

AM10

Notice of administrator's progress report



Companies House

SATURDAY



A11 *A7GHOGY* 13/10/2018 #124
COMPANIES HOUSE

1 Company details

Company number O C 3 8 0 4 7 8

Company name in full Bell Pottinger LLP

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) William Matthew Humphries

Surname Tait

3 Administrator's address

Building name/number 55

Street Baker Street

London

Post town

County/Region

Postcode W 1 U 7 E U

Country

4 Administrator's name ①

Full forename(s) Malcolm

Surname Cohen

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number 55

Street Baker Street

London

Post town

County/Region

Postcode W 1 U 7 E U

Country

② Other administrator
Use this section to tell us about
another administrator.

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6 Period of progress report

From date	d	1	d	2	m	0	m	3	y	2	y	0	y	1	y	8
To date	d	1	d	1	m	0	m	9	y	2	y	0	y	1	y	8

7 Progress report

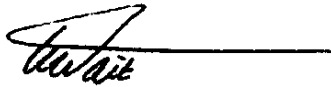
☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X



X

Signature date

d	1	d	1	m	1	m	0	y	2	y	0	y	1	y	8
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Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ①
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**
Please complete in typescript or in bold black capitals.
All fields are mandatory unless specified or indicated by *

1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

① You can use this continuation page with the following forms:

- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s) Colin Michael Trevethyn
Surname Haig

3 Insolvency practitioner's address

Building name/number 55

Street Baker Street

Post town London

County/Region

Postcode W 1 U 7 E U

Country

AM10

Notice of administrator's progress report



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 **William Matthew Tait**

Company name **BDO LLP**

Address **55 Baker Street**

London

Post town

County/Region

Postcode **W 1 U 7 E U**

Country

DX

Telephone **01293 591 000**



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 the form.



Important information

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Where to send

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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 or email enquiries@companieshouse.gov.uk

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www.bdo.co.uk

2 City Place
Beehive Ring Road
Gatwick
West Sussex RH6 0PA

TO ALL KNOWN CREDITORS

10 October 2018

Our Ref 00276271 /WMT/DF/C2

Please ask for
Michele Lockyer
Dial: 01293 591039
Email Michele.lockyer@bdo.co.uk

Dear Sirs

Bell Pottinger LLP - In Administration ('the LLP' or 'BPLLP')

It is now 12 months since my appointment in respect of the LLP. In accordance with Rule 18.6 of the Insolvency (England and Wales) Rules 2016, I am now reporting the progress made in implementing the approved proposals and achieving the statutory purpose of the Administration for the period from 12 March 2018 to 11 September 2018 ('the Period'). This report should be read in conjunction with my previous reports on the matter.

1 Statutory Information

The Joint Administrators are William Matthew Humphries Tait (officeholder number: 9564), Malcolm Cohen (officeholder number: 6825) and Colin Michael Trevethyn Haig (officeholder: 7965) all of BDO LLP, 55 Baker Street, London, W1U 7EU and were appointed in respect of the LLP on 12 September 2017.

Under the provisions of paragraph 100(2) of Schedule B1 to the Insolvency Act 1986 the Administrators carry out their functions jointly and severally meaning any action can be performed by one Administrator or by all of them.

The Joint Administrators were appointed by the designated members of the LLP, pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986. The Administration proceedings are dealt with in the High Court of Justice, Chancery Division, Companies Court and the Court case number is 006683 of 2017.

The LLP's registered office is situated at 55 Baker Street, London W1U 7EU, and the registered number is OC380478. The LLP's former trading address was 6th Floor, Holborn Gate, 330 High Holborn, London WC1V 7QD.

2 Receipts and Payments

I enclose at Appendix 1, a summary of my receipts and payments to date showing a balance in hand of £920,647.53. The account is shown net of VAT as this will be recoverable and payable under the Group VAT registration. A VAT refund claim in respect of input VAT in the period to 30 September 2018 is currently in progress, totalling £2,214.54.

3 Background

Following the appointment of the Joint Administrators, an immediate review of the LLP's affairs was undertaken together with those of Bell Pottinger Private Ltd ('BPPL') and Bell Pottinger (Services) Ltd ('BPSL') (together 'the Group') with the support of the Group's senior management team.

The outcome of this review was to implement a controlled wind down of the underlying operations of the Group to:

- support on going delivery and finalisation of certain client engagements, thus minimising the potential for breach of contract claims from clients and maximising debtor recoveries;
- implement stabilisation plans for the overseas subsidiaries owned by the corporate entity in support of the Joint Administrators' strategy to maximise realisations from the sale of these; and
- support the orderly transfer of client relationships and to enter into discussions with exiting Members of the LLP to transition these clients elsewhere in return for a fee directly related to the future income generated from these clients.

The Joint Administrators objectives for the strategy were as follows:

- to protect and enhance the value of debtor recoveries by ensuring that client disruption was minimised;
- to reduce the potential for contractual counter claims/claims for set off which would reduce the value of debtor recoveries and/or increase the value of unsecured claims against the LLP;
- to provide a mechanism by which client data could be transferred in a manner compliant with the Data Protection Act and the requirements of confidentiality; and
- to increase the prospect for the completion of work in progress in a manner which would result in value being returned to the LLP.

4 Progress and Future of the Administration

4.1 The affairs of the Group have been substantially wound down and significant progress made towards finalising the operational affairs of the LLP.

Whilst significant progress has been made in the Administration a number of matters remain outstanding, namely:

- further consideration, together with the Joint Administrators' appointed legal advisers, of the actions that may be brought in order to enhance the dividend prospects for creditors. This includes the potential for recovery of Excess Advances, unpaid Capital Contributions and actions relating to the conduct of the Members contributing to the failure of the LLP - **see section 4.2;**

- performing a verification and compliance review of all Revenue Sharing Agreements and finalisation of collection procedures - **see section 4.3;**
- finalisation of the debtor collections process - **see section 4.4;**
- completion of the draft accounts of the LLP (unaudited) for the period 1 January 2017 to 12 September 2017 (being the date of Administration) and 13 September 2017 to 31 December 2017 - **see section 4.5;**
- finalisation of the Terminal Loss Relief calculation which, in combination with the draft unaudited FY 2017 accounts, will be provided to the Members of the LLP - **see section 4.5;**
- continue to assist the Secretary of State for Business, Enterprise & Industrial Strategy (acting by the Insolvency Service) in their investigation into the causes of the failure of the LLP - **see section 4.6;**
- finalising the collection of sums due under the sale agreements with respect to non-UK subsidiaries owned by Bell Pottinger Private Ltd.
- adjudicating upon the claims of creditors including the claims of Members with respect to income tax withheld by the LLP and not paid to HMRC; and
- payment of dividends to unsecured creditors under the Prescribed Part provisions and to Lloyds Bank Plc as fixed and floating charge holder - **see section 7.**

Creditors will note that with the exception of one partner and Bell Pottinger Private Ltd (the corporate Member) all Members have had their resignation from the LLP confirmed at Companies House.

4.2 Consideration of actions to enhance dividend prospects

Central to the Joint Administrators' consideration has been a rigorous investigation (with their appointed legal advisers) of the terms of the Partnership Deed (the Deed) that governed the Members (known colloquially as 'Partners') of the LLP.

Constitution of the LLP

An LLP is a body with 'legal personality' that is separate from its Members (unlike a simple partnership). It is governed under a hybrid system of law partially from company law and partially from partnership law.

Unlike other forms of partnerships, the immediate financial liability of the Members of the LLP in an insolvency is limited to the amount of 'Capital' they contributed to the LLP (the Capital Contribution).

Members' Capital Accounts

In the case of BPLLP, each Member's Capital Contribution was limited to £2,500 per person. As the LLP was incorporated on 28 April 2014, a number of individuals have joined, resigned or been dismissed from the LLP in the period prior to the Administration. The Joint Administrators have undertaken a detailed exercise to identify where Capital Contributions remain outstanding and will be writing to identified Members requesting payment.

In accordance with the Deed, Members are only entitled to repayment of the Capital Contribution after all debts and liabilities of the LLP have been settled in full.

Consequently, Capital Contributions are not a provable debt in the insolvency of the LLP and do not comprise unsecured claims.

Employment status of the Members

A Member of an LLP is not regarded as being employed by the LLP; they are self-employed. The relationship between Members - their rights, obligations and duties to each other and to the LLP - is governed by a legally binding agreement between the Members - the Deed.

Explicitly, the Deed states that each Member acknowledges that he/she will be a Member of the LLP and nothing "shall render him an employee of the LLP..."

Members are restricted from bringing any employment-related claims or any claim based on 'worker status' including any claim for unfair dismissal.

Liability to repay Excess Advances

Whilst a Member's immediate financial liability may be limited to his/her Capital Contribution, the nature of their remuneration is such that where an LLP makes no profits, the Member must repay remuneration received.

As Members of an LLP are not employees, their remuneration comprises an entitlement to a share of the profits (also as known as 'drawings'). This appropriation or sharing of profit is governed by the Deed. It is not 'salary' or 'wages', which are a trading expense of the LLP and, therefore, a deduction from profit.

In the case of the LLP, the financial year or 'Accounting Period' was from 1 January to 31 December. In common with other LLPs and with respect to the Accounting Period 1 January 2017 to 31 December 2017, BPLLP estimated the value of profits to be made in that year and allocated a proportion of that estimated profit to each of the Members, communicated to them in an 'Entitlements Letter'.

Each Member then received a monthly payment, stated in the Deed as an "...advance of his entitlement to his Fixed Profit Share and Variable Profit Share."

Where the LLP fails to make a profit (highly probable when an LLP enters an insolvency process), the Deed states that where a Member "has received advances which in aggregate exceed that Member's entitlement to Net Profit in respect of an Accounting

Period (the 'Excess') then he may be obliged to repay the whole or part of the Excess to the LLP...".

Steps taken by the Joint Administrators to establish Excess Advances

Creditors will note that the deficiency to creditors is estimated at £7m.

The Joint Administrators have undertaken an extensive exercise to prepare financial accounts for the period 1 January 2017 to 31 December 2017. This has included a forensic review of the financial (and other) records of BPLLP. Whilst these accounts remain in draft, they clearly indicate that in the Accounting Period, the LLP did not make a profit. The estimated loss in the Accounting Period is c£1.5m. The Members' liability to repay Excess Advances is not limited to the extent of this trading loss.

In order that the Joint Administrators can be assured that their work has been undertaken in full compliance with applicable accounting standards and that the accounts prepared are correct, they have taken steps to instruct an independent firm of accountants experienced in LLP accounts preparation to review the work undertaken.

In consequence, and unless otherwise agreed with the Joint Administrators (**see section 4.3**), the Members of BPLLP are liable to repay all Excess Advances. As defined by the Deed, Excess Advances comprise interest free loans from the LLP and as such do not attract interest.

Value of Excess Advances claims

On current information the value of repayable Excess Advances is estimated to be £3.8m.

The Joint Administrators will not make any comment as to the position of any specific Member or Former Member.

The Joint Administrators are in the process of finalising the accounts, including the Capital Account and Current Account for each Member. As above, the accounts will be the subject of a review by an expert, independent accountant at which point all Members impacted will be written to requesting proposals for settlement.

Duties and responsibilities of the Members

Members are potentially financially liable for actions that are in breach of the Deed or which contravene the provisions of the Insolvency Act 1986 (as amended). The Joint Administrators' focus is where such actions give rise to a loss to the LLP and by extension, its creditors.

The Deed places on the Members a number of specific duties and obligations. In summary, the principal duties are:

- A duty to act diligently in the conduct of the LLP in accordance with all relevant professional rules, regulations and codes of conduct and comply with all practices, policies, standards and procedures of the LLP.
- A duty to conduct him / herself in a responsible manner.

- A duty to act with the utmost good faith in all dealings with the other Members of the LLP.
- A Member may not knowingly cause or suffer to be done or omitted to be done anything which may prejudice the LLP.
- Members owe a specific duty to the LLP to refrain from any misconduct.

Principal factors leading to the failure of the LLP

In broad terms, the failure of the LLP is directly linked to its engagement by Oakbay Investments Pty Ltd (Oakbay), a South African entity linked to the Gupta family, a South African family operating in a number of commercial and corporate spheres in that country.

It is not the Joint Administrators' role to make specific investigations into the activities alleged except to the extent that such activities were in breach of the Deed (or relevant statute) and led to a loss being suffered.

The LLP's work on this account ultimately led to a complaint being upheld and the LLP's expulsion from the Public Relations & Communications Association (PRCA), the trade body to which BPLLP belonged and which was responsible for setting ethical and other standards in the sector. As has been well publicised, the PRCA found that BPLLP's work "was by any reasonable standard of judgement likely to inflame racial discord in South Africa..."

Focus of the Joint Administrators' investigation and legal claims

On a prima-facie basis, there is evidence that certain Members of the LLP failed in their duty to act in good faith and in accordance with applicable standards of corporate governance. The relationship between the actions of these Members and the financial failure of the LLP appears strongly correlated. Specifically, the loss of clients that resulted from the public association of the LLP with Oakbay was such that it became unable to continue to trade.

Notwithstanding, the Joint Administrators have a duty not to undertake a legal action without sound basis in law. Together with their appointed legal advisers, Stephenson Harwood LLP, and with the advice of specialist legal Counsel, the Joint Administrators are considering a number of potential actions against Members and Former Members for breach of duty.

In their consideration, the following matters have a significant bearing:

- The strength of any claim as confirmed by legal advice on the basis of likely success.
- The availability of 'after-the-event' insurance that is available to protect the estate against adverse and other costs.
- The strength / reliability of corroborative evidence to support a claim.
- The degree to which a Member or Former Member was wholly or partially responsible and their actual role in the activities alleged (e.g. operational, managerial or supervisory).
- The financial value of any claim when compared to its likely outcome net of costs.

- Whether claims are covered by insurance policies held by the LLP for example Directors & Officers Insurance.
- The financial standing of Members against whom claims may be brought and the likelihood of payment / period over which payment could be made.

The Joint Administrators will shortly be meeting with their legal advisers to review matters with the intention of finalising their preliminary advice.

In accordance with the Insolvency Rules, the above matters will be discussed with the appointed Creditors' Committee (unless a clear and obvious conflict exists) prior to any action being taken.

Company Directors Disqualification Act 1986

All Members of an LLP are subject to the provisions of the Company Directors Disqualification Act 1986 (CDDA 86).

Actions considered under this statute are brought by the Secretary of State for Business, Energy & Industrial Strategy (the 'SOS') acting through the Insolvency Service (the 'IS'). Where misconduct is proved, sanctions include the prohibiting of individuals from holding the office of director (or equivalent).

Investigation by the Insolvency Service and relationship to the Joint Administrators' investigation

As detailed in section 4.6, the Joint Administrators are aware that the IS has written to a number of Members with respect to potential misconduct leading to the failure of the LLP. The Joint Administrators understand that the focus of this investigation includes potential breaches of duty and other misconduct by reference to its engagement by Oakbay.

Whilst documentary and other evidence may be the same, the investigation of the IS is wholly separate to that of the Joint Administrators. Notwithstanding, the Joint Administrators have a statutory duty to assist the IS with their work, specifically with the provision of information obtained from the LLP's records.

Information extracted from the LLP's systems comprises five terabytes of information over a variety of bespoke and 'off-the-shelf' software platforms. The Joint Administrators, assisted by experts from BDO Forensics Services (as detailed in previous reports), have taken extensive steps to preserve the integrity of the data whilst implementing systems such that it can be accessed and searched.

4.3 Revenue Share Agreements ('RSAs')

The Joint Administrators' strategy for the preservation and maximisation of realisable assets was to offer Members the opportunity to enter into contractual agreements whereby exiting Members would receive the benefit of continued client relationships (being the property of the LLP) in return for a share of future income derived from them and for the Member's assistance in the collection of related debts.

In addition, Members having evidenced at the end of the RSA period that they had fully complied with the strict terms of the RSA, would not be pursued for Excess Advances.

Shortly following the Joint Administrators' appointment, all Members were provided with a detailed communication relating to their status as Members of the LLP following its placement into Administration.

All Members, whether retained by or removed from the LLP, were provided with the broad terms of a proposed RSA. This included identifying their potential liability for repayment of Excess Advances. In addition, a copy of the Deed was provided.

The Joint Administrators entered into 13 RSAs with exiting partners. This has generated £258,195 of RSA income during the Period and £405,890 of RSA income since the date of appointment.

The agreements were negotiated on an individual basis and, on many occasions, required substantial input from the Joint Administrators' legal advisers and from the exiting partner/their proposed employer.

The Joint Administrators' legal advisers have confirmed that RSA income is a floating charge realisation and is therefore subject to the provisions of the Prescribed Part.

Consequently, the negotiation of the agreements will benefit unsecured and secured creditors.

Whilst the individual terms of each RSA vary, the majority of agreements are for a period of 12 months from the date the RSA was agreed with each exiting partner.

The Joint Administrators will shortly be undertaking a compliance review of all RSAs to confirm strict adherence to terms. In the event that they have not been complied with, the RSA will be terminated forthwith and the benefit afforded to the exiting partners will cease including protection from the liability to repay Excess Advances.

In addition to 13 RSAs, the Joint Administrators entered into three agreements with individuals not to pursue Excess Advances claims in return for specific assistance in asset realisations, asset / information protection and strategy implementation. As with the terms of the RSAs, the terms of these agreements are confidential.

A review of the Excess Advances exposure of the Members who have entered RSAs or separate agreements confirms that the value derived by the Administration estate is greater than the liability to repay.

4.4 Debtors and Cash at Bank

The gross debtors at the date of the Joint Administrators' appointment totalled c.£7m across 185 accounts.

The position as at the date of this report is as follows:

	As at the date of the last report (£'000s)	Movement from the date of the last report (£'000s)	As at the date of this report (£'000s)
Opening position at date of Administration	7,036		7,036
Invoices raised since 12/09/17	<u>271</u>		<u>271</u>
	7,307		7,307
Credit notes raised since 12/09/17	(260)		(260)
Bad debt provision to date	(2,231)	(560)	(2,791)
Third party sub-contractor costs	<u>(1,400)</u>		<u>(1,400)</u>
	3,416		2,856
Collections to date *	<u>(2,515)</u>	(15)	<u>(2,530)</u>
Remaining ledger after further provisions/costs	<u>901</u>	<u>(575)</u>	<u>326</u>

* £12K over stated in last report due to a book debt entered twice in error.

The strategy to conclude certain projects and facilitate the transfer of client contracts under RSA arrangements as part of an orderly wind down of the LLP's business has increased the collectability of the ledger by minimising claims for breach of contract, and client disruption. To date, collections total c£2.5m.

As previously reported, the bad debt provision was £2.2m. This has increased to £2.8m. This increase primarily relates to debts that cannot be pursued due to legitimate dispute, a lack of supporting paperwork, invoicing in advance of service provision and the limitations to enforcement of debt judgements in foreign jurisdictions.

The Joint Administrators continue to pursue settlement of one remaining debtor from a foreign jurisdiction which has proved to be complex and time consuming. This has required significant legal input. The contract governing the services, the nature and location of the client and the bureaucratic process for payment has required sensitive negotiation.

We are in advanced final negotiations with this third party to facilitate payment of £1.8m which, net of related contractor payments, is estimated to realise £326k for the estate. The Joint Administrators are wholly satisfied that without payment of the related contractors (due to jurisdictional issues and the location of the contractors) the debt would not be paid.

There are strong indications that this will be resolved shortly.

Cash at Bank

We initially advised that credit balances of £116k were held in accounts with banks other than Lloyds Bank Plc. After bank charges and exchange rate differences were applied to these accounts the sum of £104,893 has been received.

4.5 Finalisation of accounts - 1 January 2017 - 31 December 2017.***Financial Accounts***

As detailed above, the Joint Administrators, assisted by BDO Forensics Services, have prepared financial accounts for the Accounting Period to 31 December 2017. This includes the individual Capital and Current Accounts of the Members.

The exercise has proved complex and time consuming as the LLP's financial accounting systems and records were held in a number of bespoke and standard accounting systems, including spreadsheets and other records.

The Capital and Current Accounts have been reconciled to the respective Member's Entitlements Letter, actual entitlements received and to banking records.

In order to validate the Joint Administrators' approach and their interpretation of financial data, an independent expert accountant will be undertaking a review of the accounts prepared.

The Financial Accounts, whilst they remain in draft, record that in the Accounting Period the LLP made a loss of c.£1.5m. The total value of losses is not directly relevant to the consideration of the liability of Members to repay Excess Advances or unpaid Capital Contributions. These are liabilities to repay amounts received (Excess Advances) or which are due to the LLP but not paid (Capital Contribution - limited to £2,500 per Member).

Absent misconduct or other breaches of the Deed or relevant Insolvency and LLP law, a Member's liability does not per se extend to a liability to contribute to the losses of the LLP.

LLP Tax Matters

As detailed in my previous report, the Joint Administrators sought assistance from BDO Tax in relation to the completion and submission of the historic LLP tax returns and also in relation to the calculation of any terminal loss relief claim ('TLR') (available following cessation of a business trade).

As these calculations are sensitive to the finalisation of the significant debtor referred to above we are not able to finalise the TLR calculation at this time. We are confident that this will be resolved shortly at which point we can update the Members in this regard.

Position of Members who had tax withheld by the LLP

Creditors will recall that a number of Members opted to receive their entitlements net of tax, that tax being withheld by the LLP for payment on their personal account to HMRC on the statutory payment dates. Members opting for tax to be withheld received a small percentage increase in their entitlements.

At the date of Administration, tax withheld by the LLP had not been paid across to HMRC on the Members' behalf, as the statutory payment dates (31 January 2018 and 31 July 2018) had not occurred. In common with a number of LLP's, monies withheld were not subject to any form of trust or other protective mechanism and had been 'mixed' with the general working capital facilities of the LLP.

On the assumption that the loss position of the LLP in the period to 31 December 2017 (Accounting Period) is correct, there would appear to be no basis for a tax charge to be levied upon the Members for entitlements received in that period prior to the date of Administration; there being no profits upon which tax could be charged.

The Joint Administrators have made clear to all Members that communications from them do not constitute legal, tax or other advice and all have been encouraged to take independent, expert advice where appropriate.

Liability for Excess Advances remains

Notwithstanding the potential extinguishment of this tax liability, the liability to repay Excess Advances actually received remains; whether or not the payment was received gross or net of tax.

Members are reminded that payments made to them in the Administration were not an appropriation of profit but a payment at the discretion of the Joint Administrators and an expense of the Administration. Consequently, tax advice is likely to be required.

4.6 Investigations

Statutory Investigations

In addition to the matters referred to in **section 4.2**, the Joint Administrators confirm that in accordance with the Company Directors Disqualification Act 1986 (as amended), the Joint Administrators submitted a report to the SOS on 11 December 2017.

All individuals holding the status of Member of the LLP are subject to this statutory reporting requirement. The report is confidential and subject to privilege.

Cooperation with the Insolvency Service

The Joint Administrators have been notified by the IS that they are undertaking enquiries into the conduct of the Members and the failure of the LLP. The Joint Administrators are complying with their duty to cooperate fully with the IS in this regard.

Cooperation is a statutory obligation. As detailed above, the size, nature and platforms on which information is held is complex. The need to preserve its integrity in anticipation of both regulatory investigation and potential litigation has increased the need for exceptional care to be taken. BDO Forensics Services have been fully consulted and engaged throughout the appointment which has impacted costs, a number of which could not have been quarantined at the date of appointment.

Notwithstanding, the Joint Administrators are confident that the additional costs incurred, whilst unavoidable, will provide a strong basis for the successful recovery of other assets (or contribution to the assets) as identified above.

Request to creditors

If any creditor holds any information which may assist us in the Administration or which they believe requires further investigation please contact the Joint Administrators at BDO LLP, 5 Temple Square, Temple Street, Liverpool, L2 5RH.

5 Creditors' Committee

The Joint Administrators have held two meetings of the Committee concerning the Administration.

The Committee comprises two corporate creditors and two Former Members of the LLP whose claims in part, it is understood, comprise claims arising from tax withheld by the LLP and not paid to HMRC.

It is possible that if, as detailed above at **section 4.5**, these unsecured claims will be extinguished. If this occurs as part of the Joint Administrators' duty to adjudicate claims, the entitlement of Former Members to act as Committee Members will fall away and they will be required to resign their position or be removed.

The Joint Administrators' are considering how to address this eventuality as the Committee will become inquorate at that point.

Future meetings and updates will be agreed between the Joint Administrators and the Committee when they are in a position to consult with them on issues arising in the Administration.

6 Extension of Administration

The Administration order for the LLP was due to automatically expire on the 12 September 2018 unless extended by approval of the creditors or the court. The request for the extension was sought in accordance with Paragraph 76 (2)(b) and 78 (1)(a) and (b) of the Insolvency Act as amended.

For the reasons detailed above and as circulated in the request to extend the period of the Administration, this has been extended by the creditors for a further 12 months to take effect from 12 September 2018. The Administration will therefore expire on 12 September 2019 unless a further extension is sought from the Court.

7 Prospects for Creditors

7.1 Secured Creditor

At the date of the Joint Administrators appointment, Lloyds Bank Plc ('the Bank') was due £6.3m in respect of term loans. At the same point in time, the LLP held c.£1.1m as a credit in accounts operated by the Bank. This sum was available for immediate set-off by the Bank, reducing the balance outstanding to £5.2m.

In order to meet the Joint Administrators' working capital requirements of implementing their strategy, the Bank permitted the use of the credit balances subject to its repayment being categorised as an expense of the Administration.

The facility was primarily used in meeting the Joint Administrators' commitments to pay the entitlements of Members retained to implement the Administration strategy, employees' wages /salary costs, property costs and IT related services prior to receipt of debtor payments and other asset realisations.

All sums advanced to the Joint Administrators have been repaid, and a distribution of £65k under the floating charge made. The Bank's claim now stands at £5.1m.

The Bank debt is secured by a composite debenture containing fixed and floating charges over the assets of the LLP. The Bank also holds the benefit of a guarantee (and related debenture) from BPSL and BPPL.

The Joint Administrators do not anticipate any significant realisation of LLP assets being subject to the fixed charge. The majority if not all assets realised will be subject to the floating charge and therefore included in the calculation of the Prescribed Part. (see section 7.4)

7.2 Preferential Creditors

Preferential claims are defined as monies owed to former employees (not Members of the LLP) in respect of arrears of wages and certain accrued holiday pay at the date of Administration.

The LLP did not have any employees, only Members - see section 4.2. The employees working in the LLP had their employment contract with Bell Pottinger (Services) Ltd. Therefore there will be no preferential claims in the LLP.

7.3 Unsecured Creditors

The Statement of Affairs prepared by the designated Members of the LLP identified unsecured creditor claims totalling c£14.5m. This included an estimated debt owed to HM Revenue and Customs ('HMRC') of £7.5m.

On 25 October 2017 HMRC confirmed that it has no claim against the LLP, thereby reducing the estimated value of creditor claims to c£7m.

To date we have received unsecured creditor claims totalling £2,286,966.

Creditor claims have not yet been adjudicated, therefore the quantum remains subject to change.

7.4 Prescribed Part

Under the provisions of Section 176A of the Insolvency Act 1986 the Joint Administrators must state the amount of funds available to unsecured creditors in respect of the Prescribed Part. This provision only applies where a Company/LLP has granted a floating charge to a creditor after 15 September 2003.

The Joint Administrators estimate that as the date of this report and after allowing for costs, the likely value of the LLP's Net Property subject to calculation of the Prescribed Part will be £770k.

This would equate to an estimated Prescribed Part distribution of approximately £157k to unsecured creditors.

This estimate does not include recovery of Excess Advances or funds received in settlement of claims arising from misconduct.

Pre Appointment Costs

The Joint Administrators' Proposals included a resolution to pay pre appointment costs as set out below:

- (i) the fees charged by the Joint Administrators;
- (ii) the expenses incurred by the Joint Administrators;
- (iii) the fees charged (to the Joint Administrators' knowledge) by any other person qualified to act as an insolvency practitioner.

The requisite approval to discharge all of the pre appointment costs was sought and approved by the Creditors' Committee.

At the start of the Period, the only remaining pre-appointment costs outstanding were expenses of the Joint Administrators totalling £3,839. These costs were payable to Infinite Global for public relations advice in relation to the proposed Joint Administrators' appointment. During the period these costs were settled as a disbursement of the Joint Administrators (see section 9).

No other pre-appointment costs remain to be drawn.

8 Joint Administrators' Remuneration

Basis on which remuneration is fixed

The Joint Administrators are obliged to fix their remuneration in accordance with Rule 18.16. This permits remuneration to be fixed either:

- as a percentage of the assets realised and distributed; and/or
- by reference to the time the Joint Administrators and their staff have spent attending to matters in the Administration; and/or
- as a set amount; and/or
- as a combination of the above.

The Joint Administrators have proposed to fix their remuneration by reference to the time the Joint Administrators and their staff have spent attending to matters in the Administration.

The Joint Administrators propose to apply a reduction to their standard charge out rates, such that the following rates (the discounted rates) will apply to this Administration and that of BPSL and BPPL.

Grade Description	Discounted Rates	
	(£)	Standard Rates (£)
Partner	278	760
Principal/Director	258	443-447
Senior Manager	228	371-475
Manager	188	181-235
Assistant Manager	167	124-161
Executive/Administrator/ Administrative Support/Other Professional	117	30-115

Prior to the commencement of litigation (should that become necessary) the Joint Administrators intend to consult with the Creditors' Committee with regards to agreeing a fee structure that aligns with the inherent risks and the potential outcome of that work. As a result the discounted rates may change.

Reporting of time costs - Appendices 2-4

In accordance with statute and Statements of Insolvency Practice, the Joint Administrators wish to provide creditors with a clear understanding of their costs, how they are calculated and how they are approved for payment.

In the first report to creditors, the Joint Administrator provided an estimate of their time costs, analysed by activity, for conducting the Administration to its termination. This totalled £751,225 at the discounted rate and was based on information available at that time.

As detailed at Appendix 2 it is apparent that the estimate will be exceeded. Current time costs incurred at the discounted rate are £801,809 and further work is anticipated in collecting Excess Advances, progressing claims for misconduct, assisting the IS and completing the debt collection exercise. The Joint Administrators are preparing a revised Fee Estimate.

The Joint Administrators are required to provide a detailed analysis of their actual time costs. This is presented at Appendix 3. BDOs systems record this at standard time costs. Consequently, in this report we have provided an analysis of our time costs at both standard and discounted time costs, the latter being the rates applicable to the calculation and drawing of our fees.

Appendix 4 details BDO LLP's policy in respect of fees and disbursements.

Analysis of time costs incurred at standard and discounted rates

Joint Administrators' Fees Estimate as at 3 November 2017 compared to Time costs accrued as at 11 September 2018.					
	Total Hours	Blended Rate £	Estimated Fee £	Time costs Discounted £	Time costs Standard £
Summary Activity					
B. Steps on Appointment	58	328	19,024	24,652.70	41,455.40
C. Planning and Strategy*	60	626	37,540	59,238.00	134,856.10
D. General Administration*	91	522	47,502	182,699.90	402,840.30
E. Assets Realisation/Dealing*	400	594	237,600	254,462.65	491,046.65
F. Trading Related Matters*	103	423	43,569	30,603.35	61,275.80
G. Employee Matters	57	406	23,142	10,288.85	20,029.10
H. Creditor Claims*	52	214	11,128	22,705.65	43,907.30
I. Reporting*	61	520	31,720	53,287.65	102,847.90
Sub total			451,225	637,938.75	1,298,258.55
Forensic Services - Investigation			300,000	163,170.90	409,388.80
Total			751,225	801,109.65	1,707,647.35

Approval of fees by the Creditors' Committee

The Creditors' Committee have approved:

- a time cost resolution authorising the Joint Administrators to draw fees on account from the balance in hand within the original fee estimate of £451,225; and
- a time cost resolution authorising the remuneration of BDO Forensic Services to be paid from the balance in hand within the original fee estimate of £300,000.

Further requests over and above this amount will only be made after a revised fee estimate has been issued to the Creditors' Committee to seek their approval.

Drawing of fees by the Joint Administrators

To date, the Joint Administrators have drawn £298,807 in respect of remuneration as shown on the enclosed Receipts and Payments account, all of which was drawn during the Period.

The following invoices have been raised during the Period and will be paid from the balance in hand:

- Joint Administrators' fees £150,000 plus VAT; and
- BDO Forensic Services fees and disbursements of £164,373.27 plus VAT.

9 Joint Administrators' Disbursements

Where disbursements are recovered in respect of precise sums expended to third parties there is no necessity for these costs to be authorised. These are known as category 1 disbursements. Category 1 disbursements of £259 have accrued in the Period.

Some Administrators recharge expenses, for example printing, photocopying and telephone costs, which cannot economically be recorded in respect of each specific case. Such expenses, which are apportioned to cases, require the approval of the creditors before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP in respect of this appointment is not to charge any category 2 disbursements with the exception of mileage on the basis of the mileage scale approved by HMRC, being 45p per mile unless otherwise disclosed to the creditors. No category 2 disbursements have accrued in the Period.

Total disbursements of £10,082 have been incurred in this Administration as detailed below:

	Cat. 1 (£)	Cat. 2 (£)	Total (£)
Bonding	200.01	-	200.01
Staff Travel & Accommodation	5,528.05	-	5,528.05
Consulting	3,839.43	-	3,839.43
Statutory Advertising	163.53	-	163.53
Storage	350.98	-	350.98
Total	10,082.00	-	10,082.00

To date, category 1 disbursements of £8,703 have been drawn, all of which were drawn during the Period as shown on the enclosed Receipts and Payments account.

10 Creditor rights and enquiries

Creditors with the concurrence of at least 5% in value of the unsecured creditors may within 21 days of this report request in writing further information regarding the remuneration and expenses set out in this report. In accordance with Rule 18.9(3) of the Rules within 14 days of a request we will provide further information or explain why further information is not being provided. Creditors may access information setting out creditors' rights in respect of the approval of Administrator's remuneration at <https://www.r3.org.uk/what-we-do/publications/professional/fees>.

Creditors with the concurrence of at least 10% of the creditors may apply to the court if they consider that the remuneration of the administrators, or the basis fixed for the remuneration of the administrator or expenses charged by the administrator are

excessive (Rule 18.34 of the Rules). Such an application must be made within 8 weeks of receiving this report. The text of Rules 18.9 and 18.34 are set out at the end of this report.

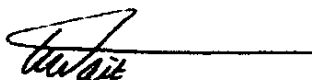
The Joint Administrators are bound by the Insolvency Code of Ethics when carrying out all professional work relating to this appointment. A copy of the code is at <http://www.icaew.com/en/members/regulations-standards-and-guidance/ethics/code-of-ethics-d>.

Creditors may access information setting out creditors' rights in respect of the approval of Joint Administrators' remuneration at <https://www.r3.org.uk/what-we-do/publications/professional/fees>.

The Insolvency Service has established a central gateway for considering complaints in respect of Insolvency Practitioners. In the event that you make a complaint to me but are not satisfied with the response from me then you should visit <https://www.gov.uk/complain-about-insolvency-practitioner> where you will find further information on how you may pursue the complaint.

If you require any further information, please contact me or my colleague David Forster at BRCMT@bdo.co.uk.

Yours faithfully
For and on behalf of
Bell Pottinger LLP



William Matthew Humphries Tait
Joint Administrator

William Matthew Humphries Tait, Colin Michael Trevethyn Haig and Malcom Cohen were appointed Joint Administrators of the LLP on 12 September 2017. The Joint Administrators are all authorised to act as Insolvency Practitioners in the UK by the Institute of Chartered Accountants in England and Wales in the UK. The Joint Administrators act as agents of the LLP and contract without personal liability.

Enclosed:

Appendix 1 Receipts and Payments Account
Appendix 2 Fees Estimate to Accrued Time Comparison
Appendix 3 Detailed Time Costs for the Administration
Appendix 4 BDO LLP policy in respect of Fees and Disbursements.
Appendix 5 Statement of Creditors' Rights in respect of Fees and Disbursements

Summary of Receipts and Payments

Please see below a summary of my receipts and payments, to the extent that they have not been referred to previously in this report. Enclosed is my receipts and payments account to 11 September 2018, showing a balance in hand of £920,647.53 and I report as follows:

Receipts

The Receipts for the Period are largely self-explanatory, although I would comment specifically on:

Book Debts

A total of £15,000 was received in respect of book debts.

Interest Gross

£1,896 was received in respect of interest accrued on bank deposits.

Sundry Refunds

£793 was received in respect of sundry refunds.

Payments

The Payments for the Period are largely self-explanatory, although I would comment specifically on:

Trading Expenses***Partner/Employee Costs and Wages and salaries (now referred to as Member/Employee)***

The following costs were paid:

- £8,837 partner/employee costs representing retention costs for the remaining Member.
- £76,120 paid to Members in accordance with their retention agreements.

Telephony

£501 was paid to Daisy Corporate Services Trading Ltd representing retention costs for the remaining Member.

IT Costs

A total of £84,546 was paid in respect of costs incurred to continue accessing and interrogation of the IT systems and other digital records.

Insurance

£12,311 was paid to Aon UK Ltd.

Costs of Realisation***Exchange Rate Difference***

£2,819 was paid to Barclays Bank plc in respect of exchange rate differences upon the conversion of bank balances held to sterling.

Debt Collection Costs

The following costs were paid in relation to the recovery of debts due to the LLP:

- £6,595 Accomco Ltd and
- £18,828 Pitmans LLP.

HMRC Interest Payable

£49 was paid to HM Revenue and Customs in respect of interest payable.

Storage Costs

The following costs were paid:

- £3,432 Total Data Management Ltd and
- £1,590 Secure Data Management Ltd.

Rents Payable

£1,214 was paid to Colliers International in respect of utility charges for the period of occupation at the Holborn Gate premises.

Bank Charges

Bank charges of £95 were paid to the Bank of Scotland.

Professional Fees and other expenses in the Administration

I additionally provide a summary of the professional fees and other expenses, which have been paid in the Period, the costs which have been accrued and not yet paid, and the costs that are anticipated.

Professional Fees and other expenses	Accrued £	Paid £	Anticipated £
Stephenson Harwood LLP - Legal fees and disbursements	71,172	64,538	6,654
Carbon Law Partners - Legal fees and disbursements	30,787	23,737	7,050
Trading costs and other expenses	216,938	216,938	113,000
Total	318,897	305,213	126,704

Legal Fees

Legal fees of £82,400 have been paid as follows:

- Stephenson Harwood LLP in respect of legal advice relating to various issues arising during the Administration e.g. asset realisations, SOS investigation etc.
- Carbon Law Partners in respect of legal action relating to debtors.
- Trading costs and other expenses - initially these costs were referred to as Trading costs in the original Fees & Expenses estimate as we were involved in a controlled wind down of the business.

These costs are essential to the strategy that the Joint Administrators have adopted since their appointment and relate to storage of books and records, employee and Members retainers, debt collection costs, bank charges, IT and preservation of data etc.

These are in excess of the original Fees & Expenses estimate provided by the Joint Administrators but due to the complexity of matters arising in the Administration, it has been necessary to incur these costs.

The Joint Administrators anticipate that there will be future legal costs and disbursements linked to the investigation and other matters that are currently being dealt with. Owing to the nature of the investigations, it is difficult to estimate future legal costs at this stage. The Joint Administrators will provide an estimate of costs as soon as possible in the relevant report to creditors.

**Bell Pottinger LLP
(In Administration)
Joint Administrators' Trading Account**

Statement of Affairs £	From 12/03/2018 To 11/09/2018 £	From 12/09/2017 To 11/09/2018 £
TRADING EXPENSES		
Partner / Employee Costs	8,837.45	64,264.01
Wages and salaries	76,120.40	676,649.77
PAYE/NIC	NIL	115,703.79
Telephony	500.77	32,543.81
PR Services	NIL	17,437.50
Sundry Costs	NIL	741.82
IT	84,546.46	229,270.29
Bell Pottinger Bahrain S.P.C-funding	NIL	50,696.99
Security & Cleaning Costs	NIL	3,308.00
Finance & Leasing	NIL	969.06
Professional Fees	NIL	2,100.00
Stationery and Postage	NIL	490.00
Insurance	12,310.80	95,002.46
Bank Charges & Interest	NIL	2,132.04
	(182,315.88)	(1,291,309.54)
TRADING SURPLUS/(DEFICIT)	(182,315.88)	(1,291,309.54)

Bell Pottinger LLP
(In Administration)
Joint Administrators' Summary of Receipts & Payments

Statement of Affairs £	From 12/03/2018 To 11/09/2018 £	From 12/09/2017 To 11/09/2018 £
	FIXED CHARGE ASSETS	
Uncertain	Goodwill	NIL
	Revenue Service Agreements	NIL
		NIL
	FIXED CHARGE CREDITORS	
(6,241,000.00)	Lloyds Banking (net of cash)	NIL
		NIL
	ASSET REALISATIONS	
1,062,000.00	Intercompany Receivables	NIL
	Fixtures & Fittings	14,121.27
NIL	Sundry Debtors	NIL
6,180,000.00	Book debts	2,530,486.39
116,000.00	Cash at Bank	104,893.42
	Revenue Share Agreements	405,889.68
Uncertain	Accrued Income	NIL
	Interest Gross	4,406.46
	Bank Interest Net of Tax	NIL
	Sundry Refunds	8,456.29
	Trading Surplus/(Deficit)	(1,291,309.54)
	Group Life Receipts	19,873.45
	EDB - Bahrain Recharges	225,355.99
		2,022,173.41
	COST OF REALISATIONS	
	Exchange rate difference	7,107.63
	Administrators' Fees	298,807.52
	Administrators' Disbursements	8,703.08
	Debt Collection costs	115,804.20
	Pre appt Agents' Fees & Disbs	5,000.00
	Pre appt Legal Fees & Disbs	17,679.46
	HMRC interest payable	48.60
	Costs re; Creditors meeting room	398.75
	EDB Reimbursement/ Expenses	111,514.25
	Irrecoverable VAT	79.75
	Storage Costs	8,068.27
	Rents and utility charges payable	139,417.97
	Staff Bonus Payments	70,588.58
	Bank Charges	190.45
	Agents' Fees & Disbs	7,769.70
	Legal Fees & Disbs	243,091.43
		(1,034,269.64)
	FLOATING CHARGE CREDTS	
	Floating Charge Holders	65,041.70
		(65,041.70)
	UNSECURED CREDITORS	
(2,839,000.00)	Intercompany Payables	NIL
(7,454,000.00)	HM Revenue & Customs	NIL
(3,515,000.00)	Accruals & Deferred Income	NIL
(753,000.00)	Partners Tax Withholdings and Pension	NIL
(1,000.00)	Other Creditors	NIL
		NIL
(13,445,000.00)		922,862.07
	REPRESENTED BY	

Bell Pottinger LLP
(In Administration)
Joint Administrators' Summary of Receipts & Payments

Statement of Affairs £	From 12/03/2018 To 11/09/2018 £	From 12/09/2017 To 11/09/2018 £
REPRESENTED BY CONTINUED		
Input VAT		198,195.38
BOS - Administration A/C		919,820.16
Barclays: Pre Appointment A/C (BHD)		827.37
Output VAT		(50,943.50)
Vat Control Account		(145,037.34)
		922,862.07

Bell Pottinger LLP - In Administration **Fees Estimate to Accrued Time Comparison**

Below is the original Fees Estimate annotated with a column showing the accrued time costs in respect of each activity.

Joint Administrators' Fees
Estimate as at 3 November 2017
compared to Time costs accrued
as at 11 September 2018.

	Total Hours	Blended Rate £	Estimated Fee £	Time costs Discounted £	Time costs Standard £
Summary Activity					
B. Steps on Appointment	58	328	19,024	24,652.70	41,455.40
C. Planning and Strategy*	60	626	37,540	59,238.00	134,856.10
D. General Administration*	91	522	47,502	182,699.90	402,840.30
E. Assets Realisation/Dealing*	400	594	237,600	254,462.65	491,046.65
F. Trading Related Matters*	103	423	43,569	30,603.35	61,275.80
G. Employee Matters	57	406	23,142	10,288.85	20,029.10
H. Creditor Claims*	52	214	11,128	22,705.65	43,907.30
I. Reporting*	61	520	31,720	53,287.65	102,847.90
Sub total			451,225	637,938.75	1,298,258.55
Forensic Services - Investigation			300,000	163,170.90	409,388.80
Total			751,225	801,109.65	1,707,647.35

The Joint Administrators have reviewed the above Fees Estimate and make the following observations concerning the estimates versus accrued time costs where there is a substantial variance:

- With regard to all the activities, a full analysis of the costs can be found at Appendix 2. The proposals and the reports to creditors try to summarise the key areas that the Joint Administrators have been dealing with since their appointment.
- Some of the costs that fall under categories are mainly associated with the statutory aspects of the Administration and are therefore required by statute and by their nature do not add value but are a necessary aspect of the insolvency.
- Assets Realisation/Dealing - the previous estimate of £237,600 excluded the costs of debt collection and this was an omission in the proposals. This has now been rectified and accounts for the difference between the accrued fee and the Estimated Fee. A full analysis of the time incurred under this heading can be found at Appendix 2. These costs have added value to the debt collections to date of £2.5m with future recoveries estimated at £326k. (see section 4.4).
- Investigations referred to in sections 4.2 and 4.6. This area is a combination of work undertaken in accordance with statute as well as identifying areas that could generate potential recoveries for the benefit of the creditors as a whole. These costs fall within category D.

The Joint Administrators have been supported by BDO Forensic Services in fulfilling their statutory obligations in the Administration. The specialist work undertaken by them assisting the Joint Administrators includes:

- Onsite support in securing all data in electronic and hard copy format;
- Managing and overseeing the extraction of data pertaining to the overseas subsidiaries;
- Reviewing relevant insurance policies;
- Liaising with and meeting with the engaged legal advisors;
- Investigations as referred to in sections 4.2 and 4.6 of the report.

As previously reported in the proposals that were circulated to all relevant parties, the time costs incurred by the Joint Administrators and their staff during the Period can be attributed to the following:

- Immediate review of the LLP's /Group's affairs with particular regard to both the financial and resource requirements of the businesses;
- A controlled wind down of the Partnership/Group operations to support the overall strategy to support/finalise existing engagements, to implement and support stabilisation plans for the overseas subsidiaries and to implement an orderly transfer of projects to protect the debtors ledger and maximise realisations;
- Attendance on site.
- Meetings with staff/partners and management following the appointment;
- Partner redundancy and retention programme;
- Consulting and reporting to the secured creditor at all times concerning strategy and subsequent implementation.
- Instructing agents Gordon Brothers to value and dispose of the unencumbered chattel assets;
- Securing access and control of the hard and soft copy data/books/records of the Group;
- Gathering all financial information;
- Identifying and securing support of the existing suppliers by way of undertaking to pay for ongoing services during the wind down Period;
- Creditor and Member enquiries;
- Book and other debtor realisation (including impact of subsidiary realisation strategies);
- Tax matters including finalisation of Period end accounts for purposes of calculating Terminal Loss Relief;
- Insurances;
- Negotiating Revenue Share Agreements with Members and monitoring the collection of income;
- Press and Media enquiries;
- Litigation review and responses to inbound litigation notification;
- Investigations into the financial affairs of the LLP and the office holders;
- Internal management meetings and process control;
- Liaising with the engaged legal advisors in relation to matters arising in the Administration;
- Dealing with all statutory duties to include appointment related tasks, preparation of the proposals, reporting on the conduct of the Members, maintaining all statutory records etc.

The Creditors' Committee have approved a time costs resolution authorising the Joint Administrators to draw fees on account from the balance in hand within the fee estimate of £451,225.

Further requests over and above this amount will only be made after a revised fee estimate has been issued to the Creditors' Committee to seek their approval. This is currently in progress.

It has been necessary to utilise substantial senior time due to the complex issues arising in the Administration which are covered in this report and as outlined in the proposals and previous progress reports.

Bell Pottinger LLP - In Administration

Detailed Time Charged and Rates Applicable for the Period From 12 March 2018 to 11 September 2018 (Reporting Period)

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR EXECUTIVE		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AVERAGE RATE	
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	£	£
B. Steps on Appointment																
99 Other Matters			1.25	312.50									1.25	312.50		
B. Sub Total			1.25	312.50									1.25	312.50		250.00
C Planning and Strategy																
01 Historic Performance Review			11.50	4,749.50									11.50	4,749.50		
02 Review Financial Position									0.50	103.50			0.50	103.50		
05 Review Options Available	13.50	8,505.00	7.00	2,681.00									13.50	8,505.00		
07 Strategy Planning			18.50	7,430.50					0.50	103.50			7.00	2,681.00		
C. Sub Total	13.50	8,505.00	18.50	7,430.50					0.50	103.50			32.50	16,039.00		493.51
D. General Administration																
01 Insurance Matters			1.35	562.85									1.35	562.85		
02 VAT			13.75	5,596.25									13.75	5,596.25		
03 Taxation	54.00	50,548.50	27.95	11,409.95					2.75	354.00			84.70	62,312.45		
04 Instruct/Liase Solicitors	11.50	8,569.00	9.00	3,547.00									20.50	12,116.00		
05 Investigations	5.00	3,150.00	87.20	45,148.10			31.35	13,313.80	23.75	7,064.00			147.30	68,675.90		
06 Conduct Reports			23.90	9,315.75			16.40	2,046.65	33.20	2,867.45	1.15	95.75	22.90	9,315.75		
07 Receipts/Payments Accounts			31.80	11,784.55	4.30	518.30							86.85	17,332.20		
09 Statutory Matters			10.20	3,531.50	2.00	254.00	1.80	214.20					14.00	3,999.70		
10 Contractual Matters																
14 General Discussions			1.00	445.00									1.00	445.00		
15 Gen. Admin. Correspondence			23.45	10,283.85			2.20	259.85	10.20	1,814.85	6.00	553.50	53.35	19,668.85		
99 Other Matters	11.50	6,956.80			0.25	31.75							0.25	31.75		
D. Sub Total	82.00	69,224.30	228.60	101,624.80	6.55	824.05	51.75	15,834.50	69.90	11,900.30	7.15	648.75	445.95	200,056.70		448.61
E. Assets Realisation / Dealing																
03 Asset Tracing			1.00	487.00									1.00	487.00		
07 Debt Collection	4.00	2,552.00	46.15	19,581.65					3.50	712.00			53.65	22,845.65		
09 Dealing with Other Assets	1.00	630.00	14.00	5,756.00					26.50	5,696.00			41.50	12,082.00		
14 Sale of Business/Assets			1.50	724.50									1.50	724.50		
99 Other Matters	5.75	3,714.50	5.50	2,338.00									11.25	6,052.50		
E. Sub Total	10.75	6,894.50	68.15	28,887.15					30.00	6,408.00			108.90	42,191.65		387.43
G. Employee Matters																
04 Pension Issues			0.50	100.00									0.50	100.00		
99 Other Matters			28.45	11,317.95									28.45	11,317.95		
G. Sub Total			28.95	11,417.95									28.95	11,417.95		394.40
H. Creditor Claims																
02 Secured Creditor			3.00	1,219.00									3.00	1,219.00		
04 Non-preferential Creditors			1.45	584.35					0.80	53.60			2.35	650.65		
99 Other Matters					0.10	12.70							0.20	25.40		
H. Sub Total			4.45	1,803.35	0.30	38.10			0.80	53.60			5.55	1,895.05		341.45
I. Reporting																
01 Statutory Reporting			63.65	22,369.50			2.75	322.30	29.90	2,151.60			96.30	24,845.40		

[illegible]

Net Total	730.75	302,337.25	413.74
Grand Total		£ 302,337.25	

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR EXECUTIVE		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AVERAGE RATE
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	£
B. Steps on Appointment															
02 Statutory Documentation			10.80	3,974.00			26.30	3,050.80					37.10	7,024.80	
04 Meet Directors/Debtors			4.00	1,744.00									4.00	1,744.00	
07 Attendance at Premises			47.50	20,398.25					3.00	747.00			50.50	21,145.25	
09 Preparation of Proposals			9.00	1,993.60					26.75	1,792.25			35.75	3,785.85	
99 Other Matters	9.00	7,443.00	1.25	312.50									10.25	7,755.50	
B. Sub Total	9.00	7,443.00	71.55	28,422.35			26.30	3,050.80	29.75	2,539.25			137.60	41,455.40	301.27
C Planning and Strategy															
01 Historic Performance Review			11.50	4,749.50									11.50	4,749.50	
02 Review Financial Position	97.50	61,425.00							0.50	103.50			98.00	61,528.50	
05 Review Options Available	66.75	42,052.50											66.75	42,052.50	
06 Meet Appointor/Committees			1.40	280.00			1.60	185.60					3.00	465.60	
07 Strategic Planning	26.50	19,638.50	12.00	4,745.50									38.50	24,384.00	
99 Other Matters			4.00	1,678.00									4.00	1,678.00	
C. Sub Total	190.75	123,114.00	28.90	11,453.00			1.60	185.60	0.50	103.50			221.75	134,856.10	608.14
D. General Administration															
01 Insurance Matters			28.70	12,348.35									28.70	12,348.35	
02 VAT			16.00	6,503.00									16.00	6,503.00	
03 Taxation	102.50	94,602.75	61.20	25,050.80					6.50	1,010.25			170.20	120,663.80	
04 Instruct/Lose Solicitors	11.50	8,569.00	10.50	4,151.50									22.00	12,720.50	
05 Investigations	5.00	3,150.00	142.70	73,014.60			31.35	13,313.80	27.25	7,392.50			206.30	96,870.90	
06 Conduct Reports			23.15	9,416.50									23.15	9,416.50	
07 Receipts/Payments Accounts			103.10	37,121.15			39.90	4,960.65	77.20	7,959.10	5.25	369.95	243.40	52,677.75	
08 Remuneration Issues	0.10	48.40	6.70	2,819.70									6.70	2,819.70	
09 Statutory Matters			58.85	24,834.25			1.80	214.20	2.85	190.95	0.20	27.40	65.90	25,545.60	
10 Contractual Matters															
13 General Meetings	1.00	827.00	0.75	192.75					4.00	949.00			5.75	1,968.75	
14 General Discussions	6.50	4,859.50											7.50	5,304.50	
15 Gen. Admin/Correspondence	43.65	30,042.30	46.10	19,379.10			5.80	677.45	28.90	4,721.25	6.80	673.10	131.25	55,443.20	
16 Maintain Internal Files			0.50	185.50									0.50	185.50	
99 Other Matters			1.00	328.00									1.35	372.15	
D. Sub Total	170.25	142,098.95	500.25	215,790.30	0.35	44.15	78.85	19,146.10	146.70	22,233.05	12.25	1,020.45	928.70	402,840.30	433.77
E. Assets Realisation / Dealing															
03 Asset Tracing			1.00	487.00									1.00	487.00	
04 Agents Instruction/Leasing			0.50	201.50									0.50	201.50	
06 Property Related Matters			3.25	1,367.50									3.25	1,367.50	
07 Debt Collection	47.50	29,957.00	551.85	240,019.90			0.05	5.80	3.50	712.00			603.40	270,753.70	
08 Dealing with Charitel Assets			3.25	1,417.00									3.25	1,417.00	
09 Dealing with Other Assets	84.25	53,077.50	108.50	46,958.00					38.50	8,684.00			231.25	108,719.50	
10 HP/Leasing Matters			3.00	1,308.00									3.00	1,308.00	
14 Sale of Business Assets	80.00	59,280.00	69.50	31,165.50					11.55	2,875.95			161.05	93,321.45	
99 Other Matters	5.75	3,714.50	20.00	9,009.50					3.00	747.00			28.75	13,471.00	
E. Sub Total	217.50	146,029.00	760.85	331,933.90	0.20	59.00	0.05	5.80	56.55	13,018.95			1,035.15	491,046.65	474.37

Bell Pottinger LLP - In Administration
BDO LLP policy in respect of Fees and Disbursements

Bell Pottinger LLP - In Administration

In accordance with best practice I provide below details of policies of BDO LLP in respect of fees and expenses for work in relation to the above insolvency.

The current charge out rates per hour of staff within my firm who may be involved in working on the insolvency, follows:

GRADE	£ Standard Rate	£ Discounted Rate
Partner	760	278
Principal/Director	443-447	258
Senior Manager	371-475	228
Manager	181-235	188
Assistant Manager		167
Senior Administrator	283-302	117
Administrator	105-255	117
Other Staff	105	117

This in no way implies that staff at all such grades will work on the case. The rates charged by BDO LLP are reviewed in December and July each year and are adjusted to take account of inflation and the firm's overheads.

Time spent on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time. Units of time can be as small as 3 minutes. BDO LLP records work in respect of insolvency work under the following categories:-

- Pre Appointment
- Steps upon Appointment
- Planning and Strategy
- General Administration
- Asset Realisation/Management
- Trading Related Matters
- Employee Matters
- Creditor Claims
- Reporting
- Distribution and Closure
- Other Issues

Under each of the above categories the work is recorded in greater detail in sub categories. Please note that the 11 categories provide greater detail than the six categories recommended by the Recognised Professional Bodies who are responsible for licensing and monitoring insolvency practitioners.

Where an officeholder's remuneration is approved on a time cost basis the time invoiced to the case will be subject to VAT at the prevailing rate.

Where remuneration has been approved on a time costs basis a periodic report will be provided to any committee appointed by the creditors or in the absence of a committee to the creditors. The report will provide a breakdown of the remuneration drawn and will enable the recipients to see the average rates of such costs.

1) Other Costs

Where expenses are incurred in respect of the insolvent estate they will be recharged. Such expenses can be divided into two categories.

2) Category 1

This heading covers expenses where BDO LLP has met a specific cost in respect of the insolvent estate where payment has been made to a third party. Such expenses may include items such as advertising, couriers, travel (by public transport), land registry searches, fees in respect of swearing legal documents etc. In each case the recharge will be reimbursement of a specific expense incurred.

3) Category 2

We propose to recover from the estate the cost of travel where staff use either their own vehicles or company cars in travelling connected with the insolvency. In these cases a charge of 45p per mile is raised which is in line with the HM Revenue & Customs Approved Mileage Rates (median - less than 10,000 miles per annum) which is the amount the firm pays to staff. Where costs are incurred in respect of mileage, approval will be sought in accordance with the Insolvency (England and Wales) Rules 2016 to recover this disbursement.

Where applicable, all disbursements will be subject to VAT at the prevailing rate.

BDO LLP
10 October 2018

Bell Pottinger LLP - In Administration
Statement of Creditors' Rights in respect of Fees and Disbursements

Statement from the Insolvency (England and Wales) Rules 2016 regarding the rights of creditors in respect of the Joint Administrators' fees and expenses:

Creditors' and members' requests for further information in administration, winding up and bankruptcy

18.9.—(1) The following may make a written request to the office-holder for further information about remuneration or expenses (other than pre-administration costs in an administration) set out in a progress report under rule 18.4(1)(b), (c) or (d) or a final report under rule 18.14—

- (a) a secured creditor;
- (b) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question);
- (c) members of the company in a members' voluntary winding up with at least 5% of the total voting rights of all the members having the right to vote at general meetings of the company;
- (d) any unsecured creditor with the permission of the court; or
- (e) any member of the company in a members' voluntary winding up with the permission of the court.

(2) A request, or an application to the court for permission, by such a person or persons must be made or filed with the court (as applicable) within 21 days of receipt of the report by the person, or by the last of them in the case of an application by more than one member or creditor.

(3) The office-holder must, within 14 days of receipt of such a request respond to the person or persons who requested the information by—

- (a) providing all of the information requested;
- (b) providing some of the information requested; or
- (c) declining to provide the information requested.

(4) The office-holder may respond by providing only some of the information requested or decline to provide the information if—

- (a) the time or cost of preparation of the information would be excessive; or
- (b) disclosure of the information would be prejudicial to the conduct of the proceedings;
- (c) disclosure of the information might reasonably be expected to lead to violence against any person; or
- (d) the office-holder is subject to an obligation of confidentiality in relation to the information.

(5) An office-holder who does not provide all the information or declines to provide the information must inform the person or persons who requested the information of the reasons for so doing.

(6) A creditor, and a member of the company in a members' voluntary winding up, who need not be the same as the creditor or members who requested the information, may apply to the court within 21 days of—

- (a) the office-holder giving reasons for not providing all of the information requested; or
- (b) the expiry of the 14 days within which an office-holder must respond to a request.

(7) The court may make such order as it thinks just on an application under paragraph (6).

Remuneration and expenses: application to court by a creditor or member on grounds that remuneration or expenses are excessive

18.34.—(1) This rule applies to an application in an administration, a winding-up or a bankruptcy made by a person mentioned in paragraph (2) on the grounds that—

- (a) the remuneration charged by the office-holder is in all the circumstances excessive;
 - (b) the basis fixed for the office-holder's remuneration under rules 18.16, 18.18, 18.19, 18.20 and 18.21 (as applicable) is inappropriate; or
 - (c) the expenses incurred by the office-holder are in all the circumstances excessive.
- (2) The following may make such an application for one or more of the orders set out in rule 18.36 or 18.37 as applicable—
- (a) a secured creditor,
 - (b) an unsecured creditor with either—
 - (i) the concurrence of at least 10% in value of the unsecured creditors (including that creditor), or
 - (ii) the permission of the court, or
 - (c) in a members' voluntary winding up—
 - (i) members of the company with at least 10% of the total voting rights of all the members having the right to vote at general meetings of the company, or
 - (ii) a member of the company with the permission of the court.
- (3) The application by a creditor or member must be made no later than eight weeks after receipt by the applicant of the progress report under rule 18.3, or final report or account under rule 18.14 which first reports the charging of the remuneration or the incurring of the expenses in question ('the relevant report').

Applications under rules 18.34 and 18.35 where the court has given permission for the application

18.36.—(1) This rule applies to applications made with permission under rules 18.34 and 18.35.

- (2) Where the court has given permission, it must fix a venue for the application to be heard.
- (3) The applicant must, at least 14 days before the hearing, deliver to the office-holder a notice stating the venue and accompanied by a copy of the application and of any evidence on which the applicant intends to rely.
- (4) If the court considers the application to be well-founded, it must make one or more of the following orders—
- (a) an order reducing the amount of remuneration which the office-holder is entitled to charge;
 - (b) an order reducing any fixed rate or amount;
 - (c) an order changing the basis of remuneration;
 - (d) an order that some or all of the remuneration or expenses in question is not to be treated as expenses of the administration, winding up or bankruptcy;
 - (e) an order for the payment of the amount of the excess of remuneration or expenses or such part of the excess as the court may specify by —
 - (i) the administrator or liquidator or the administrator's or liquidator's personal representative to the company, or
 - (ii) the trustee or the trustee's personal representative to such person as the court may specify as property comprised in the bankrupt's estate;
 - (f) any other order that it thinks just.
- (5) An order under paragraph (4)(b) or (c) may only be made in respect of periods after the period covered by the relevant report.
- (6) Unless the court orders otherwise the costs of the application must be paid by the applicant, and are not payable as an expense of the administration, winding up or bankruptcy.

Applications under rule 18.34 where the court's permission is not required for the application

18.37.—(1) On receipt of an application under rule 18.34 for which the court's permission is not required, the court may, if it is satisfied that no sufficient cause is shown for the application, dismiss it without giving notice to any party other than the applicant.

(2) Unless the application is dismissed, the court must fix a venue for it to be heard.

(3) The applicant must, at least 14 days before any hearing, deliver to the office-holder a notice stating the venue with a copy of the application and of any evidence on which the applicant intends to rely.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

(a) an order reducing the amount of remuneration which the office-holder is entitled to charge;

(b) an order reducing any fixed rate or amount;

(c) an order changing the basis of remuneration;

(d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration or winding up or bankruptcy;

(e) an order for the payment of the amount of the excess of remuneration or expenses or such part of the excess as the court may specify by —

(i) the administrator or liquidator or the administrator's or liquidator's personal representative to the company, or

(ii) the trustee or the trustee's personal representative to such person as the court may specify as property comprised in the bankrupt's estate;

(f) any other order that it thinks just.

(5) An order under paragraph (4)(b) or (c) may only be made in respect of periods after the period covered by the relevant report.

(6) Unless the court orders otherwise the costs of the application must be paid by the applicant, and are not payable as an expense of the administration or as winding up or bankruptcy.