



### 1 Company details

Company number 0 0 3 3 3 1 8 8

Company name in full Clugston Group

#### → Filling in this form

Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) James Richard

Surname Clark

### 3 Administrator's address

Building name/number KPMG LLP

Street 1 Sovereign Square

Sovereign Street

Post town Leeds

County/Region

Postcode L S 1 4 D A

Country

### 4 Administrator's name ①

Full forename(s) Howard

Surname Smith

#### ① Other administrator

Use this section to tell us about  
another administrator.

### 5 Administrator's address ②

Building name/number KPMG LLP

Street 1 Sovereign Square

Sovereign Street

Post town Leeds

County/Region

Postcode L S 1 4 D A

Country

#### ② Other administrator

Use this section to tell us about  
another administrator.

# AM10

## Notice of administrator's progress report

### 6 Period of progress report

From date	d	0	d	6	m	1	m	2	y	2	y	0	y	1	y	9
To date	d	0	d	5	m	0	m	6	y	2	y	0	y	2	y	0

### 7 Progress report

☒ I attach a copy of the progress report

### 8 Sign and date

Administrator's  
signature

Signature

X

JCU

Signature date	d	0	d	2	m	0	m	7	y	2	y	0	y	2	y	0
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Contact name **Poppy Bayley**

Company name **KPMG LLP**

Address **1 Sovereign Square**

**Sovereign Street**

Post town **Leeds**

County/Region

Postcode 

L	S	1		4	D	A
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Country

DX

Telephone **07778299703**

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- ☐ You have attached the required documents.
- ☐ You have signed the form.

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Joint  
Administrators'  
progress  
report for the  
period 6  
December  
2019 to 5 June  
2020  
Clugston Group Limited - in  
Administration

2 July 2020

Deemed delivered: 6 July  
2020

# Notice to creditors

This progress report provides an update on the administration of the Company.

We have included (Appendix 2) an account of all amounts received and payments made since the date of our appointment.

We have also explained our future strategy for the administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in this progress report such as the costs which we have incurred to date.

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

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, [www.kpmg.co.uk/clugstongroup](http://www.kpmg.co.uk/clugstongroup). We hope this is helpful to you.

**Please also note that an important legal notice about this progress report is attached (Appendix 6).**

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# 1 Executive summary

- The Directors resolved to appoint James Clark and Howard Smith as Joint Administrators of Clugston Group Limited (the 'Company') on 3 December 2020. The notice of appointment was lodged at High Court of Justice, Business and Property Court in Leeds, Insolvency and Companies List (ChD) on 6 December 2019 and we were duly appointed.
- This progress report covers the period from the date of our appointment to 5 June 2020 (the 'Period').
- We delivered our statement of proposals ('the Proposals') to all known creditors on 31 January 2020.
- The Joint Administrators wrote to all known unsecured creditors on 10 February 2020 in order to clarify wording in the Proposals document. Due to the potential for confusion, the Joint Administrators also extended the period of voting as appropriate. The Proposals were subsequently approved by the preferential and unsecured creditors on 27 February 2020.
- As detailed in our Proposals, the Company was the parent company to a group that shared the 'Clugston' brand (the 'Group'). The Group encompassed four trading companies including; Clugston Construction Limited ('CCL'), Clugston Service Limited ('CSL'), Clugston Distribution Services Limited ('CDSL') and Clugston Estates Limited ('CEL'). At our appointment there were several other subsidiaries within the wider 'Clugston' group, however, these companies are not subject to insolvency proceedings.
- The Company was a non-trading entity that held the Group's freehold property and investment interests and operated from the Group's head office in Scunthorpe. At the date of the Joint Administrators' appointment, the Company employed 19 members of staff. Eight members of staff were retained to assist us with the administration; however, all staff were made redundant over the course of the Period (Section 2 – Progress to date).
- During the Period, a sale of the Company's freehold property to the Purchaser completed on 19 December 2019, realising £5.4 million.
- On 24 January 2020, shares in CDSL were sold to a third party, realising £2.4 million for the Company in respect of an intercompany loans balance (Section 2 – Progress to date).
- Our strategy for the administration continues to focus on the realisation of assets, namely development land and shares in a PFI SPV, both of which are held within wholly-owned subsidiaries and are not yet subject to an insolvency process (Section 2 – Progress to date).
- The only secured claim in the administration is held by NatWest. At appointment NatWest had the benefit of fixed and floating charges over the assets of the Company by way of a debenture. NatWest subsequently mitigated its exposure to the Group by way of cash held on account in respect of future liabilities (with all historical liabilities to each Group company mitigated via the mechanism of the cross company banking guarantee). NatWest has confirmed that it has recovered its indebtedness in full.
- Preferential claims comprise employee arrears of wages and holiday pay and are currently estimated at £29,061. Based on current estimates, we anticipate that preferential creditors will be paid in full. However, the timing of a distribution is currently unknown (Section 3 – Dividend Prospects).
- Per the Statement of Affairs, unsecured claims are anticipated to total £75.6 million. Based on current estimates, it is anticipated that unsecured creditors will receive a dividend. However, quantum and timing of a distribution is currently unknown (Section 3 – Dividend Prospects).

- The administration is due to expire on 5 December 2020. However, owing to the nature of the assets remaining to be realised, it is likely that an extension to the administration will be required. In due course, the Joint Administrators will seek approval to the extension of the administration from the preferential and unsecured creditors.
- Please note: you should read this progress report in conjunction with our Proposals which were issued to the Company's creditors and can be found at [www.kpmg.co.uk/clugstongroup](http://www.kpmg.co.uk/clugstongroup). Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.

JCU

James Clark  
Joint Administrator



## 2 Progress to date

This progress report covers the period from the date of our appointment to 5 June 2020. However, please refer to the Proposals where relevant information has previously been disclosed.

This section updates you on our strategy for the administration and on our progress to date.

### 2.1 Strategy and progress to date

#### Strategy

As outlined in our Proposals, the Company was a non-trading entity that held the Group's freehold property and investment interests. The Company employed 19 members of staff at the date of appointment. Following appointment, eleven employees were made redundant and eight employees were retained to assist with the orderly wind down of the Company. Working alongside Company staff facilitated the transfer of data and knowledge to the administration team, which has supported asset realisations. All employees were made redundant over the Period.

The Company's only secured creditor, NatWest, has mitigated its exposure to the Group by way of cash held on account in respect of future potential liabilities (with all historical liabilities to each Group company mitigated via the mechanism of the banking guarantee). NatWest has confirmed that it has recovered its indebtedness in full.

As detailed in our Proposals, the Company's freehold property was sold to the Purchaser on 19 December 2019 for £5.4 million. As part of the sale, a three month lease arrangement was agreed with the Purchaser to enable the administration team to continue working on key matters, such as asset realisations and clear up of the site. The Property was subsequently surrendered to the Purchaser on 31 March 2020.

On 24 January 2020, a solvent sale of CDSL (100% subsidiary of the Company) was achieved in January 2020. The transaction included a receipt of £2.4 million in respect of an intercompany loan due to from CDSL to the Company.

Progress in realising the Company's other assets during the Period is as follows:

**PFI SPV:** As reported in our Proposals Clugston PF Limited ('CPFL'), a wholly owned subsidiary of the Company, holds an interest in a PFI SPV. In our Proposals we outlined that, prior to our appointment, a potential purchaser had been identified (to purchase the interest in the SPV) and that the KPMG Corporate Finance team was engaged to assist with the sale. The sales process was stalled as the insolvency of the Company and CCL, provider of FM services to the SPV, resulted in a breach in the SPV. We have been working to remedy these breaches and recommence the sales process. The formal transfer of FM service provider (from CCL to a third party) is now in progress, and the potential purchaser has reiterated its interest in purchasing the shareholding. A sale is expected to conclude in the next six months.

During the period it has come to our attention that Companies House intends to strike off CPFL for failure to submit its statutory accounts. We are working to resolve this matter to

ensure that CPFL is able to realise its assets (interest in the SPV) and distribute relevant funds to the Company before it is wound up.

**CEL:** At appointment, CEL had an outstanding intercompany loan with the Company. Following our appointment, CEL continued to operate outside the administration process. However, following increasing creditor pressures, James Clark and Howard Smith were appointed as Joint Administrators of CEL on 30 January 2020. It was anticipated that the outstanding intercompany loan would rank as an unsecured claim in the administration of CEL. However, due to a non-compete clause in an indemnity agreement in favour of a third party creditor, HCCI, the Company will no longer receive a dividend in the administration of CEL (see "Intercompany debt" below)

**Freehold Land:** Clugston Reclamation Limited ('CRL'), a wholly owned subsidiary of the Company which is not subject to an insolvency process owns two plots of development land. Following appointment, on behalf of the Company, the Joint Administrators engaged Sanderson Weatherall to provide advice on a realisation strategy in relation to these assets, for which they expect the realisation to be around £300,000. As per the advice of Sanderson Weatherall, we have signed up to an option agreement with a potential buyer for one of the plots of land. As COVID-19 related restrictions begin to ease Sanderson Weatherall will be in a position to increase marketing activity.

During the period it has come to our attention that Companies House intends to strike off CRL for failure to submit its statutory accounts. We are working to resolve this matter to ensure that CRL is able to realise its assets (development land) and distribute relevant funds to the Company before it is wound up.

**Intercompany debt:** As detailed in our Proposals, on our appointment there were several intercompany balances outstanding between entities within the Group. Additional intercompany balances were also caused by the banking offset actioned by Natwest on our appointment. The administration team has been working to agree the intercompany loan position across the Group.

At appointment, the Company owed £21.0 million to CCL by way of an intercompany loan. As set out in our Proposals, it was anticipated that the Company would have a subrogated secured claim in CCL, CDSL and CEL (please refer to section 5.1 of our Proposals for further information). At the time of our Proposals we advised that we were seeking advice from legal Counsel with respect to the Company's subrogation and the intercompany debt owed by the Company to CCL.

During the Period, HCCI made demand on CCL and the Company for approximately £7 million. We also became aware that HCCI had provided a bond to CCL, prior to administration, which was backed by an indemnity agreement with certain other companies in the Group, including the Company. We had not seen this agreement previously.

The indemnity agreement includes a clause to state that, no funds can be paid to related parties (the Company, CCL, CEL and CDSL) until HCCI has been fully repaid. We have sought advice from legal Counsel with respect to HCCI's claim and specifically, the enforceability of this clause. Counsel is of the opinion that the clause is enforceable and as a result, HCCI's claim will rank ahead of all intercompany claims, including where subrogation is applicable. The outcome is that no related entity (the Company, CCL and CEL) will be able to claim in the insolvent estate of another until HCCI is fully repaid. HCCI is not expected to be fully repaid.

In addition to attending to all statutory matters, our strategy continues to focus on:

- ▣ Finalising all asset realisations that have been detailed above;
- ▣ Processing necessary recharges to other Group companies, to reimburse costs incurred by the Company for various matters such as payroll;
- ▣ Reporting to creditors as appropriate; and
- ▣ Considering placing the Company into a Creditor Voluntary Liquidation (CVL) to then agree creditor claims and to enable a distribution to preferential and unsecured creditors.

## **2.2 Asset realisations**

Realisations during the period are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant realisations during the period are provided below.

### **Property**

As detailed in our Proposals, the Company's freehold Property was sold on 19 December 2020, realising £5.4 million.

### **Intercompany loans**

On appointment, the Company had an intercompany loan balance due from CDSL. As detailed above, following a solvent share sale of CDSL on 24 January 2020, £2.4 million was received in respect of the intercompany loan balance. We have been advised by our lawyers that, as consideration for the loan balance was received from the purchaser of CDSL (not CDSL, CCL or CEL), this transaction is outside of the HCCI clause explained above.

### **Cash at bank**

Following our appointment, NatWest applied its right to offset the group wide banking facilities. Consequently, the Company had a residual balance of £5.6 million which has been received into the post-appointment bank account during the Period.

### **Reimbursement of Related Party Payroll**

As stated in the Proposals, prior to appointment, the Company administered all payroll activity for all of the Group's staff members with subsequent reimbursements provided by each of the Group entities. This process continued in administration.

Accordingly, total reimbursements of £1.1 million have been received by the Company in respect of CCL and Clugston Services Limited ('CSL') retained staff.

A reconciliation exercise has now been completed and a further £33,410 will be received (in total from CCL and CSL) to reimburse it fully for any outstanding related party payroll.

#### Insurance refund

During the Period, we received insurance refunds totalling £10,492. The majority of these refunds relate to insurance claims that were made by the Company prior to appointment.

#### Employee Trust funds

We received £34,163 in relation to the Employee Trust fund which was formed prior to our appointment. These funds were recovered before being repaid to the relevant beneficiaries, as outlined in the costs section below.

#### Charges for administrative services

During the Period, we received £82,617 for various services provided by the Company to other parties, including CCL and CSL.

Please note that a reconciliation exercise has taken place and £20,000 of these funds are expected to be transferred over to CCL.

#### Funds held for third parties

We received £81,025 in relation to funds paid to the Company in error in. These funds have since been repaid to the relevant parties.

#### Investigations

We have reviewed the affairs of the Company and have concluded that there are no actions to be taken against third parties to seek to increase recoveries for creditors.

We have complied with the relevant statutory requirements by submitting the online director conduct assessment to the Department for Business, Energy and Industrial Strategy. The contents of our submission are confidential. In the absence of any new information, our investigation work has concluded, and no further action will be taken in this regard.

## 2.3 Costs

Payments made in this period are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant payments made during the period are provided below.

#### Related Party Payroll

As outlined above, the Company administered the Group's payroll, and this continued in administration. As a result, £1.1 million was paid with respect to CCL and CSL staff wages and salaries during the Period. Note that these costs will be reimbursed in full by the respective companies (see Reimbursement of Related Party Payroll above).

#### Software costs

During the Period, £27,000 has been paid to Eque2 in respect of the payroll software used to enable the Administration Group to execute payroll payments.

Note that an equitable proportion of this cost will be re-charged to the other Group companies. A reconciliation exercise has been undertaken and an estimated £7,839 will be reimbursed to the Company by CCL and CSL for their use of this software.

#### Rent

As part of the sale agreement, the Company leased the Property from the Purchaser during the administration, incurring rental costs of £39,657.

Similarly, this will be proportionately recharged to CCL and CSL in due course, with £33,616 due to the Company.

No further rent costs will be incurred as the Property was surrendered back to the Purchaser as at 31 March 2020.

#### Wages and Salaries and PAYE and NIC

Following our appointment, eight members of staff were retained in order to assist with the administration. We have incurred costs of £134,858 with respect to wages and salaries. Similarly, we have incurred £102,211 with respect to PAYE and NIC.

All members of staff were made redundant in the Period; hence no further costs will be incurred in this regard.

#### Legal fees and disbursements

During the Period, we have incurred legal costs totalling £79,022.

Freeths was paid £28,100 in relation to its work on the sale of the Property.

Eversheds was paid £50,922 for its work on the CNIM deal (as detailed in our Proposals), advising on HCCI's claim and providing other general legal advice.

#### Agents Fees

CBRE was paid £50,000 for its work in relation to the sale of the Property, having continued negotiations with the Purchaser and for providing recommendations to the Joint Administrators.

#### Repayment of third party funds

During the Period, £80,898 was returned to third parties after the funds were received in error, as outlined above. This amount relates to rental income paid for by the previous tenants, prior to the completion of the sale of the Property.

#### Repayment of Employee Trust funds

Employee Trust funds were recovered and £34,299 was subsequently repaid to the relevant beneficiaries.

## **2.4 Schedule of expenses**

We have detailed the costs incurred during the Period, whether paid or unpaid, in the schedule of expenses attached (Appendix 3).

Summaries of the most significant expenses which have been incurred in the Period but have not yet been paid are provided below.

### **Insurance**

On appointment, the Joint Administrators instructed Marsh to provide insurance cover for the Company's assets and employees, including open cover insurance at the outset of the administration. Accordingly, £3,124 of insurance costs have been incurred over the Period.

### **Legal Fees and Disbursements**

Legal costs of £26,404 and disbursements of £160 have been incurred in the Period but not yet paid. These costs relate to legal work carried out by Eversheds on the HCCI claim, the intercompany position and other general legal advice.

### **Storage costs**

During the Period, storage costs of £21,709 have been incurred. This relates to services provided by Iron Mountain to package, label, collect and store the Company's physical records, which the Joint Administrators have a statutory obligation to retain, from the Company's various sites.

## **3 Dividend prospects**

### **3.1 Secured creditors**

As stated in our Proposals, NatWest has the benefit of fixed and floating charges over the assets of the Company by way of a debenture. As at the date of appointment, following the right of offset against the Group's overdraft facilities and credit card indebtedness, NatWest's exposure was £6.0 million in relation to a performance bond cross guaranteed with the Company.

Prior to appointment, NatWest was 'cash-backed' in relation to this bond to the amount of £4.65 million and, as such, swept a further £1.35 million from CGL's account to cover its exposure. NatWest has confirmed that it has recovered its indebtedness in full.

As outlined in our strategy (see Section 2.1 – Strategy and Progress to date), legal Counsel advised that HCCI's £7.0 million claim will rank above any intercompany claims, including where subrogation is applicable. Accordingly, the Company will not be a subrogated secured creditor as we previously assumed.

### **3.2 Preferential creditors**

Preferential claims are anticipated to total £29,061.

Based on current estimates, we anticipate that preferential creditors will be paid in full, however the timing of a dividend is currently uncertain.

### **3.3 Unsecured creditors**

Based on current estimates, we anticipate that unsecured creditors will receive a dividend. We have yet to determine the amount of this, but we will do so when we have completed the realisation of assets and payment of associated costs.

At the time of our Proposals we advised that we were seeking advice from legal Counsel with respect to the Company's subrogation and the intercompany debt owed by the Company to CCL. An update is provided at Section 2.1 above.

The Pension Protection Fund ('PPF') has an unsecured claim against the Company, in respect of a deficit on the Company's defined benefit pension scheme, of approximately £43 million. The PPF has been advised of the revised position.

## **4 Joint Administrators' remuneration, disbursements and pre-administration costs**

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

During the period, preferential and unsecured creditors have provided approval that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in our Proposals and the charge-out rates included in Appendix 6.
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 6.

It is noted that the PPF has, alongside its approval to the above resolutions, attached specific conditions to the level of fees which we are authorised to draw. These conditions are outlined at Appendix 4.

#### **Time costs**

From the date of our appointment to 5 June 2020, we have incurred time costs of £677,207. These represent 1,748 hours at an average rate of £387 per hour.

#### **Remuneration**

During the Period, we have not drawn any remuneration.

#### **Disbursements**

During the Period, we have incurred disbursements of £5,654. None of these have yet been paid.

#### **Additional information**

We have attached a revised fees estimate at Appendix 4 together with reasons for the increase in our estimate.

We have attached a revised expenses estimate at Appendix 5, together with reasons for the increase in our estimate.

Creditors should note that, while our expected time costs in Appendix 4 have increased from the level previously estimated, we do not have approval to draw fees in excess of the level approved by the preferential and unsecured creditors (as reported in our Proposals and amended by the PPF).

Approval to draw further fees is not currently being sought; however, the Joint Administrators reserve the right to revert to creditors for further approval in future.



We have attached (Appendix 6) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by KPMG for the period from our appointment to 5 June 2020. We have also attached our charging and disbursements policy.

## 4.2 Pre-administration costs

We disclosed the following pre-administration costs, which were unpaid at the date of our appointment, in our proposals:

Pre-administration costs				
	Disclosed unpaid costs (£)	Approved (£)	Paid in the period (£)	Outstanding (£)
KPMG fees	225.00	225.00	-	225.00
KPMG disbursements	217.00	217.00	-	217.00
Legal fees	1,176.00	1,176.00	-	1,176.00
<b>Total</b>	<b>1,618.00</b>	<b>1,618.00</b>	<b>-</b>	<b>1,618.00</b>

On 27 February 2020, we obtained approval from preferential and unsecured creditors to pay all of these pre-administration costs as an expense of the administration.

## **5 Future strategy**

### **5.1 Future conduct of the administration**

We will continue to manage the affairs, the business and the property of the Company in order to achieve the purpose of the administration. This will include but not be limited to:

- ❑ complying with all legal and statutory matters arising in the Administration;
- ❑ realising the Company's remaining assets;
- ❑ making distributions to the Company's preferential creditors;
- ❑ obtaining tax and VAT clearance for the administration;
- ❑ completion of all statutory duties in the administration, prior to an exit by an appropriate exit route; and
- ❑ finalising all other matters, including the payment of administration liabilities.

### **5.2 Future reporting**

We will provide a further progress report within one month of 5 December 2020 or earlier if the administration has been completed prior to that time.

## Appendix 1 Statutory information

### Company information

Company name	Clugston Group Limited
Date of incorporation	1 November 1937
Company registration number	00333188
Present registered office	1 Sovereign Square, Sovereign St, Leeds, LS1 4DA

### Administration information

Administration appointment	The administration appointment granted in High Court of Justice, Business and Property Court in Leeds, Insolvency and Companies List (ChD), 1296 of 2019
Appointor	Directors
Date of appointment	6 December 2019
Joint Administrators' details	James Clark and Howard Smith
Estimated values of the Net Property and Prescribed Part	Estimated Net Property is £12,231,679. The Prescribed Part is capped at the statutory maximum of £600,000. The Prescribed Part has been taken into account when determining the dividend prospects for unsecured creditors (Section 3).
Prescribed Part distribution	The Joint Administrators do not intend to apply to Court to obtain an order that the Prescribed Part shall not apply.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2)
Current administration expiry date	5 December 2020

## Appendix 2 Joint Administrators' receipts and payments account

### Clugston Group Limited - in Administration

#### Abstract of receipts & payments

Statement of affairs (£)		From 06/12/2019 To 05/06/2020 (£)	From 06/12/2019 To 05/06/2020 (£)
<b>FIXED CHARGE ASSETS</b>			
6,000,000.00	Freehold property	5,405,944.61	5,405,944.61
	Shares and investments	1.00	1.00
	Bank interest, gross	6,354.50	6,354.50
	Reimbursement of search fees	1,552.51	1,552.51
5,200,000.00	PFI SPV	NIL	NIL
		5,413,852.62	5,413,852.62
<b>FIXED CHARGE COSTS</b>			
	Legal fees	(28,100.00)	(28,100.00)
	Agents' fees	(50,000.00)	(50,000.00)
	Consultancy Costs	(12,181.00)	(12,181.00)
		(90,281.00)	(90,281.00)
<b>FIXED CHARGE CREDITORS</b>			
(1,350,000.00)	Fixed charge creditor	NIL	NIL
		NIL	NIL
<b>ASSET REALISATIONS</b>			
	Miscellaneous receipts	2,520.99	2,520.99
	Intercompany loans	2,400,000.00	2,400,000.00
	Cash at bank	5,617,125.45	5,617,125.45
	Insurance refund	10,491.50	10,491.50
		8,030,137.94	8,030,137.94
<b>OTHER REALISATIONS</b>			
	Bank interest, gross	8,173.32	8,173.32
	Refund of BUPA Cash Plan	4,082.96	4,082.96
	Employee Trust funds	34,163.30	34,163.30
	Reimbursement of Related Party payroll	1,090,545.32	1,090,545.32
	Charges for administrative services	82,616.99	82,616.99
	Funds held for third parties	81,025.00	81,025.00
	Advertising	350.00	350.00
3,100,000.00	Intercompany debtors	NIL	NIL
		1,300,956.89	1,300,956.89
<b>COST OF REALISATIONS</b>			

# Clugston Group Limited - in Administration

## Abstract of receipts & payments

Statement of affairs (£)	From 06/12/2019 To 05/06/2020 (£)	From 06/12/2019 To 05/06/2020 (£)
Repayment of Third party funds	(80,898.00)	(80,898.00)
Repayment of employee Trust funds	(34,299.01)	(34,299.01)
IT costs	(1,885.98)	(1,885.98)
Administrative services	(8,987.05)	(8,987.05)
Other professional costs	(432.74)	(432.74)
Payroll Bureau Costs	(87.75)	(87.75)
Agents' fees	(5,740.00)	(5,740.00)
Software costs	(27,000.00)	(27,000.00)
Legal fees	(50,922.00)	(50,922.00)
Payment of Related party payroll	(1,127,075.17)	(1,127,075.17)
Legal disbursements	(596.63)	(596.63)
Storage costs	(2,300.00)	(2,300.00)
Re-direction of mail	(211.00)	(211.00)
Statutory advertising	(73.00)	(73.00)
Rent	(39,657.76)	(39,657.76)
Wages & salaries	(134,858.22)	(134,858.22)
PAYE & NIC	(102,011.64)	(102,011.64)
Bank charges	(705.00)	(705.00)
	<b>(1,617,740.95)</b>	<b>(1,617,740.95)</b>
PREFERENTIAL CREDITORS		
(7,393.00) Employees' wage arrears	NIL	NIL
	<b>NIL</b>	<b>NIL</b>
UNSECURED CREDITORS		
(64,672,000.00) Trade & expense	NIL	NIL
(264,000.00) Employees	NIL	NIL
(1,000,000.00) Intercompany creditors	NIL	NIL
	<b>NIL</b>	<b>NIL</b>
<b>(52,993,393.00)</b>	<b>13,036,925.50</b>	<b>13,036,925.50</b>

### REPRESENTED BY

Floating charge VAT receivable	25,545.76
Fixed charge current	1,801,350.93
Fixed charge money market	3,504,188.49
Floating charge current	4,187,539.63
Floating charge money market	3,504,188.49

**Clugston Group Limited - in Administration****Abstract of receipts & payments**

Statement of affairs (£)	From 06/12/2019	From 06/12/2019
	To 05/06/2020 (£)	To 05/06/2020 (£)
Fixed charge VAT receivable		18,212.20
Floating charge VAT payable		(4,100.00)
		<b>13,036,925.50</b>

## Appendix 3      Schedule of expenses

Schedule of expenses (06/12/2019 to 05/06/2020)			
Expenses (£)	Incurred and paid in the period (£)	Incurred in the period not yet paid (£)	Total (£)
<b>Fixed charge costs</b>			
Legal fees	28,100.00	0.00	<b>28,100.00</b>
Agents' fees	50,000.00	0.00	<b>50,000.00</b>
Consultancy Costs	12,181.00	0.00	<b>12,181.00</b>
<b>Cost of realisations</b>			
Repayment of third party funds	80,898.00	0.00	<b>80,898.00</b>
Repayment of employee Trust funds	34,299.01	0.00	<b>34,299.01</b>
IT costs	1,885.98	0.00	<b>1,885.98</b>
Administrative services	8,987.05	0.00	<b>8,987.05</b>
Other professional costs	432.74	0.00	<b>432.74</b>
Payroll Bureau Costs	87.75	0.00	<b>87.75</b>
Agents' fees	5,740.00	0.00	<b>5,740.00</b>
Software costs	27,000.00	0.00	<b>27,000.00</b>
Legal fees	50,922.00	26,403.50	<b>77,325.50</b>
Payment of third party payroll	1,127,075.17	0.00	<b>1,127,075.17</b>
Legal disbursements	596.63	160.24	<b>756.87</b>
Storage costs	2,300.00	21,709	<b>24,009.00</b>
Re-direction of mail	211.00	0.00	<b>211.00</b>
Statutory advertising	73.00	0.00	<b>73.00</b>
Rent	39,657.76	0.00	<b>39,657.76</b>
Wages & salaries	134,858.22	0.00	<b>134,858.22</b>
PAYE & NIC	102,011.64	0.00	<b>102,011.64</b>
Bank charges	705.00	0.00	<b>705.00</b>
Insurance costs	0.00	3,124	<b>3,124</b>
<b>TOTAL</b>	<b>1,708,021.95</b>	<b>51,396.74</b>	<b>1,759,418.69</b>

### Requests for further information and right to challenge our remuneration and expenses

Creditors' requests for further information

If you would like to request more information about our remuneration and expenses disclosed in this progress report, you must do so in writing within 21 days of receiving this progress report.

Requests from unsecured creditors must be made with the concurrence of at least 5% in value of unsecured creditors (including, the unsecured creditor making the request) or with the permission of the Court.

Creditors' right to challenge our remuneration and expenses

If you wish to challenge the basis of our remuneration, the remuneration charged, or the expenses incurred during the period covered by this progress report, you must do so by making an application to Court within eight weeks of receiving this progress report.

Applications by unsecured creditors must be made with concurrence of at least 10% in value of unsecured creditors (including the unsecured creditor making the challenge) or with the permission of the Court.

The full text of the relevant rules can be provided on request by writing to Poppy Bayley at 1 Sovereign Square, Sovereign St, Leeds, LS1 4DA.



## Appendix 4 Joint Administrators' revised fees estimate

Estimated time costs for the engagement								
	Proposals		Period		First Progress Report			Variance
	Estimated time cost (£)	Estimated total hours	Time costs to date (£)	Hours to date	Estimated time cost (£)	Estimated total hours	Estimated average hourly rate (£)	
<b>Administration &amp; Planning</b>								
Statutory and compliance	130,740.25	330.05	102,558.35	222.45	151,951.35	382.60	397.15	21,211.10
Cashiering	42,422.80	121.60	46,108.50	145.52	68,674.50	220.72	311.14	26,251.70
General	51,822.90	122.40	37,013.10	98.20	71,287.20	196.50	362.78	19,464.30
Bankrupt/Director/Member	1,652.00	7.00	-	-	1,652.00	7.00	236.00	-
Tax	95,073.15	294.60	69,531.90	224.95	110,433.40	346.75	318.48	15,360.25
<b>Creditors</b>								
Committees	72,950.40	185.95	57,169.25	141.80	72,957.05	180.00	405.32	6.65
Creditors and claims	162,569.25	456.75	123,398.73	337.63	188,457.93	528.23	356.77	25,888.68
Employees	-	-	280.00	0.50	280.00	0.50	560.00	280.00
<b>Investigations</b>								
Directors	25,204.00	67.65	17,760.70	74.85	21,065.70	83.85	251.23	(4,138.30)
Investigations	14,898.80	43.80	9,006.05	30.60	9,006.05	30.60	294.32	(5,892.75)
<b>Realisation of Assets</b>								
Asset Realisation	270,096.30	634.20	196,309.20	423.30	300,965.20	646.45	465.57	30,868.90
<b>Trading</b>								
Trading	14,713.50	39.05	18,071.75	48.45	19,706.25	51.95	379.33	4,992.75
<b>Total</b>	<b>882,143.35</b>	<b>2,303.05</b>	<b>677,207.53</b>	<b>1,748.25</b>	<b>1,016,436.63</b>	<b>2,675.15</b>	<b>4,338.09</b>	<b>134,293.28</b>

As noted in section 4, the PPF has outlined specific conditions to the level of fees which we are authorised to draw.

These terms are as follows:

- The Joint Administrators fees in relation to "Administration and Planning" are to be capped at £245,000;
- The Joint Administrators fees in relation to "Creditors" is to be capped at £175,000; and
- A 10% discount is to be applied on all time costs incurred, other than those fees relating to "Realisation of Assets".

As detailed above, our estimated time costs, as outlined in our Proposals, came to a total of £882,143. With the fee conditions set out by the PPF applied, the maximum remuneration that the Joint Administrators are able to draw is £739,431.

As shown in the table, our estimated time costs for the engagement have increased to a total of £1,016,436. With the PPF's conditions applied the maximum fee we would be able to draw from this would be £765,756. However, we do not have approval to draw these increased fees (see Section 4).

Approval to draw further fees is not currently being sought; however, the Joint Administrators reserve the right to revert to creditors for further approval in future.

The reasons for the increase in our fees estimate are set out below:

#### Statutory and compliance

Our estimated time costs for statutory and compliance matters have increased as additional time has been spent updating the administration strategy, which includes but is not limited to reviewing the estimated outcome statement and implications for different classes of creditors. Given the complexity of the administration (for example the intercompany positions and HCCI claim), more time than anticipated has been incurred to date.

#### Cashiering

Estimated cashiering costs are higher than initially anticipated due to the number of receipts and payments processed to date, mostly relating to asset realisations and intercompany recharges, being in excess of initial estimates. A significant reconciliation exercise has been undertaken to ensure that costs paid on a group basis have been allocated to the correct company. This work has continued past the end of the Period and we have increased our fee estimate accordingly.

#### Tax

Time costs are currently in line with our initial estimates. Nevertheless, we have increased the estimate to factor in ongoing work with respect to VAT and tax returns, as well as additional time spent by the Corporation Tax team to review the implications for the Company of the sale of PFI SPV and CRL assets.

#### General

The volume of physical records amounts to approximately 6,500 boxes of documentation across the Administration Group. Accordingly, more time than anticipated has already been spent dealing with books and records. Additional time will be required to determine which records need to be retained in line with statutory requirements and which can be destroyed.

Additional time has also been incurred by our Forensics team to mirror the Company's servers and ensure the preservation of relevant financial and non-financial data.

Time has also been spent liaising with our solicitors regarding data transfers following the sale of CDSL shares.

#### Creditors and claims

We now anticipate that there will be an increased amount of time spent in dealing with creditors and claims. This reflects the additional creditor reporting that will be necessary following the likely extension of the administration.

#### Realisation of Assets

This relates to work required to realise the Company's assets. The asset realisations for the Company are complex and require us to liaise with various stakeholders in order to progress negotiations and ultimately maximise realisations. Additional time (in excess of initial estimates) has been required to remedy breaches in the SPV and get the sale of this significant asset back on track.

As noted previously, time is also being spent dealing with the potential strike offs of Clugston PF Limited and Clugston Reclamation Limited which is work that we did not anticipate at the outset of the administration.

#### Trading

This includes time incurred when dealing with health and safety matters, submitting VAT returns with transactions relating to the trading period (a Group return was submitted in the Period) and reconciling post-appointment funds. Accordingly, more time has been spent in these areas than originally anticipated. Minimal time is expected to be incurred with respect to these matters going forward.

## Appendix 5 Joint Administrators' revised expenses estimate

Revised expenses estimate					
£'s	Note	Initial Estimate	Paid to Date	Future Costs	Total
Joint Administrators' pre-administration costs	1	2,000.00	-	450.00	450.00
Legal fees	2	245,209.00	79,022.00	80,000.00	159,022.00
Legal disbursements	2	60,000.00	596.63	2,500.00	3,096.63
Pre-administration legal fees	2	1,176.00	-	1,176.00	1,176.00
Agents' fees	3	5,025.00	55,740.00	10,000.00	65,740.00
Agents' disbursements	3	251.00	-	-	-
Consultancy	4	-	12,181.00	-	12,181.00
Related Party Payroll	5	957,843.00	1,127,075.17	-	1,127,075.17
Wages	6	92,355.00	134,945.97	-	134,945.97
Head Office Costs	7	39,000.00	27,000.00	31,000.00	58,000.00
Insurance	8	25,000.00	-	10,000.00	10,000.00
Storage Costs	9	25,000.00	2,300.00	52,500.00	54,800.00
Statutory advertising	10	365.00	73.00	292.00	365.00
Bank charges	11	800.00	705.00	500.00	1,205.00
Mail Re-direction	12	400.00	211.00	200.00	411.00
Rent	13	-	39,657.76	-	39,657.76
PAYE & NIC	14	-	102,011.64	30,000.00	132,011.64
Administrative Services	15	-	8,987.05	-	8,987.05
Employee advisory costs	16	20,000.00	432.74	5,000.00	5,432.74
Repayment of third party funds	17	-	80,898.00	-	80,898.00
Repayment of employee trust funds	18	-	34,299.01	-	34,299.01
IT costs	19	-	1,885.98	2,000.00	3,885.98
<b>Total</b>		<b>1,474,424.00</b>	<b>1,708,021.95</b>	<b>225,618.00</b>	<b>1,933,639.95</b>

### Note 1 – Joint Administrators' pre-administration costs

The Joint Administrators' time costs and disbursements relating to pre-administration work are lower than our initial estimate. The preferential and unsecured creditors provided approval on 27 February 2020 for these to be paid; however, they have not yet been drawn.

### Note 2 – Legal fees, disbursements and pre-administration legal fees

During the Period we have paid £79,022 in legal fees and £596 of legal disbursements in relation to legal advice provided throughout the administration. We have reduced the overall expected cost and made a provision of £80,000 for this expense. We anticipate that legal advice will be sought in relation to, but not be limited to, the following matters: confirming the intercompany position and assistance in adjudicating complex unsecured claims (including HCCI's claim), as well as other general legal advice.

### Note 3 – Agents fees and disbursements

During the Period we paid Agents' fees in the sum of £55,740 for services provided in realising the Company's assets. Agents fees in relation to the property sale had been missed from our initial estimate as an oversight. We have also made a provision of £10,000 to cover future costs associated with ongoing assistance in relation to realising Company assets, in particular the development land.

### Note 4 – Consultancy fees

During the Period we have incurred expenses of £12,181 in relation to consultancy fees for work undertaken to secure the potential purchaser of the PFI SPV. This expense was not included in our original estimate.

#### Note 5 – Related Party Payroll

As outlined in our Proposals, the Company has provided payroll services to CCL and CSL during the Period. Costs of £1.1 million have been incurred, exceeding our initial estimate. No future costs are expected in relation to this expense as all employees were redundant over the course of the Period. The majority of these payroll costs have been recharged to CCL, CSL and CDSL (see Section 2.2).

#### Note 6 – Wages and Salaries

Costs of £134,858 have been incurred in the Period in relation to wages and salaries of retained staff, which is higher than our initial estimate. No future costs are expected in relation to wages and salaries.

#### Note 7 – Head Office Costs

During the Period, £27,000 has been incurred in relation to head office costs, we have included a provision of £31,000 to cover future head office costs. This is higher than our initial estimate; £25,000 of this estimate is a contingency for a dilapidations charge which could be applied by the landlord. The remaining £6,000 relates to the collection and disposal of company paperwork, which is a statutory obligation of the Joint Administrators.

#### Note 8 – Insurance

Our initial estimate included a provision of £25,000 for insurance, however we have reduced this provision to £10,000 following receipt of an insurance invoice which covered the first six months of the administration.

#### Note 9 – Storage Costs

Costs of £2,300 for collection and storage of the Company's books and records have been paid in the Period. We anticipate future costs of £52,200 which is significantly higher than our original estimate. Costs for storage are high due to there being a large amount of books and records on the Group's various sites. In total, our storage provider has collected approximately 3,500 boxes of paperwork from 30 construction sites, including the Company's head office. This cost relates to CCL and CSL as well as the Company, so this will be proportionately recharged in due course.

#### Note 10 – Statutory advertising

Statutory advertising costs have remained in line with our initial estimate.

#### Note 11 – Bank Charges

During the Period, bank charges of £705 have been incurred. We have included a provision of £500 for future bank charges. The total cost is higher than our initial estimate.

#### Note 12 – Mail Re-direction

Mail re-direction costs have remained in line with our initial estimate.

#### Note 13 – Rent

During the Period, costs of £39,657 have been incurred in relation to the rent of head office. This cost will be recharged to CCL and CSL based on their use of the Property. This cost was not included in our initial estimate.

#### Note 14 – PAYE & NIC

During the Period £102,011 has been incurred in relation PAYE and NIC costs incurred through paying retained staff wages. A provision of £30,000 has been included in relation to any unpaid PAYE and NIC.

#### Note 15 – Administrative Services

During the Period we have paid £8,987 in relation to various administrative services such as access to IT and HR. This cost was not included in our previous estimate; we do not expect any future costs to be incurred.

#### Note 16 – Employee advisory costs

During the Period, £432 has been paid to ERA Solutions for their support with employee consultations and claims. We have included a provision of £5,000 for future costs as the total costs for this service have not yet been paid.

#### Note 17 – Repayment of third party funds

During the Period £80,898 has been paid in relation to Repayment of third party funds. As outlined in our asset realisations, this relates to funds received in error and have therefore been repaid to the relevant party. We do not anticipate any future costs in relation to this.

#### Note 18 – Repayment of employee trust funds

During the Period £34,299 has been paid in relation to Repayment of employee trust funds. As outlined in our asset realisations, this relates to funds received in error and have therefore they have been repaid to the relevant party. We do not anticipate any future costs in relation to this.

#### Note 19 – IT costs

During the Period, IT costs of £1,885 in relation to IT services provided to the Company. A provision of £2,000 for future costs has been included in our estimate.

## Appendix 6 Joint Administrators' charging and disbursements policy

### Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of tax, VAT, employee, pensions from KPMG in-house specialists.

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

A copy of "A Creditors' Guide to Joint Administrators Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at: <https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/more/29113/page/1/guide-to-administrators-fees/>

If you are unable to access this guide and would like a copy, please contact Poppy Bayley on 07778 299 703.

### Hourly rates

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

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

Charge-out rates (£) for: Restructuring		
Grade	From 01 Oct 2019 £/hr	From 01 Jan 2020 £/hr
Partner	655	690
Director	590	620
Senior Manager	535	560
Manager	445	467
Senior Administrator	310	325
Administrator	225	236
Support	140	147

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

## Policy for the recovery of disbursements

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

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

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

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

Mileage claims fall into three categories:

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

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

We have incurred the following disbursements from the date of our appointment to 5 June 2020.

<b>SIP 9 - Disbursements</b>					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Accommodation		1,337.99		NIL	<b>1,337.99</b>
External printing		14.85		NIL	<b>14.85</b>
Meals		684.83		NIL	<b>684.83</b>
Mileage		NIL		2,927.02	<b>2,927.02</b>
Postage		45.86		NIL	<b>45.86</b>
Sundry		190.00		NIL	<b>190.00</b>
Telecommunications		449.96		NIL	<b>449.96</b>
Travel		3.70		NIL	<b>3.70</b>
<b>Total</b>		<b>2,727.19</b>		<b>2,927.02</b>	<b>5,654.21</b>

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



Category 2 disbursements have been approved in the same manner as our remuneration.

Narrative of work carried out for the period 6 December 2019 to 5 June 2020

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> <li>■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences;</li> <li>■ providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment;</li> <li>■ issuing regular press releases and posting information on a dedicated web page;</li> <li>■ preparing statutory receipts and payments accounts;</li> <li>■ arranging bonding and complying with statutory requirements;</li> <li>■ ensuring compliance with all statutory obligations within the relevant timescales.</li> </ul>
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> <li>■ formulating, monitoring and reviewing the administration strategy, including the decision to trade and meetings with internal and external parties to agree the same;</li> <li>■ briefing of our staff on the administration strategy and matters in relation to various work-streams;</li> <li>■ regular case management and reviewing of progress, including regular team update meetings and calls;</li> <li>■ meeting with management to review and update strategy and monitor progress;</li> <li>■ reviewing and authorising junior staff correspondence and other work;</li> <li>■ dealing with queries arising during the appointment;</li> <li>■ reviewing matters affecting the outcome of the administration;</li> <li>■ allocating and managing staff/case resourcing and budgeting exercises and reviews;</li> <li>■ liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters;</li> <li>■ complying with internal filing and information recording practices, including documenting strategy decisions.</li> </ul>
Cashiering	<ul style="list-style-type: none"> <li>■ setting up administration bank accounts and dealing with the Company's pre-appointment accounts;</li> <li>■ preparing and processing vouchers for the payment of post-appointment invoices;</li> <li>■ creating remittances and sending payments to settle post-appointment invoices;</li> <li>■ preparing payroll payments for retained staff, dealing with salary related queries and confirming payments with the employee's banks;</li> <li>■ reviewing and processing employee expense requests;</li> <li>■ reconciling post-appointment bank accounts to internal systems;</li> <li>■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.</li> </ul>
Tax	<ul style="list-style-type: none"> <li>■ gathering initial information from the Company's records in relation to the taxation position of the Company;</li> <li>■ submitting relevant initial notifications to HM Revenue and Customs;</li> <li>■ reviewing the Company's pre-appointment corporation tax and VAT position;</li> <li>■ analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations;</li> <li>■ working initially on tax returns relating to the periods affected by the administration;</li> <li>■ analysing VAT related transactions;</li> <li>■ dealing with post appointment tax compliance.</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>■ providing notification of our appointment;</li> <li>■ responding to enquiries from shareholders regarding the administration;</li> <li>■ providing copies of statutory reports to the shareholders.</li> </ul>
General	<ul style="list-style-type: none"> <li>■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9;</li> <li>■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage.</li> </ul>
Asset realisations	<ul style="list-style-type: none"> <li>■ collating information from the Company's records regarding the assets;</li> <li>■ liaising with agents regarding the sale of assets;</li> <li>■ reviewing the inter-company debtor position between the Company and other group companies.</li> </ul>
Health and safety	<ul style="list-style-type: none"> <li>■ liaising with internal health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with;</li> <li>■ liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance.</li> </ul>
Open cover	<ul style="list-style-type: none"> <li>■ arranging ongoing insurance cover for the Company's business and assets;</li> </ul>

insurance	<ul style="list-style-type: none"> <li>■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place;</li> <li>■ assessing the level of insurance premiums.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>■ dealing with queries from employees regarding various matters relating to the administration and their employment;</li> <li>■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments;</li> <li>■ holding employee briefing meetings to update employees on progress in the administration and our strategy;</li> <li>■ administering the Company's payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns;</li> <li>■ communicating and corresponding with HM Revenue and Customs;</li> <li>■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office;</li> <li>■ managing claims from employees;</li> <li>■ ensuring security of assets held by employees.</li> </ul>
Pensions	<ul style="list-style-type: none"> <li>■ collating information and reviewing the Company's pension schemes;</li> <li>■ ensuring compliance with our duties to issue statutory notices;</li> <li>■ communicating with employees' representatives concerning the effect of the administration on pensions and dealing with employee queries.</li> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ drafting and circulating our proposals;</li> <li>■ creating and updating the list of unsecured creditors;</li> <li>■ responding to enquiries from creditors regarding the administration and submission of their claims;</li> <li>■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records;</li> <li>■ drafting our progress report.</li> </ul>
Investigations/ directors	<ul style="list-style-type: none"> <li>■ reviewing Company and directorship searches and advising the directors of the effect of the administration;</li> <li>■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies;</li> <li>■ arranging for the redirection of the Company's mail;</li> <li>■ reviewing the questionnaires submitted by the Directors of the Company;</li> <li>■ reviewing pre-appointment transactions;</li> <li>■ submitting the online director conduct assessment to the relevant authority.</li> </ul>

## Time costs

SIP 9 – Time costs analysis (06/12/2019 to 05/08/2020)			
	Hours	Time Cost (£)	Average Hourly Rate (£)
<b>Administration &amp; planning</b>			
Cashiering			
Fund management	1.20	378.00	315.00
General (Cashiering)	78.42	23,035.75	293.75
Reconciliations (& IPS accounting reviews)	65.90	22,694.75	344.38
General			
Books and records	195.95	59,290.90	302.58
Fees and WIP	24.50	7,451.00	304.12
Joint appointee	4.50	2,790.00	620.00
Statutory and compliance			
Appointment and related formalities	49.30	17,238.30	349.66
Appointment documents	0.50	118.00	236.00
Bonding & Cover Schedule	1.90	892.50	469.74
Budgets & Estimated outcome statements	33.50	18,457.00	550.96
Checklist & reviews	66.65	35,357.75	530.50
Closure and related formalities	5.00	1,476.00	295.20
Extension related formalities	0.50	118.00	236.00
Pre-administration checks	4.40	1,220.00	277.27
Statutory receipts and payments accounts	7.80	2,374.80	304.46
Strategy documents	52.90	25,306.00	478.37
Tax			
Initial reviews - CT and VAT	38.00	14,709.90	387.10
Post appointment corporation tax	16.65	8,684.00	521.56
Post appointment PAYE (Non Trading)	7.00	1,767.50	252.50
Post appointment VAT	36.55	11,851.70	324.26
<b>Creditors</b>			
Committees			
Meetings	0.50	280.00	560.00
Creditors and claims			
Agreement of claims	32.70	20,232.00	618.72
Agreement of unsecured claims	9.10	5,096.00	560.00
General correspondence	117.23	28,678.33	244.63
Legal claims	6.00	3,720.00	620.00
Pre-appointment VAT / PAYE / CT	3.40	1,054.40	310.12

**SIP 9 –Time costs analysis (06/12/2019 to 05/06/2020)**

	Hours	Time Cost (£)	Average Hourly Rate (£)
Secured creditors	<b>16.20</b>	6,740.00	416.05
Statutory reports	<b>153.00</b>	57,878.00	378.29
Employees			
Correspondence	<b>82.70</b>	35,510.20	429.39
Pension funds	<b>28.55</b>	10,459.40	366.35
Pensions reviews	<b>30.55</b>	11,199.65	366.60
<b>Investigation</b>			
Directors			
Correspondence with directors	<b>0.75</b>	177.00	236.00
D form drafting and submission	<b>70.95</b>	16,143.70	227.54
Directors' questionnaire / checklist	<b>2.00</b>	796.00	398.00
Statement of affairs	<b>1.15</b>	644.00	560.00
Investigations			
Mail redirection	<b>1.35</b>	318.60	236.00
Review of pre-appt transactions	<b>29.25</b>	8,687.45	297.01
<b>Realisation of assets</b>			
Asset Realisation			
Cash and investments	<b>164.35</b>	79,851.50	485.86
Debtors	<b>20.15</b>	11,397.40	565.63
Freehold property	<b>46.90</b>	23,876.40	509.09
Health & safety	<b>0.50</b>	118.00	236.00
Insurance	<b>19.75</b>	4,817.90	243.94
Leasehold property	<b>31.25</b>	10,188.80	326.04
Office equipment, fixtures & fittings	<b>29.30</b>	7,146.00	243.89
Other assets	<b>52.95</b>	27,451.25	518.44
Pre-appointment tax & VAT refunds	<b>1.70</b>	472.40	277.88
Rent	<b>1.40</b>	366.00	261.43
Sale of business	<b>49.50</b>	29,355.00	593.03
Stock and WIP	<b>2.00</b>	450.00	225.00
Vehicles	<b>3.55</b>	818.55	230.58
<b>Trading code used when engagement didn't trade</b>			
Trading			
Employee Matters / PAYE	<b>43.95</b>	16,399.25	373.13
Negotiations with suppliers / landlords	<b>3.25</b>	1,377.50	423.85
Purchases and trading costs	<b>1.25</b>	295.00	236.00

**SIP 9 –Time costs analysis (06/12/2019 to 05/06/2020)**

	Hours	Time Cost (£)	Average Hourly Rate (£)
<b>Total in period</b>	<b>1,748.25</b>	<b>677,207.53</b>	<b>387.36</b>
Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	1,748.25	677,207.53	
Carry forward time (appointment date to SIP 9 period end date)	1,748.25	677,207.53	

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

All time shown in the above analysis is charged in units of six minutes

## Appendix 7      Glossary

<b>Bank/Secured Creditor</b>	National Westminster Bank (NatWest)
<b>CBRE</b>	CBRE Limited
<b>CCL</b>	Clugston Construction Limited
<b>CDSL</b>	Clugston Distribution Services Limited
<b>CEL</b>	Clugston Estates Limited
<b>CNIM</b>	Constructions industrielles de la Méditerranée (a company registered in France)
<b>Company</b>	Clugston Group Limited - in Administration
<b>Court</b>	High Court of Justice, Business and Property Court in Leeds, Insolvency and Companies List (ChD)
<b>CRL</b>	Clugston Reclamation Limited
<b>CSL</b>	Clugston Services Limited
<b>Directors</b>	David Westland Antony Clugston John Westland Antony Clugston John Anthony Brian Kelly Ian Pattison Stephen John Radcliffe Andrew William Walker Ian Pattison

<b>Eque2</b>	Eque2 Limited
<b>Eversheds</b>	Eversheds Sutherland LLP
<b>Freeths</b>	Freeths LLP
<b>Group</b>	The Company together with; Clugston Construction Limited Clugston Services Limited Clugston Distribution Services Limited Clugston Estates Limited
<b>HCCI</b>	HCC International Insurance Co PLC
<b>Joint Administrators/we/our/us</b>	James Clark and Howard Smith
<b>KPMG</b>	KPMG LLP
<b>Marsh</b>	JLT Speciality Limited (trading as Marsh)
<b>NatWest</b>	National Westminster Bank Public Limited Company
<b>Period</b>	6 December 2019 (appointment) to 5 June 2020
<b>PFI</b>	Private Finance Initiative
<b>PPF</b>	Pension Protection Fund
<b>Property</b>	St Vincent House, Normanby Rd, Scunthorpe DN15 8QT and Gelderd Road,

Morley, Leeds LS27 7JP; and

Industrial Estate on the west side of Brigg  
Road, Scunthorpe DN16 1BB

**Proposals**

Joint Administrators' proposals dated 31  
January 2020

**Purchaser**

Midos Group UK Limited

**Sanderson Weatherall**

Sanderson Weatherall LLP

**SPV**

Special Purpose Vehicles

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



## Appendix 8 Notice: About this report

This report has been prepared by James Clark and Howard Smith, the Joint Administrators of Clugston Group Limited – in Administration (the 'Company'), solely to comply with their statutory duty to report to creditors under the Insolvency Rules (England and Wales) 2016 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company or any other company in the Group.

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

Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency Rules (England and Wales) 2016 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this report to any such person.

James Richard Clark and Howard Smith are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales.

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

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