.10	29,848.00	276.11
Investigations		3.90	4.50	3.25	33.90	14.35		59.90	14,677.50	245.03
Creditors		0.80	6.30	26.35	77.85	22.65	11.75	145.70	35,476.75	243.49
Accounting and treasury			0.45	2.30	9.50	11.00		23.25	4,597.50	197.74
Statutory and compliance	14.50	16.70	4.30	67.35	77.30	57.60	7.30	244.95	65,750.95	268.43
Tax & VAT	8.50		72.20	39.45	50.00	53.05		223.20	93,996.00	421.13
Employees & pensions				-	0.60	-		0.60	240.00	400.00
Closure procedures					-	1.75		1.75	288.75	165.00
Total for the period	25.0	34.8	87.8	223.4	305.7	174.6	19.0	870.10	265,433.20	305.06
Brought forward at 30 Jul 2015								978.94	292,877.30	
Total								1,849.04	558,310.50	

Cobbetts LLP - in creditors' voluntary liquidation
Liquidators' second progress report for the period 31 July 2015 to 30 July 2016



Appendix B

Cumulative analysis of time costs for the entire liquidation period

Aspect of assignment	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	188.63	57,718.45	305 99
Secured creditors	2.85	1,484.00	520 70
Trading	8.40	2,108.00	250 95
Assets	193.25	56,154.75	290 58
Investigations	170.50	55,473.75	325 36
Creditors	284.65	67,948.75	238 71
Accounting and treasury	69.95	14,493.50	207 20
Statutory and compliance	609.01	178,085.40	292 42
Tax & VAT	295.95	122,866.65	415 16
Employees & pensions	4.50	1,688.50	375 22
Closure procedures	1.75	288.75	165 00
Total for the period	1,829 44	558,310.50	305.18

Narrative of work carried out for the Partnership

Key area of work	Work undertaken in the period includes
Strategy and planning	<ul style="list-style-type: none"> • Meetings and calls with solicitors • Internal meetings to discuss case strategy • Internal case notes • Setting budgets • Agreeing and raising fees • Performing risk management checks • Case progress reviews • Reviewing progress and appropriate strategy going forwards
Assets	<ul style="list-style-type: none"> • Liaising with agents in relation to book debt collections • Liaising with agents in relation to rates and other refunds • Chasing outstanding debts • Meetings and correspondence with lawyers in respect of various potential asset recoveries • Dealing with claims against the Liquidation • Dealing with the surrender of leases • Realising book debts and assets
Investigations	<ul style="list-style-type: none"> • Meetings and correspondence in relation to contentious asset recovery issues • Performing a forensic review of the Partnership's computer files and documentation • Investigating potential antecedent transactions • Recovering files
Creditors	<ul style="list-style-type: none"> • Correspondence and review of information relating to contentious creditor claims • Responding to creditor enquiries • Internal meetings to discuss contentious claims • Preparing for committee meetings, and minutes • Claim adjudication • Issuing regular updates to creditors' committee • Collating and maintaining creditor addresses • Reviewing creditor claims and uploading data • Issuing non-statutory letter to creditors regarding the submission of claims



Key area of work	Work undertaken in the period includes
Accounting and treasury	<ul style="list-style-type: none">• Authorising and processing payments and receipts• Periodic bank reconciliations• Raising fee note and disbursements• Creating account journals• Receipt of book debts and assets realisations
Statutory and compliance	<ul style="list-style-type: none">• Statutory advertising• Liaising with former Administrators• Planning for second progress report to creditors• Risk and quality compliance• Maintaining internal case databases and information• Reviewing and maintaining internal case management system• Filing of case documentation• Realising book debts and other property• Bank account transfers
Tax and VAT	<ul style="list-style-type: none">• Discussions with internal specialists around VAT matters• Reviewing and progressing Tax and VAT issues• Bad debt relief claim• Tax returns• Initial review• Dealing with VAT return queries• Liaison with HM Revenue and Customs
Employees and pensions	<ul style="list-style-type: none">• Pension scheme queries and investigations



Hourly rates

Set out below are the relevant charge out rates per hour worked for the grades of the Liquidators' staff actually or likely to be involved on this assignment. Time is charged by reference to actual work carried out on the assignments. There has been no allocation of any general costs or overhead costs.

	Rate per hour <i>From 1 July 2016</i>	Rate per hour <i>From 1 July 2015 to 30 June 2016</i>
Grade		
Partner	600	590
Director	500	490
Senior manager	435	425
Manager	345	340
Senior associate	260	255
Associate	170	165
Support staff	89	87

Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT, Property and Pensions, sometimes charge a small number of hours should the Liquidators require their expert advice. Their rates vary, however, the figures below provide an indication of the maximum rate per hour.

	Rate per hour <i>From 1 July 2016</i>	Rate per hour <i>From 1 July 2015 to 30 June 2016</i>
Grade		
Partner	1,250	1,190
Director	1,175	1,115
Senior manager	1,170	1,110
Manager	700	665
Senior associate	515	490
Associate	255	240
Support staff	150	140