

The Insolvency Act 1986

**Administrator's progress report**

Name of Company

4Children (Trading) Limited

Company number

2433565

In the  
High Court of Justice, Chancery Division,  
Companies Court

(full name of court)

Court case number  
CR-2016-005192 of 2016(a) Insert full  
name(s) and  
address(es) of  
administrator(s)I/We (a)  
Adam Henry Stephens, Finbarr Thomas O'Connell  
and Andrew Stephen McGill  
Smith & Williamson LLP  
25 Moorgate  
London  
EC2R 6AY

administrator(s) of the above company attach a progress report for the period

(b) Insert date

From

(b) 31 August 2016

To

(b) 27 February 2017

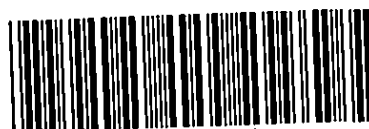
Signed

  
Joint / Administrator(s)

Dated

27/02/2017

MONDAY



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03/04/2017

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COMPANIES HOUSE



# 4Children (Trading) Limited (in administration)

Joint administrators' progress report for the period from 31 August 2016 to 27 February 2017

30 March 2017



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# 1. Glossary

Abbreviation	Description
the Company	4Children (Trading) Limited
the administrators/joint administrators	Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephen McGill
the Charity Group	4Children, 4Children (Trading) Limited, 4Children (Direct) Limited, 4Children (Gloucestershire) Limited, 4Children (Plymouth) Limited, 4Children (Worcestershire) Limited - All in Administration
SIP	Statement of Insolvency Practice (England & Wales)
IA86	Insolvency Act 1986 If preceded by S this denotes a section number
Sch B1	Schedule B1 to the Insolvency Act 1986 If preceded by P this denotes a paragraph number
IR86	Insolvency Rules 1986 If preceded by R this denotes a rule number
SOA	Statement of Affairs
QFCH	Qualifying Floating Charge Holder - a secured creditor who has the power to appoint an administrator
FSE	FSE Social Impact Accelerator Limited
S&WFS	Smith & Williamson Financial Services Limited
HSBC	HSBC Bank plc

Note: The IA86 and IR86 have been subject to a number of significant amendments since their original issue, including a number of substantial and important changes in April 2010. References to IA86 and IR86 in this report are to the legislation as it applies to this case.

## 2. Introduction

This report provides an update on the progress in the administration of the Company for the six month period ended 27 February 2017. It should be read in conjunction with the joint administrators' proposals dated 2 September 2016. By way of reminder, we, Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephen McGill of Smith & Williamson LLP, 25 Moorgate, London EC2R 6AY, were appointed administrators of the Company on 31 August 2016.

Statutory information in respect of the Company and the administration is set out at Appendix I.

## 3. Progress of the administration

Attached at Appendix II is our receipts and payments account for the period from 31 August 2016 to 27 February 2017.

The receipts and payments account also includes a comparison with the directors' SOA values.

### 3.1 Sale of the business and assets

As creditors will recall, a pre-packaged sale ("pre-pack") of a majority of the Charity's business and assets was completed on 31 August 2016, to another Charity, being Action For Children. The remainder of services were taken back in-house by the relevant local authority or transferred (at the local authority's request) to another provider. Full details of this transfer were provided in the joint administrators' proposals which can be found on the website.

### 3.2 Furniture & Equipment

As part of the pre-pack the consideration was apportioned as follows:-

Assets	£
Nursery and related contracts -service continuity deeds (£1 for which there are 17).	17
Global licence to occupy the related premises	1
Beneficiary data and beneficiary database	1
Employee data and beneficiary database	1
Plant & Equipment (£1,500 per nursery site of which there are 29)	43,500
Website	10,000
<b>Total</b>	<b>53,520</b>

This sale encompassed the whole Charity Group (i.e not just the Company) and the proceeds received were in respect of all six companies in the Charity Group. As highlighted above the majority of the consideration received was in respect of plant and equipment. The accounting records of the Company, or any of the companies within the Charity Group in respect of these assets are insufficient to allow an obvious allocation of the monies between the six companies. It would not be commercially logical to undertake a full audit to allocate the precise split, therefore an equitable split, and the 6 legal entities within the Charity Group will be undertaken based on existing asset register information.

Please note that the consideration is currently held with the administrators' solicitors, Russell Cooke LLP, who assisted with the pre-pack sale of the business.

### 3.3 Book Debts

The outstanding book debts as per the SOA total £93,000. On appointment, the joint administrators reviewed the outstanding book debt position and a revised figure of £576,284.35 was calculated.

Of the revised figure, £480,659.28 may not be recoverable. The indebtedness of £172,015.30 and £250,000 relates to Wandsworth Borough Council and Essex County Council and both of these councils are looking to offset sums against expenses incurred in light of the administration and an unforeseen pension liability that arose due to the transfer of the business.

Furthermore a sum of £11,612 outstanding from Middlesbrough Borough Council is also currently under review by the joint administrators, as they too are looking to offset this indebtedness against sums due from the Company including a pension liability.

To date we have collected a sum of £7,204.20 comprising of outstanding amounts due from nursery and none nursery debtors.

### 3.4 Utility Refund

A sum of £1,652.58 was received in respect of credit balance in the Npower business account for the Company.

### 3.5 Tax Refund

A sum of £563.93 was received from Thurrock Borough Council in respect of council tax.

### 3.6 Cash at Bank

A sum of £225,869.74 was recovered from the Company's HSBC bank account. The joint administrators are currently in the process of recovering the final cash at bank balance from the pre-appointment bank account and ensure the account is closed.

### 3.7 Business Rates Refund

A sum of £1,992.13 was received in respect of business rates refund, of which £1,966.41 related to a refund from Eastleigh Borough Council.

### 3.8 Bank Interest Gross

A sum of £87.47 was received in respect of bank interest.

### 3.9 Assets still to be realised

As mentioned above, approximately £88,430.87 is still to be recovered in respect of book debts. The joint administrators are looking into the matter and hope to be able to provide a more substantial report on the collection process in our next report.

### 3.10 Administration strategy

There has been no change in the administration strategy outlined in the joint administrators' proposals.

## 4. Investigations

Under the Company Directors Disqualification Act 1986 we have a duty to make a submission to the Secretary of State for Business, Energy & Industrial Strategy on the conduct of all those persons who were directors at the date the Company entered administration or who held office at any time during the three years immediately preceding the administration.

We have complied with our duty in this regard. As all submissions are strictly confidential we are unable to disclose their content.

Shortly after appointment, we made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors as a response to our request to complete an investigation questionnaire. Our investigations have not revealed any issues requiring a further report.

## 5. Pre-administration costs

The pre-administration costs were reported in the administrators' proposals dated 2 September 2016. The table below summarises the entire quantum of professional fees. None were paid directly by the Company, but were instead paid for by 4Children.

Charged by/service(s) provided	Total amount charged	Amount paid	Who made payment	Amount unpaid
	£	£		£
Smith & Williamson LLP Costs	150,473.50	97,999	4Children	52,474.50
Smith & Williamson Disbursements	2,894.52	725.02	4Children	2,169.50
Russell-Cooke – legal advice	108,310.26	73,950.26	4Children	34,360.00
Sanderson Weatherall – chattel agents	24,000.00	Nil	-	24,000.00
Total	285,678.28	172,674.28	-	113,004.00

Smith and Williamson LLP's pre-appointment time costs total £150,473.50 plus VAT. Of this amount, £97,999 plus VAT was paid by the Charity Group prior to our appointment, with £52,474.50 remaining outstanding.

Russell-Cooke's costs were reported in the proposals as £108,310.26, of this amount, £73,950.26 was paid and £34,360 remains outstanding.

We are currently in discussion with FSE, being the sole secured creditor to which there is an outstanding balance due and the preferential creditors for approval of the outstanding costs.

In addition to the above, we are also reviewing these costs and the allocation across the Charity Group.



## 6. Administrators' remuneration

As per the proposals, no remuneration has been drawn to date. This is because the joint administrators are currently in discussion with the secured creditor and preferential creditors for approval of a resolution on our fees and costs.

The administrators' time costs are:

Period	Total hours hrs	Total costs £	Average hourly rate £/hr	Fees drawn £
31 August 2016 - 27 February 2017	301.65	73,351.98	243.17	NIL
Total	301.65	73,351.98	243.17	NIL

Attached as Appendix III, is a time analysis which provides details of the activity costs incurred by staff grade during the period of this report in respect of the costs fixed by reference to time properly spent by the administrators and their staff in attending to matters arising in the administration. Details of work carried out in the period are also included in the body of this report.

Since the joint administrators are seeking approval for their basis of remuneration, a time costs estimate for the whole period of the administration is attached at appendix V. This details the estimated fees according to the grade of staff, expected number of hours to perform specific tasks, some of which are required by legislation, and some of which are specific to this case. Also shown is the average hourly rate.

The joint administrators' costs to date are as above.

The joint administrators' time costs to date are £73,351.98, as above and we estimate our total time costs for the period 31 August 2016 to 30 August 2017 will be £107,594.99, which includes £73,351.98 already incurred.

Please note that this estimate is based on present information and may change due to unforeseen circumstances arising. In the event that the fees estimate is likely to be exceeded, the joint administrators will need to provide an update and seek approval from the appropriate creditors before drawing any additional sums. Fee estimates may be given up to a certain milestone or for a designated period if it is not possible to provide an accurate estimate at any given point.

On a general note, creditors should be aware that some of the work is required by statute and may not necessarily provide any financial benefit to creditors. Examples would include dealing with former employees' claims through the Redundancy Payments Service and investigating the former officers of the company as required by the Company Directors' Disqualification Act 1986.

A copy of "A Creditor's Guide to Administrator's Fees", as produced by the ICAEW, is available free on request or can be downloaded from their website as follows:

[http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2015/guide\\_to\\_administrators\\_fees\\_oct\\_2015.ashx?la=en](http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2015/guide_to_administrators_fees_oct_2015.ashx?la=en)

Details of Smith & Williamson LLP's charge out rates and policies in relation to the use of staff are provided at Appendix IV.

### 6.1 S&WFS

S&WFS, a company associated with Smith & Williamson LLP, is dealing with the company's pension affairs. Payments to parties in which joint administrators or their firm have an interest must be disclosed to, and approved by, creditors in a similar way as approval of the joint administrators' remuneration.

In this case, the joint administrators will be seeking approval for the basis of S&WFS's fees as follows:



By reference to the time properly spent by the S&WFS staff and their staff in attending to matters arising in the administration. As we will be seeking approval to draw fees on this basis, a fees and costs estimate will be provided at the same time as the joint administrators fees quote.

Details of S&WFS' charge out rates are included at Appendix IV.

## 7. Administration expenses

### 7.1 Subcontractors

We have utilised the services of the following subcontractors during the current period:

Provider/Service(s)	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £
ERA Solutions (Employee claims processing)	Rate per employee claim or hourly rate agreed	1,500.00	1,500.00	NIL

Thirteen former employees were engaged on a consultancy basis after being made redundant from the Company with effect from 31 August 2016. Their principle role was to assist the joint administrators with the collation of the Charity Group's books and records and completing all outstanding matters required before winding down the business. The Company incurred total consultancy fees of £56,855 and expenses of £371.28 in reference to these retained staff.

### 7.2 Professional advisers

On this assignment we have used professional advisers.

Name of professional adviser/Service(s)	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £
Russell Cooke LLP - Legal advice re employees issue, data protection and leasehold issues	Hourly rate and disbursements	53,464.55	53,46.55	NIL

The table above summarises the quantum of professional fees. None were paid directly by the Company, but were instead paid for by 4Children.

The joint administrators' are reviewing these costs and the allocation across the Charity Group.

### 7.3 Administrators' disbursements

We have paid and/or incurred the following disbursements in the current period:

Description	Incurred in current period £	Paid in current period £	Total costs outstanding at period end £
Statutory advertising	140.58	140.58	NIL
Administrators' bonds	140.00	NIL	140.00
Subsistence	192.53	NIL	192.53
Postage	1,027.16	NIL	1,027.16
Travel	407.57	NIL	407.57
Total	1,907.84	140.58	1,767.26

### 7.4 Category 2 disbursements

No Category 2 disbursements have been incurred or paid in the current period:

### 7.5 Other expenses

No other expenses (i.e. those not detailed in the preceding sections) have been paid during the period covered by this report.

### 7.6 Policies regarding use of third parties and disbursement recovery

Appendix IV provides details of Smith & Williamson LLP's policies in relation to the use of subcontractors and professional advisers, and the recovery of disbursements.

## 8. Estimated outcome for creditors

The estimated outcome for each class of creditors is set out below.

### 8.1 Secured creditors

FSE holds a fixed and floating charge over the Company's assets. It also has a series of cross guarantees over almost all of the other Charity Group's assets. At the date of the administration the indebtedness was £500k. In the period covered by this report, no payments have been made. Future payments to FSE will be dependent on realisation made by each entity within the Charity Group.

### 8.2 Prescribed Part

The Company granted a floating charge to FSE on 9 October 2014. Accordingly, we are required to create a Prescribed Part fund out of the Company's net floating charge property for unsecured creditors.

Based on present information and before future costs, we estimate the value of the Company's net floating charge property to be £168,298.41. Arising from this, the value of the unsecured creditors' Prescribed Part fund is estimated to be £36,659.68. Please be aware that this estimate is subject to fluctuation and the final outcome can only be determined once all asset realisations have been made. If there is a Prescribed Part

distribution available to the unsecured creditors, this will be distributed by the joint administrators in the administration.

### 8.3 Preferential creditors

We set out below a summary of preferential claims received:

Preferential creditor	SOA claims £	Claims received £
Department for Business, Energy & Industrial Strategy (interim claim received)	NIL	10,197.78
Total	NIL	10,197.78

The joint administrators are continuing to review the position of the preferential creditors

### 8.4 Unsecured creditors

We have received claims totalling £1,333,188.10 from 74 creditors. Total claims as per the directors' SOA were £918,171.

While there are funds available under the prescribed part calculation (section 8.2) this does not take into account unpaid/future costs therefore the joint administrators are unsure at this stage whether there will be sufficient funds to enable a distribution to the unsecured creditors.

## 9. Outstanding matters

The matters detailed below are the remaining matters that must be dealt with in the administration.

- Reconcile and recover the final cash at bank balance from the company's pre-appointment HSBC bank account and ensure these accounts are closed.
- Review the book debt position of the company with the council together with the pension liability.
- Conclusion of outstanding pension matters.
- Ensure employee claims have been reviewed.
- Ensure all matters in regard to the sale of the business have been concluded.
- Filing corporation tax returns and obtaining tax clearance in respect of the administration period.
- Paying all costs and expenses of the administration once any required approval has been obtained.
- Closure of the administration, including preparing and issuing the final report.
- Agreeing the claim of and making payment to the floating charge holder.

## 10. Ending the administration

As detailed in the joint administrators' proposals, the joint administrators will use their discretion to exit the administration by way of one of the following means:

- i) If having realised the assets of the Company, the joint administrators think that a distribution will be made to the unsecured creditors other than by virtue of the Prescribed Part, they may file a notice with the Registrar of Companies which will have the effect of bringing the appointment of the joint administrators to an end and will move the Company automatically into CVL in order that the

distribution can be made, but only if they consider that the associated incremental costs of a CVL are justified. In these circumstances, it is proposed that the joint administrators will become the joint liquidators of the CVL. The acts of the joint liquidators may be undertaken by either or both of them.

Creditors have the right to nominate alternative liquidators of their choice. To do this, creditors must make their nomination in writing to the joint administrators prior to these proposals being approved. Where this occurs, the joint administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the joint administrators will automatically become the joint liquidators of the Company in the subsequent CVL. We anticipate at this stage that this will be the likely exit route.

- ii) If the joint administrators have, with the permission of the court, made a distribution to unsecured creditors in addition to any Prescribed Part distribution, or they think that the Company otherwise has no property which might permit a distribution to its unsecured creditors, subject to there being a need for further investigations as described below, they will file a notice, together with their final progress report, at court and with the Registrar of Companies for the dissolution of the Company. The joint administrators will send copies of these documents to the Company and its creditors. The joint administrators' appointment will end following the registration of the notice by the Registrar of Companies.
- iii) Administrators have the power to bring claims against former officers of the company in respect of transactions that may have caused or exacerbated a company's insolvency. Claims with a good *prospect of success may indeed be pursued by administrators but there may be cases where it would be more appropriate if a liquidator brought the claim or where the timeframe would not be long enough, given the maximum extension period available to administrators. The proposed exit route would, in these cases, be liquidation.*

## 11. Creditors' rights

Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors or otherwise with the court's permission) may request in writing that the administrators provide further information about their remuneration or expenses which have been itemised in this report.

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

The above rights apply only to matters which have not been disclosed in previous reports.

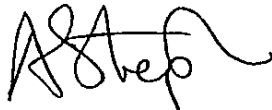
On a general note, if you have any comments or concerns in connection with our conduct, please contact Adam Henry Stephens or Finbarr Thomas O'Connell in the first instance. If the matter is not resolved to your satisfaction, you may contact our Head of Legal by writing to 25 Moorgate, London EC2R 6AY or by telephone on 020 7131 4000.

Thereafter, if you wish to take the matter further you may contact the Insolvency Services directly via Insolvency Complaints Gateway. They can be contacted by email, telephone or letter as follows:

- i) Email: [ip\\_complaints@insolvency.gsi.gov.uk](mailto:ip_complaints@insolvency.gsi.gov.uk)
- ii) Telephone number: +44 300 678 0015
- iii) Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA.

## 12. Next report

Overall, we thank creditors for their investment and support to date. We are required to provide a further report on the progress of the administration within one month of the end of the next six month period of the administration unless we have concluded matters prior to this, in which case we will write to all creditors with our final report.



Adam Henry Stephens

Joint Administrators

Date: 30 March 2017

# I Statutory information

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Relevant Court	High Court of Justice, Chancery Division, Companies Court
Court Reference	5192 of 2016
Trading Addresses	City Reach, 5 Greenwich View Place, Isle of Dogs, London, E14 9NN
Registered Office	25 Moorgate, London, EC2R 6AY (Formerly City Reach, 5 Greenwich View Place, Isle of Dogs, London, E14 9NN)
Registered Number	2433565
Joint Administrators	Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephen McGill all of 25 Moorgate, London, EC2R 6AY (IP No(s) 9748, 7931 and 9350) <i>In accordance with P100 (2) Sch B1 1A 86 a statement has been made authorising the Joint Administrators to act jointly and severally.</i>
Date of Appointment	31 August 2016
Appointor	Directors

## II Receipts and payments account

Receipts and payments account to 27 February 2017

4Children (Trading) Limited  
(In Administration)

### Joint Administrators' Summary of Receipts & Payments

Statement of Affairs		From 31/08/2016 To 27/02/2017
£		£
	<b>GENERAL FIXED CHARGE</b>	
11,612.00	Debenture/Bond	NIL
		NIL
	<b>ASSET REALISATIONS</b>	
5,000.00	Furniture & Equipment	NIL
93,000.00	Book Debts	7,204.20
	Utility Refund	1,652.58
	Tax Refund	563.93
53,244.00	Cash at Bank	225,869.74
	Business Rates Refund	1,992.13
10,000.00	Prepayments	NIL
	Bank Interest Gross	87.47
		237,370.05
	<b>COST OF REALISATIONS</b>	
	Consultancy Fees	56,855.00
	Consultants Expenses	371.28
	Agents/Valuers Fees (1)	1,500.00
	Statutory Advertising	140.58
	Bank Charges	7.00
		(58,873.86)
	<b>FLOATING CHARGE CREDITORS</b>	
(500,000.00)	Floating Charge Creditor	NIL
		NIL
	<b>UNSECURED CREDITORS</b>	
(918,171.00)	Trade & Expense Creditors	NIL
		NIL
<b>(1,245,315.00)</b>		<b>178,496.19</b>

## Notes and further information required by SIP 7

- The administrators' remuneration has not yet been approved.
- We have not yet sought approval of or drawn any other costs that would require the same approval as our remuneration.
- No payments have been made to us from outside the estate.
- Details of significant expenses paid are provided in the body of our report.
- Details of payments made to sub-contractors are shown in the body of our report.
- Information concerning our remuneration and disbursements incurred is provided in the body of the report.
- Information concerning the ability to challenge remuneration and expenses of the administration is provided in our report.
- All bank accounts are interest bearing.
- There are no foreign currency holdings.



# III Time analysis for the period

From 31 August 2016 to 27 February 2017

4Children (Trading) Limited  
Breakdown of time spent by Smith & Williamson LLP employees  
for the period ended 27 February 2017

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Administration and planning</b>								
Statutory returns, reports & meetings	3.80	0.00	10.85	8.45	0.10	23.20	6,419.25	276.69
Initial post-appointment notification letters, including creditors	0.80	0.00	8.50	0.45	0.00	9.75	2,870.50	294.41
Cashflowing general, including bonding	0.00	1.00	0.30	0.55	5.40	7.25	1,751.00	241.32
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary)	0.80	0.00	7.25	2.45	0.00	10.50	1,883.09	179.34
Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related)	0.00	0.00	0.25	0.10	0.00	0.35	78.75	225.00
Protection of company records (incl electronic)	0.60	0.00	3.35	0.00	0.00	3.95	1,130.75	284.27
Filing, file and information management	0.00	0.00	1.90	0.00	0.00	1.90	329.00	173.18
Agents and advisers, general	0.00	0.00	0.50	0.00	0.00	0.50	142.50	285.00
Correspondence with joint liquidator	0.00	0.00	0.25	0.00	0.00	0.25	58.75	235.00
Filing - Administration and planning	0.00	0.00	4.50	7.50	0.00	12.00	2,742.50	228.54
Director/manager review, approval and signing	0.15	0.00	0.00	0.00	0.00	0.15	72.75	485.00
Other	0.00	0.00	4.00	5.45	0.00	9.45	2,197.00	232.49
<b>Investigations</b>								
Directors' correspondence & conduct questionnaires	1.00	0.00	1.00	0.00	0.00	2.00	435.10	217.55
Statutory books and accounting records review	0.00	0.00	0.85	0.00	0.00	0.85	199.75	235.00
Investigation of legal claims	0.00	0.00	0.80	0.00	0.00	0.80	188.00	235.00
SIP2 and SIP4 obligations (inc CDDA86 forms)	1.20	0.00	1.40	6.50	0.00	9.10	2,151.00	236.17
Enquiries of advisers	0.00	0.00	0.60	0.00	0.00	0.60	141.00	235.00
Other	0.00	0.00	0.50	0.00	0.00	0.50	117.50	235.00
<b>Realisation of assets</b>								
Fixed charge property (land and buildings)	0.00	0.00	0.50	0.00	0.00	0.50	117.50	235.00
Debtors not financed (includes reassigned debtors)	3.30	0.00	19.30	0.65	0.00	23.25	6,070.74	261.11
Other charge assets	0.80	0.00	3.30	0.00	0.00	4.10	1,181.00	288.05
Financed assets (only if equity otherwise creditors, incl HP and leasing)	0.00	0.00	0.75	0.00	0.00	0.75	178.25	235.00
Sale of business as a whole, including liaison with legal advisers Agents etc	1.20	0.00	0.00	0.00	0.00	1.20	522.00	435.00
Completion of work in progress	0.00	0.00	0.50	0.00	0.00	0.50	117.50	235.00
Cash at Bank	2.95	0.00	3.00	0.00	0.00	5.95	2,013.25	338.36
Liaison with agents (general)	0.00	0.00	0.00	0.30	0.00	0.30	40.00	200.00
Sale of business-post completion matters	1.60	0.00	5.45	0.00	0.00	7.05	1,976.75	280.34
Other	0.00	0.00	4.30	0.00	0.00	4.30	1,010.50	235.00
<b>Trading</b>								
Trading on decision and day 1-3 operations	0.00	0.00	9.00	2.00	0.00	11.00	2,965.00	269.55
Staff and payroll (inc PAYE/NIC for trading period)	0.50	0.00	0.00	2.25	0.00	2.75	611.25	221.27
Shutdown or handover	2.40	0.00	0.00	0.00	0.00	2.40	1,044.00	435.00
<b>Creditors</b>								
Fixed charge creditors	0.40	0.00	1.60	0.00	0.00	2.00	646.00	323.00
Floating charge creditors	3.50	0.00	3.00	0.00	0.00	6.50	2,727.50	342.44
HP & lease creditors	0.00	0.00	4.20	0.00	0.00	4.20	1,112.00	264.78
RPO and ERA claims & tribunals	0.00	0.00	2.15	2.80	0.00	4.95	997.75	201.57
Employees & pension (other) (incl Jobcentre/ESA etc)	0.90	0.00	18.08	19.70	0.00	38.65	8,845.10	228.85
Unsecured creditors	0.60	0.00	25.20	45.30	0.10	71.20	15,524.33	218.04
Creditors' Committee	0.00	0.00	0.50	0.00	0.00	0.50	117.50	235.00
ROTT Claims	0.00	0.00	2.45	2.70	0.00	5.15	1,072.80	200.52
Filing- creditors	0.00	0.00	0.00	3.75	0.00	3.75	750.00	200.00
Other	0.00	0.00	0.50	0.00	0.00	0.50	117.50	235.00
<b>Forensics</b>								
Forensics	0.00	0.00	0.50	4.50	0.00	5.00	1,187.50	169.44
<b>Total</b>	<b>26.50</b>	<b>1.00</b>	<b>151.25</b>	<b>117.30</b>	<b>5.60</b>	<b>301.65</b>	<b>673,351.98</b>	<b>2241.17</b>

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Pre-Appointment</b>								
AML, Conflict & ethics checks, engagement letters	0.00	0.00	0.00	0.35	0.35	0.70	152.25	217.50
Appointment formalities	0.30	0.00	0.00	0.00	0.00	0.30	87.00	435.00
Pre-paid sale of business	1.20	0.00	0.00	0.00	0.00	1.20	512.00	435.00
Job planning	0.90	0.00	0.00	0.00	0.00	0.90	191.50	435.00
Other	0.00	0.00	0.00	0.00	0.10	0.10	70.50	335.00
<b>Total</b>	<b>2.30</b>	<b>0.00</b>	<b>0.00</b>	<b>0.35</b>	<b>0.45</b>	<b>3.10</b>	<b>1,123.25</b>	<b>370.68</b>

4Children (Trading) Limited  
Breakdown of time spent by Smith & Williamson Financial Services employees  
for the period ended 27 February 2017

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
Smith & Williamson Financial Services	1.00	0.00	0.00	8.65	0.00	9.65	1,549.75	7.31
SWIFS Employee Benefits Consultancy	1.00	0.00	0.00	8.65	0.00	9.65	21,549.25	126.76
<b>Total</b>	<b>2.00</b>	<b>0.00</b>	<b>0.00</b>	<b>17.30</b>	<b>0.00</b>	<b>19.30</b>	<b>23,099.00</b>	<b>134.07</b>

## Explanation of major work activities undertaken

### Administration and Planning

This section of the analysis encompasses the cost of the office holders and their staff in complying with their statutory obligations, internal compliance requirements, and all tax matters.

This work includes the following:

- Preparing the documentation and dealing with the formalities of appointment.
- Statutory notifications and advertising.
- Protection of company's assets and records (including electronic).
- Dealing with routine correspondence.
- Dealing with agents on general matters, not relating to the sale of assets or correspondence with advisers on investigation matters.
- Maintaining physical case files and electronics case details on IPS (case management software).
- Case reviews (including 6 month reviews).
- Case bordereau and reviews.
- *Case planning; administration; and general case progression, including adjustments in appointment strategy.*
- Preparing reports to stakeholders.
- *Maintaining and managing the appointment's cash book and bank accounts.*
- Ensuring statutory lodgements and tax lodgements obligations are met.
- Submitting VAT returns and Corporation Tax returns (when due).
- Dealing client identification and internal Smith & Williamson LLP compliance requirements.

### Investigations

Investigations include work carried out as a consequence of the obligations placed upon us to investigate the Company's affairs. The work undertaken is that described in SIP2 and SIP4 which govern both the investigations of the Company's failure and also examine the conduct of the directors. This work includes the following:

- Investigating the reasons for the failure of the Company (including enquiries with the company's directors and possible interviews of key stakeholders).
- Review and investigation of stakeholders' complaints and responses into the failing of the business and actions of company's directors.
- Review and storage of books and records.
- Asset tracing (including land registry and company searches).
- Possible actions (including legal recourse) to restore assets of the company, or compensate the company for the financial losses incurred.
- Discussions and correspondence with relevant personnel and agents.

### Realisation of assets

This section is in relation to the realisation of the Company's assets, which is explained in detail through the contents of our report. [A significant amount of time may be spent in relation to the sale of the assets of the Company, which may also be allocated to trading]. The work generally includes the following:

- Liaising with secured charge holders in respect of the sale of assets subject to their security.
- Book debt collection. Significant time was spent reviewing the Company's book and records and reconciling the ledgers. Subsequent correspondence was then undertaken with all debtors.
- management and assignment if subject to finance.
- Miscellaneous asset realisation (i.e. cash at bank), outlined in the contents of the report.
- Dealing with certain VAT and tax matters relating to the sales process. This includes sourcing certain records (which may not be available at the time of any sale).
- Reconciling the cash at bank and corresponding with HSBC
- Dealing with business rates and prepayments
- Ensuring all matters in regard to the sale are dealt with including leases and matters of concern for Action for Children

### **Creditors**

Work under this section includes correspondence and other contact with the creditors of the Company. The work includes the following:

- Dealing with creditor correspondence via email and telephone.
- Preparing reports to charge holders.
- Maintaining creditors' information on our insolvency database.
- Maintaining employee claims and liaising with Job Centre, Redundancy Payments Services etc.
- Dealing with potential trust.
- Dealing with pension positions and third party.

### **Trading**

This section is in relation to the evacuation of the Charity Group's head office. The work includes the following:

- Collecting all the books and records
- Liaising with agents in regards to the leased assets and other assets that required to be dealt with prior to vacating the premises.

### **Forensics**

Time was spent attending the Company's head office and reviewing the IT systems and collating a comprehensive backup of all IT information.

# IV Staffing, charging, subcontractor and adviser policies and charge out rates

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## Introduction

Detailed below are:

- Smith & Williamson LLP's policies in relation to:
  - Staff allocation and the use of subcontractors
  - Professional advisers including S&WFS
  - Disbursement recovery
- Smith & Williamson LLP's and S&WFS' current charge out rates

## Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a partner and a partner or director or associate director as joint office holders, a manager, and an administrator or assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. The charge out rate schedule below provides details of all grades of staff and their experience level.

We may use subcontractors to perform work which might ordinarily be carried out by us and our staff where it is cost effective to do so and/or where the specific expertise offered by the subcontractor is required.

Details of any subcontractors' services utilised in the period covered by this report are set out in the body of this report.

## Use of professional advisers

We select professional advisers such as agents and solicitors on the basis of balancing a number of factors including:

- The industry and/or practice area expertise required to perform the required work.
- The complexity and nature of the assignment.
- The availability of resources to meet the critical deadlines in the case.
- The charge out rates or fee structures that would be applicable to the assignment.
- The extent to which we believe that the advisers in question can add value to the assignment.

## S&WFS

S&WEBC is a pensions consultancy firm which specialises in providing advice to Insolvency Practitioners on their appointment in relation to all aspects of pensions. It is a division of S&WFS, a company associated with Smith & Williamson LLP.

S&WEBC may be engaged to deal with the Company's pension affairs. Payments to parties in which the administrators or their firm have an interest must be disclosed to, and approved by, creditors. Fees for their services are accrued on a time costs basis. Consequently, details of the charge out rates for S&WEBC are provided to creditors.

## Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.

Since 7 July 2012 Smith & Williamson LLP's policy is to recover only one type of Category 2 disbursement, namely business mileage at HMRC's approved mileage rates at the relevant time. Current mileage rates are 45p per mile plus 5p per passenger per mile. Prior to 7 July 2012 approval may have been obtained to recover other types of Category 2 disbursements.

Details of any Category 2 disbursements incurred and/or recovered in the period covered by this report are set out in the body of this report.

## Charge out rates

A schedule of Smith & Williamson LLP's charge out rates will also be issued to creditors at the time the basis of the administrators' remuneration is approved.

The rates applicable to this appointment are set out below. There have been no changes to the charge out rates during the period of this report.

Smith & Williamson LLP Restructuring & Recovery Services Charge out rates as at 1 July 2016	London office £/hr	Regional offices £/hr
Partner / Director	435-485	350-375
Associate Director	370-380	295-305
Managers	235-315	190-290
Other professional staff	150-235	120-175
Support & secretarial staff	85-90	60-135

## Notes

1. Time is recorded in units representing 3 minutes or multiples thereof.
2. It may be necessary to utilise staff from both regional and London offices, subject to the requirements of individual cases.
3. The firm's cashiering function is centralised and London rates apply. The cashiering function time is incorporated within "Other professional staff" rates.

S&WFS Employee Benefits Consultancy	
Charge out rates from 1 July 2016	Per hour £
Director	225-420
Associate Director	200-240
Manager	185-195
Administrator	70-145

# V Estimated Fees for the period from 31 August 2016 to 30 August 2017

4 Children (Trading) in Administration Fees estimate according to number of hours, grade of staff and expected work to be undertaken								
Anticipated case duration	31 August 2016 to 30 August 2017							
	Partner / Director	Associate Director	Manager / Assistant Manager	Senior Administrator / Administrator	Assistants & support staff			
Hourly rate (£)	435	285	235	200	200			
	Hours					Total hours	Total estimated time costs (£)	Average hourly rate
Classification of work function								
Administration and planning								
Statutory returns, reports & meetings	4.30		13.00	13.20		30.50	7,565.50	248.05
Initial post-appointment notification letters, including creditors	1.00		9.00	1.50	1.00	12.50	3,037.50	244.00
Cashflowing general, including bonding	0.50	1.00	3.00	5.00	8.95	18.45	3,997.50	216.67
Job planning, reviews and progression (inc 1 month reviews and planning meetings, checklist & diary and any costs of extending the administration)	1.00		9.85	10.25		21.10	5,060.75	235.21
Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related)	0.50		2.00	4.10		6.60	1,507.50	228.41
Protection of company records (incl electronic)	0.40		3.50	1.50		5.40	1,383.50	257.05
Insurance & general asset protection			0.50	1.50		2.00	417.50	208.75
Filing, file and information management			2.15	5.00		7.15	1,505.25	210.52
Agents and advisers, general			2.00	3.00		5.00	1,070.00	214.00
Pensions - review and notification to the relevant bodies	2.00		4.00	4.00		10.00	2,610.00	261.00
Filing - Administration and planning			2.00	5.00	8.00	15.00	3,070.00	204.67
Correspondence with joint liquidator			0.25			0.25	58.75	235.00
Director/Manager review, approval and signing	0.15					0.15	65.25	435.00
Other			7.00	8.00		15.00	3,245.00	216.33
Investigations								
Director's correspondence & conduct questionnaires	0.70		1.00			1.70	539.50	317.35
Statutory books and accounting records review			1.00			1.00	235.00	235.00
SIP2 and SIP4 obligations (inc CDOs/66 forms)	1.20		1.30	7.00		9.50	2,237.50	234.47
Investigation of legal claims	0.50		4.00	2.00		6.50	1,557.50	239.62
Enquiries of advisors and any parties with relevant information and former dealings			2.00	1.00		3.00	670.00	223.33
Realisation of assets								
Leasehold property (land and buildings)	0.50		2.00	1.00		3.50	887.50	253.57
Debtors not financial (includes related debtors)	2.80		18.50	13.50		34.80	8,225.00	237.27
Sale of business & goodwill	2.00		4.00	4.00		10.00	2,610.00	261.00
Tax refunds			1.00			1.00	200.00	200.00
Cash at bank	3.00		4.00	5.00		12.00	3,245.00	270.42
Fixed charge property (land and buildings)			0.50			0.50	117.50	235.00
Other chattel assets	1.00		4.00	1.00		6.00	1,575.00	262.50
Completion of work in progress			0.50			0.50	117.50	235.00
Sale of business-post completion matters	1.40		2.00			3.40	1,166.00	323.89
Other			4.00			4.00	940.00	235.00
Sale of business as a whole, including liaison with legal advisors agents etc	1.20					1.20	522.00	435.00
Financed assets (only if equity otherwise creditors, incl NP and leasing)			0.75			0.75	176.25	235.00
Trading (closure)								
Trading on decision and day 1-3 operations			9.00	4.45		13.45	3,005.00	223.42
Staff and Payroll (incl PAYE/NIC for trading period)	1.00			2.25		3.25	885.00	272.31
Shutdown or handover	2.60					2.60	1,131.00	435.00
Creditors								
Floating charge creditors	5.10		7.40	3.00		15.50	4,557.50	294.03
HP & lease creditors			4.30	1.00		5.30	1,187.00	228.27
Employees' claims, dealing with Redundancy Payments Service & tribunals	1.00		2.00	9.00		12.00	2,705.00	225.42
Employees & pension (other) (incl Jobcentre/CSA etc)			12.40	50.35		62.75	12,984.00	206.92
HMRC			0.30	3.00		3.30	717.50	205.00
Unsecured creditors	1.20		29.00	48.50		78.70	17,077.00	216.48
Fixed charge creditors			1.40			1.40	376.00	235.00
NOT claimants			2.30	3.00		5.30	1,117.00	214.81
RPO and ERA claims & tribunals				2.70		2.70	540.00	
Filing - Creditors				1.00		1.00	200.00	200.00
Creditors committee			0.30			0.30	117.50	235.00
Forensics - where applicable								
Forensics			0.50	6.50		7.00	1,417.74	202.50
Total	36.05	1.00	176.80	232.45	17.95	464.25	107,594.96	231.76

We highlight that although these costs are significant, the joint administrators are not currently minded to seek to recover them all.

[www.smithandwilliamson.com](http://www.smithandwilliamson.com)

Principal offices: London, Belfast, Birmingham, Bristol, Dublin, Glasgow, Guildford, Manchester, Salisbury and Southampton.

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Registrar of Companies  
Companies House  
Crown Way  
Cardiff  
CF14 3UZ

30 March 2017

Our ref: ADM504/ AHS/ME/RK/FOCI360

Your ref:

Direct line: 020 7131 4880

Email: runita.kholia@smithandwilliamson.com

Dear Sir

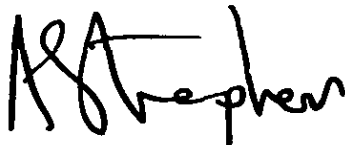
**4Children (Trading) Limited (in administration) (the "Company")**  
**High Court of Justice, Chancery Division, Companies Court No.5192 of 2016**  
**Company Number - 2433565**

Please find enclosed for filing:

- A copy of the joint administrators' progress report
- Form 2.24B (CH)

Would you please stamp the enclosed copy letter as acknowledgement of receipt and return it to me in the enclosed prepaid envelope.

Yours faithfully  
For 4Children (Trading) Limited



**A H Stephens**  
Joint Administrator

Encs

**Smith & Williamson LLP**

The affairs, business and property of the Company are being managed by the administrators Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephen McGill who act as agents of the Company and without personal liability Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephen McGill are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales.

The word partner is used to refer to a member of Smith & Williamson LLP. A list of members is available at the registered office  
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