

Liquidator's Progress Report

S.192

Pursuant to Sections 92A and 104A and 192 of the Insolvency Act 1986

To the Registrar of Companies

Company Number

00083508

Name of Company

Forestdale Hotels Limited

I / We

Christopher Kim Rayment, Two Snowhill, Birmingham, B4 6GA

Shay Bannon, Two Snowhill, Birmingham, B4 6GA

the liquidator(s) of the company attach a copy of my/our Progress Report under section 192 of the Insolvency Act 1986

The Progress Report covers the period from 06/03/2015 to 05/03/2016

Signed _____

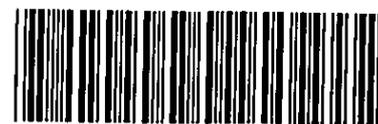
Date

29 / 4 / '16

BDO LLP
Two Snowhill
Birmingham
B4 6GA

Ref 00251044/CKR/JJB/CAP/AC/RH

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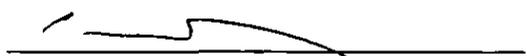
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COMPANIES HOUSE

**Forestdale Hotels Limited
(In Liquidation)
Joint Liquidators' Abstract of Receipts & Payments**

Statement of Affairs	From 06/03/2015 To 05/03/2016
FIXED CHARGE ASSETS	
Bank Interest	16 08
	<u>16 08</u>
FIXED CHARGE COSTS	
Legal Fees (1)	21,302 50
Legal Fees (2)	1,687 35
	<u>(22,989 85)</u>
ASSET REALISATIONS	
Bank Interest Net of Tax	211 71
Sundry Refunds	725 64
Transfer from Administration	318,821 17
	<u>319,758 52</u>
COST OF REALISATIONS	
Joint Administrators Fees	72,172 73
Legal Fees (1)	7,963 75
Stationery & Postage	1,281 34
Storage Costs	2,458 20
Statutory Advertising	153 44
Insurance of Assets	1,148 38
Bank Charges	3 00
	<u>(85,180 84)</u>
	<u><u>211,603.91</u></u>
REPRESENTED BY	
Vat Input	10,574 65
Bank 1 Current	105,890 99
Bank 2 Current	102,542 27
Vat Control Account	(7,404 00)
	<u>211,603 91</u>


 Christopher Kim Rayment
 Joint Liquidator

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TWO SNOWHILL
Birmingham
B4 6GA
UNITED KINGDOM

To all Members and Creditors

25 April 2016

Your Ref
Our Ref 012576/CAP/Document2/A6

Please ask for
Carl Pykett
0121 352 6205

Dear Sirs

Forestdale Hotels Limited ("FHL") - Registered number: 00083508
Ardley House Hotel Limited ("AHL") - Registered number: 03089942
Zoffany Hotels Limited ("ZHL") - Registered number: 02734955
- All in Creditors' Voluntary Liquidation ("together the Companies")
Registered Address: Two Snowhill, Birmingham, B4 6GA

Joint Liquidators: Christopher Kim Rayment and Shay Bannon
Joint Liquidators' Address: Two Snowhill, Birmingham, B4 6GA
Date of Appointment: 6 March 2015

I provide this annual progress report for the period 6 March 2015 to 5 March 2016 in accordance with Section 104A of the Insolvency Act 1986 and Rule 4.49C of the Insolvency Rules 1986.

FHL - Progress of the liquidation

I enclose a Receipts and Payments account detailing all transactions since my appointment which shows a balance in hand of £208,433.26

Receipts

The sum of £318,821.17 was transferred from the Administration which represented the funds held by the Joint Administrators at the cessation of their appointment.

The only other receipts in the reporting period relate to a refund from a supplier of gas and bank interest on funds held.

Payments

The payments principally relate to the ongoing costs of the Liquidation including storage costs for the FHL's books and records, the cost of sending the previous report to creditors and statutory advertising

There are three costs that have been paid that relate to the Administration period, namely the insurance of assets, legal fees and Joint Administrators' remuneration

Assets remaining to be realised

The only known outstanding asset is a disputed debt in respect of the purchase of a portion of land by an individual prior to the date of this Administration

Attempts to recover this debt are continuing but the outcome remains uncertain. It is hoped that this matter will be resolved in the next six months in order to allow for a distribution to be made to unsecured creditors and the Liquidation closed

AHHL - Progress of the liquidation

I enclose a Receipts and Payments account detailing all transactions since my appointment which shows a balance in hand of £27,971.97

Receipts

The sum of £28,098.30 was transferred from the Administration which represented the funds held by the Joint Administrators at the cessation of their appointment. These funds represent fixed charge realisations during the Administration

The only other receipts in the reporting period relate to bank interest on the funds held by the Liquidators

Payments

The only payment relates to statutory advertising of the appointment of the Liquidators

Assets remaining to be realised

The only known outstanding asset is a distribution from FHL which is currently estimated at £13k. Once all matters are resolved in the Liquidation of FHL a distribution will be made to all creditors, including AHHL

ZHL - Progress of the liquidation

I enclose a Receipts and Payments account detailing all transactions since my appointment which shows a balance in hand of £127,937.28.

Receipts

The sum of £128,147.18 was transferred from the Administration which represented the funds held by the Joint Administrators at the cessation of their appointment. These funds reflect fixed charge realisations during the Administration and a rates refund that I currently believe should have been made to FHL but was paid to ZHL in error. I continue my investigations into this matter

The only other receipts in the reporting period relate to bank interest on the funds held by the Liquidators

Payments

The only payments relate to statutory advertising of the appointment of the Liquidators and legal fees of £187.50 relating to costs incurred in the Administration

Assets remaining to be realised

The only known outstanding asset is a distribution from FHL which is currently estimated at £55k. Once all matters are resolved in the Liquidation of FHL a distribution will be made to all creditors, including ZHL

Future Prospects - FHL, AHHL and ZHLSecured Creditors

St James's Hotel Financing Limited whose registered office is at 7th Floor, 25 St James's Street, London, United Kingdom, SW1A 1HA ("the Senior Lender"), holds the benefit of a debenture conferring fixed and floating charges over the whole of the Companies. This charge was created on 22 December 2010 and registered on 29 December 2010.

The amount due to the Senior Lender at the date of administration was some £25.6m and the nature of the Senior Lender's securities enables it to claim its full indebtedness against all and any of the Companies.

Based on current information, I anticipate that the Senior Lender will recover some £22.3m from the Forestdale Group (of which the Companies were members) under its respective fixed charge securities and a further £0.6m under its respective floating charge securities.

The Senior Lender has received a fixed charged distribution of £11,605,335.00 from the sale of FHL's freehold properties to St James's Hotel Properties Limited ("JHPL"). It is estimated that the Senior Lender will receive c£600k under its floating charge security.

An individual, Mr R E Collins ("Mr Collins"), also has the benefit of fixed and floating charge debentures over the Company, ranking behind the Senior Lender. Mr Collins' indebtedness is c£7.2m which relates to deferred consideration in respect of a sale in 2010 and the nature of Mr Collins' security enables him to claim his full indebtedness against all and any of the Companies.

Preferential Creditors

As a result of the sale to JHPL, all employees transferred to JHPL in accordance with TUPE Regulations, thereby mitigating significant employee claims and securing in excess of 550 jobs.

No preferential creditor claims have been received.

Prescribed Part and Unsecured Creditors

Under the provisions of Section 176A of the Insolvency Act 1986, I must state the amount of funds available to unsecured creditors in respect of the prescribed part. This provision only applies where a company has granted a floating charge to a creditor after 15 September 2003.

A summary of the estimated Prescribed Part position for each company is summarised below.

Company	Estimated Prescribed Part (£)	Estimated return to creditors
FHL	166,000	Less than 1p in £
AHHL	0	0p in £
ZHL	9,000	Less than 1p in £

The actual level of the Prescribed Part will be dependent upon the costs of the Liquidation and level of claims received.

It is my understanding that the majority of suppliers contracted with FHL, therefore, other than HMRC, creditor claims will be against FHL. If any creditor disagrees with our understanding can they please notify me and providing supporting documentation to evidence their position.

The Company were part of a VAT group registration. As a result, HM Revenue & Customs ("HMRC") will be able to apply its claims for VAT arrears against all and any of the Companies within the VAT group.

As advised in my previous report, based on current information, there appears to be no prospect of a recovery to Mr Collins under the terms of his security over the Companies. In the circumstances, Mr Collins may decide to waive his security and participate in the anticipated prescribed part distributions to unsecured creditors in the liquidations of the Companies. I am yet to receive confirmation of this from Mr Collins.

Liquidators' Remuneration

Pursuant to the Insolvency Rules 1986, the Joint Liquidators are obliged to fix their remuneration in accordance with Rule 4.127(2) of the Insolvency Rules 1986. This permits remuneration to be fixed either

- (1) as a percentage of the assets realised and distributed; and/or
- (2) by reference to the time the Joint Liquidators and the staff have spent attending to matters in the liquidation, and/or
- (3) as a set amount, and/or
- (4) as a combination of the above.

Pursuant to Rule 4.127 (5A)(a) of the Insolvency Rules 1986, where a company which was in Administration moves into Liquidation under Paragraph 83 of Schedule B1 of the Insolvency Act 1986, the basis of the remuneration fixed in the Administration is treated as having been fixed in the Liquidation.

The creditors in the respective Administrations of the Companies approved the Joint Administrators' remuneration on a time cost basis. In accordance with the above mentioned rule, the time cost basis, therefore, also applies to the Liquidations and the Joint Liquidators remuneration.

A summary of time costs to 6 March 2016 is provided below. To date no remuneration has been drawn in relation to the Liquidation process:

Company	Hours	Time costs (£)	Average hourly rate (£)
FHL	144.25	29,819.70	206.28
AHHL	34.72	7,418.45	213.67
ZHL	34.12	7,584.00	222.27

I enclose a schedule analysing and providing a further breakdown of the time costs incurred and the work undertaken. For guidance, I enclose "A creditors' guide to liquidators' fees", together with a document that outlines the policy of BDO LLP in respect of fees and disbursements.

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. All payments that have been made in this Administration are clearly detailed on the receipts and payments account.

Some Administrators recharge expenses for example postage, stationery, photocopying charges, telephone and fax 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. BDO LLP will not be charge any category 2 disbursements at this time.

Provided at the end of this report an extract from the Insolvency Rules 1986 setting out the rights of creditors to request further information and/or challenge the remuneration or fees within the Administration.

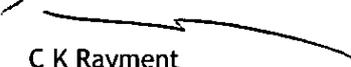
Creditors' rights

I provide at the end of this report an extract from the Insolvency Rules 1986 setting out the rights of creditors to request further information and/or challenge the remuneration or expenses within the liquidation.

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 do not hesitate to contact Carl Pykett of my office.

Yours faithfully
for and on behalf of
Forestdale Hotels Limited
Ardsley House Hotel Limited
Zoffany Hotels Limited



C K Rayment
Joint Liquidator

Authorised by the Institute of Chartered Accountants in England & Wales

Enc

Statement from the Insolvency Rules 1986 (as amended) regarding the rights of creditors in respect of the Joint Liquidators' fees and expenses:**Rule 4.49E Creditors' and members' request for further information**

(1) If-

- (a) within the period mentioned in paragraph (2)–
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
 - (iii) 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, or
- (b) with the permission of the court upon an application made within the period mentioned in paragraph (2)-
 - (i) any unsecured creditor, or
 - (ii) any member of the company in a members' voluntary winding up,

makes a request in writing to the liquidator for further information about remuneration or expenses set out in a progress report in accordance with Rule 4.49B(1)(e) or (f) (including by virtue of Rule 4.49C(5)) or in a draft report under Rule 4.49D, the liquidator must, within 14 days of receipt of the request, comply with paragraph (3) except to the extent that the request is in respect of matter[s] in a draft report under Rule 4.49D or a progress report required by Rule 4.108 which (in either case) was previously included in a progress report not required by Rule 4.108

(2) The period referred to in paragraph (1)(a) and (b) is-

- (a) 7 business days of receipt (by the last of them in the case of an application by more than one member) of the progress report where it is required by Rule 4.108, and
- (b) 21 days of receipt (by the last of them in the case of an application by more than one member) of the report or draft report in any other case

(3) The liquidator complies with this paragraph by either-

- (a) providing all of the information asked for, or
- (b) so far as the liquidator considers that-
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the liquidation or might reasonably be expected to lead to violence against any person, or
 - (iii) the liquidator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information

Rule 4.131 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)

(1A) Application may be made on the grounds that-

- (a) the remuneration charged by the liquidator,

- (b) the basis fixed for the liquidator's remuneration under Rule 4 127, or
- (c) expenses incurred by the liquidator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate

- (1B) The application must, subject to any order of the court under Rule 4 49E(5), be made no later than 8 weeks (or, in a case falling within Rule 4 108, 4 weeks) after receipt by the applicant of the progress report, or the draft report under Rule 4 49D, which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")
- (2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss the application, but it shall not do so unless the applicant has had an opportunity to attend the court for a hearing, of which he has been given at least 5 business days' notice but which is without notice to any other party

If the application is not dismissed under this paragraph, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly

- (3) The applicant shall, at least 14 days before the hearing, send to the liquidator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it
- (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 liquidator was entitled to charge,
 - (b) an order fixing the basis of remuneration at a reduced 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 liquidation,
 - (e) an order that the liquidator or the liquidator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify,

and may make any other order that it thinks just, but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report

- (5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the liquidation

Ardley House Hotel Limited
(In Liquidation)
Joint Liquidators' Abstract of Receipts & Payments

Statement of Affairs	From 06/03/2015 To 05/03/2016	From 06/03/2015 To 05/03/2016
FIXED CHARGE ASSETS		
Transfer from Administration - fixed	11,910.03	11,910.03
	<u>11,910.03</u>	<u>11,910.03</u>
ASSET REALISATIONS		
Bank Interest Net of Tax	27 11	27 11
Funds from Administration - Floating	16,188 27	16,188 27
	<u>16,215 38</u>	<u>16,215 38</u>
COST OF REALISATIONS		
Statutory Advertising	153.44	153 44
	<u>(153.44)</u>	<u>(153 44)</u>
	<u><u>27,971.97</u></u>	<u><u>27,971.97</u></u>
REPRESENTED BY		
Bank 1 Current		11,922 58
Bank 2 Current		16,049.39
		<u><u>27,971.97</u></u>

Christopher Kim Rayment
Joint Liquidator

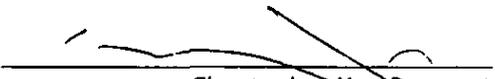
Zoffany Hotels Limited
(In Liquidation)
Joint Liquidators' Abstract of Receipts & Payments

Statement of Affairs	From 06/03/2015 To 05/03/2016	From 06/03/2015 To 05/03/2016
FIXED CHARGE ASSETS		
Transfer from Administration - Fixed	64,358.82	64,358.82
	<u>64,358.82</u>	<u>64,358.82</u>
ASSET REALISATIONS		
Bank Interest Net of Tax	131.04	131.04
Transfer from Administration - Floatin	63,788.36	63,788.36
	<u>63,919.40</u>	<u>63,919.40</u>
COST OF REALISATIONS		
Legal Fees (1)	187.50	187.50
Statutory Advertising	153.44	153.44
	<u>(340.94)</u>	<u>(340.94)</u>
	<u><u>127,937.28</u></u>	<u><u>127,937.28</u></u>
REPRESENTED BY		
Bank 1 Current		64,426.35
Bank 2 Current		63,510.93
		<u><u>127,937.28</u></u>

Christopher Kim Rayment
Joint Liquidator

Forestdale Hotels Limited
(In Liquidation)
Joint Liquidators' Abstract of Receipts & Payments

Statement of Affairs	From 06/03/2015 To 05/03/2016	From 06/03/2015 To 05/03/2016
FIXED CHARGE ASSETS		
Bank Interest	16.08	16.08
	<u>16.08</u>	<u>16.08</u>
FIXED CHARGE COSTS		
Legal Fees (1)	21,302.50	21,302.50
Legal Fees (2)	1,687.35	1,687.35
	<u>(22,989.85)</u>	<u>(22,989.85)</u>
ASSET REALISATIONS		
Bank Interest Net of Tax	211.71	211.71
Sundry Refunds	725.64	725.64
Transfer from Administration	318,821.17	318,821.17
	<u>319,758.52</u>	<u>319,758.52</u>
COST OF REALISATIONS		
Joint Administrators Fees	72,172.73	72,172.73
Legal Fees (1)	7,963.75	7,963.75
Stationery & Postage	1,281.34	1,281.34
Storage Costs	2,458.20	2,458.20
Statutory Advertising	153.44	153.44
Insurance of Assets	1,148.38	1,148.38
Bank Charges	3.00	3.00
	<u>(85,180.84)</u>	<u>(85,180.84)</u>
	<u><u>211,603.91</u></u>	<u><u>211,603.91</u></u>
REPRESENTED BY		
Vat Input		10,574.65
Bank 1 Current		105,890.99
Bank 2 Current		102,542.27
Vat Control Account		(7,404.00)
		<u>211,603.91</u>


 Christopher Kim Rayment
 Joint Liquidator

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		TOTAL		AVERAGE HOURLY RATE £ P/H
	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	
A. Pre appointment matters	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Steps on appointment	-	-	2.20	506.00	-	-	-	-	0.15	23.25	-	-	2.35	529.25	225.21
C. Planning and Strategy	16.25	7,502.75	0.50	147.50	-	-	-	-	-	-	-	-	16.75	7,650.25	456.73
D. General administration	2.80	1,312.65	43.51	11,334.15	2.80	530.40	4.05	697.95	2.30	298.60	21.15	1,591.10	76.61	15,764.85	205.78
E. Asset and realisations/dealing	-	-	2.45	717.45	-	-	-	-	-	-	-	-	2.45	717.45	292.84
F. Trading related matters	0.25	107.00	-	-	-	-	-	-	-	-	-	-	0.25	107.00	428.00
G. Employee matters	-	-	0.50	147.50	-	-	-	-	1.80	215.00	-	-	2.30	362.50	157.61
H. Creditor claims	-	-	0.60	179.20	-	-	-	-	-	-	34.75	2,874.50	35.35	3,053.70	86.38
I. Reporting	-	-	4.10	1,048.00	-	-	-	-	-	-	3.65	284.70	7.75	1,332.70	171.96
J. Distribution and closure	0.50	242.00	-	-	-	-	-	-	-	-	-	-	0.50	242.00	484.00
K. Other work	-	-	0.15	60.00	-	-	-	-	-	-	-	-	0.25	60.00	240.00
TOTAL	19.80	9,164.40	54.11	14,139.80	2.80	530.40	4.05	697.95	4.25	536.85	59.55	4,750.30	144.56	25,819.70	206.28

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		TOTAL		AVERAGE HOURLY RATE £/PH
	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	
A. Pre appointment matters	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Steps on appointment	-	-	0 60	138 00	-	-	0 15	23 25	-	-	-	-	0 75	161 25	215 00
C. Planning and Strategy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D. General administration	-	-	8 77	2,585 10	1 00	189 75	0 65	111 80	0 60	72 60	7 45	563 05	18 47	3,522 30	190 70
E. Asset and realisations/dealing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F. Trading related matters	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G. Employee matters	-	-	-	-	-	-	-	-	0 20	19 80	-	-	0 20	19 80	99 00
H. Creditor claims	-	-	-	-	-	-	-	-	-	-	0 10	7 80	0 10	7 80	78 00
I. Reporting	-	-	10 50	3,097 50	-	-	-	-	-	-	1 55	120 90	12 05	3,218 40	267 09
J. Distribution and closure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
K. Other work	-	-	1 60	368 00	-	-	-	-	-	-	1 55	120 90	3 15	488 90	155 21
TOTAL	-	-	21 47	6,188 60	1 00	189 75	0 65	111 80	0 95	115 65	10 65	812 65	34 72	7,418 45	213 67



Forestdale Hotels Limited ("FHL")
Ardsley House Hotel Limited ("AHHL")
Zoffany Hotels Limited ("ZHL")
- In Liquidation

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. This in no way implies that staff at all such grades will work on the case.

GRADE	£
Partner	484
Director	335
Senior Manager	285-310
Manager	213-242
Executive	119-181
Junior Executive	66-82
Cashier	181-192
Support Staff	66

The rates charged by BDO LLP, TWO SNOWHILL, Birmingham, B4 6GA, UNITED KINGDOM 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

Insolvency practice additionally provides for the recharge of expenses such as postage, stationery, photocopying charges, telephone, fax and other electronic communications, which cannot be economically recorded in respect of each specific case. Such expenses, which are apportioned to cases, must be approved by the creditors in accordance with the Insolvency Rules 1986, before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP, in respect of these appointments is not to recharge any expense which is not a specific cost to the case, therefore there will be no category 2 disbursements charged.

A further disbursement under this heading is 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 Inland Revenue 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 Rules 1986 to recover this disbursement.

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

BDO LLP
28 April 2016

1 Introduction

1.1 When a company goes into liquidation the costs of the proceedings are paid out of its assets. The creditors, who hope to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as liquidator. The insolvency legislation recognises this interest by providing mechanisms for creditors to fix the basis of the liquidator's fees. This guide is intended to help creditors be aware of their rights to approve and monitor fees, explain the basis on which fees are fixed and how creditors can seek information about expenses incurred by the liquidator and challenge those they consider to be excessive.

2 Liquidation procedure

2.1 Liquidation (or 'winding up') is the most common type of corporate insolvency procedure. Liquidation is the formal winding up of a company's affairs entailing the realisation of its assets and the distribution of the proceeds in a prescribed order of priority. Liquidation may be either voluntary, when it is instituted by resolution of the shareholders, or compulsory, when it is instituted by order of the court.

2.2 Voluntary liquidation is the more common of the two. An insolvent voluntary liquidation is called a creditors' voluntary liquidation (often abbreviated to 'CVL'). In this type of liquidation an insolvency practitioner acts as liquidator throughout and the creditors can vote on the appointment of the liquidator at the first meeting of creditors.

2.3 In a compulsory liquidation on the other hand, the function of liquidator is, in most cases, initially performed not by an insolvency practitioner but by an official called the official receiver. The official receiver is an officer of the court and an official belonging to The Insolvency Service. In most compulsory liquidations, the official receiver becomes liquidator immediately on the making of the winding-up order. Where there are significant assets an insolvency practitioner will usually be appointed to act as liquidator in place of the official receiver, either at a meeting of creditors convened for the purpose or directly by The Insolvency Service on behalf of the Secretary of State. Where an insolvency practitioner is not appointed the official receiver remains liquidator.

2.4 Where a compulsory liquidation follows immediately on an administration the court may appoint the former administrator to act as liquidator. In such cases the official receiver does not become liquidator. An administrator may also subsequently act as liquidator in a CVL.

3 The liquidation committee

3.1 In a liquidation (whether voluntary or compulsory) the creditors have the right to appoint a committee called the liquidation committee, with a minimum of 3 and a maximum of 5 members, to monitor the conduct of the liquidation and approve the liquidator's fees. The committee is usually established at the creditors' meeting which appoints the liquidator, but in cases where a liquidation follows immediately on an administration any committee established for the purposes of the administration will continue in being as the liquidation committee.

3.2 The liquidator must call the first meeting of the committee within 6 weeks of its establishment (or his appointment if that is later), and subsequent meetings must be held either at specified dates agreed by the committee, or when requested by a member of the committee, or when the liquidator decides he needs to hold one. The liquidator is required to report to the committee at least every 6 months on the progress of the liquidation, unless the committee directs otherwise. This provides an opportunity for the committee to monitor and discuss the progress of the insolvency and the level of the liquidator's fees.

4 Fixing the liquidator's remuneration

4.1 The basis for fixing the liquidator's remuneration is set out in Rules 4.127 - 4.127B of the Insolvency Rules 1986.

The Rules state that the remuneration shall be fixed

- as a percentage of the value of the assets which are realised or distributed or both,
- by reference to the time properly given by the liquidator and his staff in attending to matters arising in the liquidation, or
- as a set amount

Any combination of these bases may be used to fix the remuneration, and different bases may be used for different things done by the liquidator. Where the remuneration is fixed as a percentage, different percentages may be used for different things done by the liquidator.

It is for the liquidation committee (if there is one) to determine on which of these bases, or combination of bases, the remuneration is to be fixed. Where it is fixed as a percentage, it is for the committee to determine the percentage or percentages to be applied. Rule 4.127 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case,
- any responsibility of an exceptional kind or degree which falls on the liquidator in connection with the insolvency,
- the effectiveness with which the liquidator appears to be carrying out, or to have carried out, his duties,
- the value and nature of the assets which the liquidator has to deal with.

4.2 If there is no liquidation committee, or the committee does not make the requisite determination, the liquidator's remuneration may be fixed by a resolution of a meeting of creditors. The creditors take account of the same matters as apply in the case of the committee. A resolution specifying the terms on which the liquidator is to be remunerated may be taken at the meeting which appoints the liquidator.

4.3 If the remuneration is not fixed as above, it will be fixed in one of the following ways. In a CVL, it will be fixed by the court on application by the liquidator, but the liquidator may not make such an application unless he has first tried to get his remuneration fixed by the committee or creditors as described above, and in any case not later than 18 months after his appointment. In a compulsory liquidation, it will be in accordance with a scale set out in the Rules.

4.4 Where the liquidation follows directly on from an administration in which the liquidator had acted as administrator, the basis of remuneration fixed in the administration continues to apply in the liquidation (subject to paragraph 8 below).

5. Review of remuneration

Where there has been a material and substantial change in circumstances since the basis of the liquidator's remuneration was fixed, the liquidator may request that it be changed. The request must be made to the same body as initially approved the remuneration, and the same rules apply as to the original approval.

6 What information should be provided by the liquidator?

6.1 When fixing bases of remuneration

6.1.1 When seeking agreement for the basis or bases of remuneration, the liquidator should provide sufficient supporting information to enable the committee or the creditors to make an informed judgement as to whether the basis sought is appropriate having regard to all the circumstances of the case. The nature and extent of the information provided will depend on the stage during the conduct of the case at which approval is being sought. The appendix to this guide sets out a suggested format for the provision of information.

6.1.2 If any part of the remuneration is sought on a time costs basis, the liquidator should provide details of the minimum time units used and current charge-out rates, split by grades of staff, of those people who have been or who are likely to be involved in the time costs aspects of the case.

6.1.3 The liquidator should also provide details and the cost of any work that has been or is intended to be sub-contracted out that could otherwise be carried out by the liquidator or his or her staff.

6.1.4 If work has already been carried out, the liquidator should state the proposed charge for the period to date and provide an explanation of what has been achieved in the period and how it was achieved, sufficient to enable the progress of the case to be assessed and whether the proposed charge is reasonable in the circumstances of the case. Where the proposed charge is calculated on a time costs basis, the liquidator should disclose the time spent and the average charge-out rates, in larger cases split by grades of staff and analysed by appropriate activity. The liquidator should also provide details and the cost of any work that has been sub-contracted out that could otherwise be carried out by the liquidator or his or her staff.

6.2 After the bases of remuneration have been fixed

The liquidator is required to send progress reports to creditors at specified intervals (see paragraph 7.1 below). When reporting periodically to creditors, in addition to the matters specified in paragraph 7.1, the liquidator should provide an explanation of what has been achieved in the period under review and how it was achieved, sufficient to enable the progress of the case to be assessed. Creditors should be able to understand whether the remuneration charged is reasonable in the circumstances of the case (whilst recognising that the liquidator must fulfil certain statutory obligations and regulatory requirements that might be perceived as bringing no added value for the estate). Where any remuneration is on a time costs basis, the liquidator should disclose the charge in respect of the period, the time spent and the average charge-out rates, in larger cases split by grades of staff and analysed by appropriate activity. If there have been any changes to the charge-out rates during the period under review, rates should be disclosed by grades of staff, split by the periods applicable. The liquidator should also provide details and the cost of any work that has been sub-contracted out that could otherwise be carried out by the liquidator or his or her staff.

6.3 Disbursements and other expenses

6.3.1 Costs met by and reimbursed to the liquidator in connection with the liquidation should be appropriate and reasonable. Such costs will fall into two categories:

- Category 1 disbursements: These are costs where there is specific expenditure directly referable both to the liquidation and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the liquidator or his or her staff.
- Category 2 disbursements: These are costs that are directly referable to the liquidation but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the liquidation on a proper and reasonable basis, for example, business mileage.

Category 1 disbursements can be drawn without prior approval, although the liquidator should be prepared to disclose information about them in the same way as any other expenses. Category 2 disbursements may be drawn if they have been approved in the same manner as the liquidator's remuneration. When seeking approval, the liquidator should explain, for each category of expense, the basis on which the charge is being made.

6.3.2 The following are not permissible

- a charge calculated as a percentage of remuneration;
- an administration fee or charge additional to the liquidator's remuneration,
- recovery of basic overhead costs such as office and equipment rental, depreciation and finance charges.

6.4 Realisations for secured creditors

Where the liquidator realises an asset on behalf of a secured creditor and receives remuneration out of the proceeds (see paragraph 11.1 below), he should disclose the amount of that remuneration to the committee (if there is one), to any meeting of creditors convened for the purpose of determining his fees, and in any reports he sends to creditors.

7. Progress reports and requests for further information

7.1 The liquidator is required to send annual progress reports to creditors. The reports must include:

- details of the basis fixed for the remuneration of the liquidator (or if not fixed at the date of the report, the steps taken during the period of the report to fix it),
- if the basis has been fixed, the remuneration charged during the period of the report, irrespective of whether it was actually paid during that period (except where it is fixed as a set amount, in which case it may be shown as that amount without any apportionment for the period of the report);
- if the report is the first to be made after the basis has been fixed, the remuneration charged during the periods covered by the previous reports, together with a description of the work done during those periods, irrespective of
- whether payment was actually made during the period of the report;

- a statement of the expenses incurred by the liquidator during the period of the report, irrespective of whether payment was actually made during that period;
- a statement of the creditors' rights to request further information, as explained in paragraph 7.2, and their right to challenge the liquidator's remuneration and expenses

7.2 Within 21 days of receipt of a progress report (or 7 business days where the report has been prepared for the purposes of a meeting to receive the liquidator's resignation) a creditor may request the liquidator to provide further information about the remuneration and expenses set out in the report. A request must be in writing, and may be made either by a secured creditor, or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors (including himself) or the permission of the court.

7.3 The liquidator must provide the requested information within 14 days, unless he considers that:

- the time and cost involved in preparing the information would be excessive, or
- disclosure would be prejudicial to the conduct of the liquidation or might be expected to lead to violence against any person, or
- the liquidator is subject to an obligation of confidentiality in relation to the information requested,

in which case he must give the reasons for not providing the information.

Any creditor may apply to the court within 21 days of the liquidator's refusal to provide the requested information, or the expiry of the 14 days time limit for the provision of the information.

8. Provision of information - additional requirements

The liquidator must provide certain information about the time spent on the case, free of charge, upon request by any creditor, director or shareholder of the company. The information which must be provided is -

- the total number of hours spent on the case by the liquidator or staff assigned to the case,
- for each grade of staff, the average hourly rate at which they are charged out,
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the liquidator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the liquidator, and requests must be made within two years from vacation of office.

9 What if a creditor is dissatisfied?

9.1 Except in cases where there is a liquidation committee it is the creditors as a body who have authority to approve the liquidator's fees. To enable them to carry out this function they may require the liquidator to call a creditors' meeting. In order to do this at least ten per cent in value of the creditors must concur with the request, which must be made to the liquidator in writing.

9.2 If a creditor believes that the liquidator's remuneration is too high, the basis is inappropriate, or the expenses incurred by the liquidator are in all the circumstances excessive he may, provided certain conditions are met, apply to the court.

9.3 Application may be made to the court by any secured creditor, or by any unsecured creditor provided at least 10 per cent in value of unsecured creditors (including himself) agree, or he has the permission of the court. Any such application must be made within 8 weeks of the applicant receiving the liquidator's progress report in which the charging of the remuneration or incurring of the expenses in question is first reported (see paragraph 7.1 above). If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the liquidator a copy of the application and supporting evidence at least 14 days before the hearing.

9.4 If the court considers the application well founded, it may order that the remuneration be reduced, the basis be changed, or the expenses be disallowed or repaid. Unless the court orders otherwise, the costs of the application must be paid by the applicant and not out of the assets of the insolvent company.

10. What if the liquidator is dissatisfied?

If the liquidator considers that the remuneration fixed by the liquidation committee, or in the preceding administration, is insufficient or that the basis used to fix it is inappropriate he may request that the amount or rate be increased, or the basis changed, by resolution of the creditors. If he considers that the remuneration fixed by the liquidation committee, the creditors, in the preceding administration or in accordance with the statutory scale is insufficient, or that the basis used to fix it is inappropriate, he may apply to the court for the amount or rate to be increased or the basis changed. If he decides to apply to the court he must give at least 14 days' notice to the members of the committee and the committee may nominate one or more of its members to appear or be represented at the court hearing. If there is no committee, the liquidator's notice of his application must be sent to such of the creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid out of the assets.

11 Other matters relating to remuneration

11.1 Where the liquidator realises assets on behalf of a secured creditor he is entitled to be remunerated out of the proceeds of sale in accordance with a scale set out in the Rules. Usually, however, the liquidator will agree the basis of his fee for dealing with charged assets with the secured creditor concerned.

11.2 Where two (or more) joint liquidators are appointed it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute between them may be referred to the court, the committee or a meeting of creditors.

11.3 If the appointed liquidator is a solicitor and employs his own firm to act in the insolvency, profit costs may not be paid unless authorised by the committee, the creditors or the court.

11.4 If a new liquidator is appointed in place of another, any determination, resolution or court order which was in effect immediately before the replacement continues to have effect in relation to the remuneration of the new liquidator until a further determination, resolution or court order is made.

11.5 Where the basis of the remuneration is a set amount, and the liquidator ceases to act before the time has elapsed or the work has been completed for which the amount was set, application may be made for a determination of the amount that should be paid to the outgoing liquidator. The application must be made to the same body as approved the remuneration. Where the outgoing liquidator and the incoming liquidator are from the same firm, they will usually agree the apportionment between them.

11.6 There may also be occasions when creditors will agree to make funds available themselves to pay for the liquidator to carry out tasks which cannot be paid for out of the assets, either because they are deficient or because it is uncertain whether the work undertaken will result in any benefit to creditors. Arrangements of this kind are sometimes made to fund litigation or investigations into the affairs of the insolvent company. Any arrangements of this nature will be a matter for agreement between the liquidator and the creditors concerned and will not be subject to the statutory rules relating to remuneration.

12. Effective date

This guide applies where a company goes into liquidation on or after 1 November 2011.

Appendix

Suggested format for the provision of information Professional guidance issued to insolvency practitioners sets out the following suggested format for the provision of information when seeking approval of remuneration However, the level of disclosure suggested below may not be appropriate in all cases, and will be subject to considerations of proportionality. In larger or more complex cases the circumstances of each case may dictate the information provided and its format. Narrative overview of the case In all cases, reports on remuneration should provide a narrative overview of the case Matters relevant to an overview are:

- the complexity of the case,
- any exceptional responsibility falling on the liquidator,
- the liquidator's effectiveness,
- the value and nature of the property in question.

The information provided will depend upon the basis or bases being sought or reported upon, and the stage at which it is being provided An overview might include

- an explanation of the nature, and the liquidator's own initial assessment, of the assignment (including the anticipated return to creditors) and the outcome (if known),
- initial views on how the assignment was to be handled, including decisions on staffing or subcontracting and the appointment of advisers,
- any significant aspects of the case, particularly those that affect the remuneration and cost expended,
- the reasons for subsequent changes in strategy,
- the steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, and fee drawing,
- any existing agreement about remuneration,
- details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees;
- in a larger case, particularly if it involved trading, considerations about staffing and managing the assignment and how strategy was set and reviewed,
- details of work undertaken during the period,
- any additional value brought to the estate during the period, for which the liquidator wishes to claim increased remuneration

Time cost basis

Where any part of the remuneration is or is proposed to be calculated on a time costs basis, requests for and reports on remuneration should provide

- An explanation of the liquidator's time charging policy, clearly stating the units of time that have been used, the grades of staff and rates that have been charged to the assignment, and the policy for recovering the cost of support staff There is an expectation that time will be recorded in units of not greater than 6 minutes.
- A description of work carried out, which might include.
 - details of work undertaken during the period, related to the table of time spent for the period,
 - an explanation of the grades of staff used to undertake the different tasks carried out and the reasons why it was appropriate for those grades to be used,
 - any comments on any figures in the summary of time spent accompanying the request the liquidator wishes to make
- Time spent and charge-out summaries, in an appropriate format

It is useful to provide time spent and charge-out value information in a tabular form for each of the time periods reported upon, with work classified (and sub-divided) in a way relevant to the circumstances of the case

The following areas of activity are suggested as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The level of disclosure suggested above will not be appropriate in all cases, and considerations of proportionality will apply

- where cumulative time costs are, and are expected to be, less than £10,000 the liquidator should, as a minimum, state the number of hours and average rate per hour and explaining unusual features of the case,
- where cumulative time costs are, or are expected to be, between £10,000 and £50,000, a time and charge-out summary similar to that shown above will usually provide the appropriate level of detail (subject to the explanation of any unusual features),
- where cumulative time costs exceed, or are expected to exceed, £50,000, further and more detailed analysis or explanation will be warranted.