

AM03

Notice of administrator's proposals



Companies House

SATURDAY



A17 *A8BK6KKO* 10/08/2019 #270
COMPANIES HOUSE

1 Company details

Company number 0 2 5 9 7 1 2 2

Company name in full Proportion London Limited

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

2 Administrator's name

Full forename(s) Alex

Surname Cadwallader

3 Administrator's address

Building name/number Leonard Curtis

Street 5th Floor

Grove House

Post town 248a Marylebone Road

County/Region London

Postcode N W 1 6 B B

Country

4 Administrator's name

Full forename(s) Andrew

Surname Duncan

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

5 Administrator's address

Building name/number Leonard Curtis

Street 5th Floor

Grove House

Post town 248a Marylebone Road

County/Region London

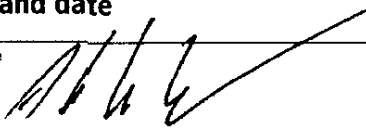
Postcode N W 1 6 B B

Country

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

AM03

Notice of Administrator's Proposals

6	Statement of proposals	
	<input checked="" type="checkbox"/> I attach a copy of the statement of proposals	
7	Sign and date	
Administrator's Signature	<div>Signature</div> <div>✕  ✕</div>	
Signature date	<div><div><div>d</div><div>0</div><div>d</div><div>6</div></div><div><div>m</div><div>0</div><div>m</div><div>8</div></div><div><div>y</div><div>2</div><div>y</div><div>0</div><div>y</div><div>1</div><div>y</div><div>5</div></div></div>	

AM03 Notice of Administrator's Proposals



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Luke Mahoney
Company name	Leonard Curtis
Address	5th Floor
	Grove House
	248a Marylebone Road
Post town	London
County/Region	
Postcode	N W 1 6 B B
Country	
DX	
Telephone	020 7535 7000



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**PROPORTION LONDON LIMITED
(IN ADMINISTRATION)**

Registered Number: 02597122

Court Ref: CR-2019-BHM-000557

High Court of Justice Business and Property Courts in Birmingham - Company & Insolvency
List (CHD)

**Joint Administrators' Report and Statement of Proposals in Accordance
with Para 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of
the Insolvency (England and Wales) Rules 2016**

Report date: 8 August 2019

Date report deemed to be delivered to creditors: 8 August 2019

Leonard Curtis contact details:

5th Floor, Grove House, 248a Marylebone Road,
London NW1 6BB

Tel: 020 7535 7000 Fax: 020 7723 6059

General email: creditors@leonardcurtis.co.uk

Email for requests for a physical meeting: LONDON.meetingreq@leonardcurtis.co.uk

Ref: L/30/DH/PRO33/1040

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TO: THE REGISTRAR OF COMPANIES
ALL CREDITORS
ALL MEMBERS

1 INTRODUCTION

General information

- 1.1 I refer to the appointment of Andrew Duncan and I as Joint Administrators ("the Joint Administrators") of Proportion London Limited ("the Company") on 18 July 2019 and now write to present the Joint Administrators' proposals ("the Proposals") (Appendix A) for the Company pursuant to the Insolvency Act 1986 ("the Act").
- 1.2 Paragraph 3 of Schedule B1 to the Act requires the Joint Administrators to perform their functions with the objective of:
- Rescuing the company as a going concern; or
 - Achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration); or
 - Realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.3 Paragraph 51(1) of Schedule B1 to the Act ordinarily requires the Joint Administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. However, this does not apply where the Joint Administrators state that they think:
- That the company has sufficient property to enable each creditor of the company to be paid in full; or
 - That the company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of a distribution of the prescribed part fund; or
 - That neither of the objectives specified in 1.2(a) and 1.2(b) above can be achieved.
- 1.4 I can confirm that, in this case, the Joint Administrators are of the opinion that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of a distribution of the prescribed part fund. A distribution is, however, expected to be paid to two secured creditors under their fixed and floating charges. As a result, there is no requirement to seek a decision from the Company's general body of creditors as to whether they approve the Proposals.
- 1.5 Creditors whose debts amount to at least 10% of the total debts of the Company may, however, request the Joint Administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. Such a request must be delivered to the Joint Administrators within 8 business days of the date on which this report was delivered and comprise the following:
- A statement of the purpose of the proposed decision; and EITHER
 - A statement of the requesting creditor's claim, together with:
 - A list of the creditors concurring with the request and the amount of their respective claims or values; and
 - Confirmation of concurrence from each creditor concurring. OR
 - A statement of the requesting creditor's debt and that that alone is sufficient without the concurrence of other creditors.

The deemed date of delivery of this report is given on the front page of this report. Please note that security must be given for the costs of convening the requisitioned decision.

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- 1.6 In the event that no such request is received, the Proposals will be deemed to have been approved in accordance with Rule 3.38(4) of the Insolvency (England and Wales) Rules 2016 ("the Rules"). Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the expiry of the period for requisitioning a decision referred to in 1.5 above.

2 STATUTORY INFORMATION

- 2.1 The Administration proceedings are under the jurisdiction of the High Court of Justice Business and Property Courts in Birmingham under Court reference CR-2019-BHM-000557.
- 2.2 During the period in which the Administration is in force, any act or function required or authorised to be done by the Joint Administrators may be exercised by both or either of them.
- 2.3 The Company's registered office is in the process of being changed from 16 Hickman Avenue, London E4 9JG to 5th Floor, Grove House, 248a Marylebone Road, London NW1 6BB. The registered number is 02597122. The Company traded under its registered name.
- 2.4 The Company operated from leasehold premises at 16 Hickman Avenue, London E4 9JG.
- 2.5 The Company's directors and secretary are:

Name	Role	Date Appointed
Thomas Billings	Company Secretary & Director	31/07/14
Robert Taylor	Director	31/07/14
Alison Jordan	Director	11/05/15
Tanya Reynolds	Director	31/07/14

- 2.6 The Company's authorised share capital is 83,333 shares of £0.01 each, comprising of 50,000 ordinary shares and 33,333 ordinary 'A' shares. The shares are owned as follows:

Name	Class of Share	No. of Shares	% of Total Owned
Proportion Limited	Ordinary	50,000	60
Proportion Limited	Ordinary 'A'	33,333	40
		<u>83,333</u>	<u>100</u>

- 2.7 According to the information registered at Companies House, the Company has the following registered charges:

Charger	Description	Date Created	Amount Secured and Assets Charged
Leumi ABL Limited	Debenture	31 July 2014	All Monies and All Assets
Antonia D'Marco (as Security Trustee)	Debenture	31 July 2014	All Monies and All Assets
Antonia D'Marco	Debenture	31 July 2014	All Monies and All Assets
Adam Knight	Debenture	31 July 2014	All Monies and All Assets
Peter Stephen Ferstendik (as Security Trustee)	Debenture	31 July 2014	All Monies and All Assets
Gordons Partnership LLP (as Security Trustee)	Debenture	31 July 2014	All Monies and All Assets

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- 2.8 We understand that in 2017, Jim Turley acquired the debts and securities previously held by Adam Knight and Peter Ferstendik (as Security Trustee). In addition, the charge in favour of Antonia D'Marco was satisfied. None of the above amendments were filed with Companies House, but remain binding.
- 2.9 We have undertaken a brief review of the security documentation provided and our initial assessment in respect of priority of the secured creditors is as follows:
1. Leumi ABL Limited
 2. Jim Turley
 3. Gordons Partnership LLP (as security trustee for Peter Ferstendik, Linda Ferstendik, Ida Dyan, Godfrey Dyan, Tanya Cowan, Robert Dyan and martin Dyan).
 4. Antonia D'Marco (as security trustee for Antonia D'Marco, Tanya Reynolds and Keith Fox).
- 2.10 The Recast EU Regulation on Insolvency Proceedings ("the Regulation") applies to this Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company's centre of main interest is at the situation of its registered office within the United Kingdom.

3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION

- 3.1 A detailed history and background is contained at Appendix L, including information in relation to the pre-packaged sale of the business and assets in accordance with the provisions of Statement of Insolvency Practice 16 ("SIP16").
- 3.2 Leonard Curtis were instructed by the directors on 26 June 2019 to consider and assist them with preparing and negotiating an agreement to sell the business and certain assets of the Company, by way of a pre-packaged ("Pre-Pack") sale.
- 3.3 A Notice of Intention to Appoint Administrators was filed in the High Court of Justice, Business and Property Courts of England and Wales in Birmingham by the director on 5 July 2019. A Notice of Appointment of Administrators was subsequently filed in the same Court on 18 July 2019 and Alex Cadwallader and Andrew Duncan of Leonard Curtis were appointed as Joint Administrators. Immediately following their appointment, the Joint Administrators completed the Pre-Pack sale to PL Visual Limited ("PLV"), as detailed at Appendix L.

4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

- 4.1 The Company's trading results for the financial year ended 31 December 2017, together with management accounts for the periods to 31 December 2018 and 31 May 2019, are detailed below:

	Period ending 31 May 2019 (Mgmt accounts) £000's	Period ending 31 December 2018 (Mgmt accounts) £000's	Year ending 31 December 2017 (Filed accounts) £000's
Turnover	2,763,451	3,028,794	4,240,311
Gross Profit	1,571,378	1,614,465	2,500,397
Gross Profit %			
Administrative expenses	(1,902,494)	(2,031,846)	(2,725,303)
Operating Profit/(Loss)	(331,116)	(417,381)	(224,906)
Interest and charges	(97,329)	(177,615)	(133,520)
Profit/(Loss) before tax	(428,445)	(594,996)	(358,426)
Taxation	-	-	43,225

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Profit for the year	(428,445)	(594,996)	(315,201)
Dividends	-	-	-
Retained profit	<u>(428,445)</u>	<u>(594,996)</u>	<u>(315,201)</u>

	Period ending 31 May 2019 (Mgmt accounts) £000's	Period ending 31 December 2018 (Mgmt accounts) £000's	Year ending 31 December 2017 (Filed accounts) £000's
Fixed Assets			
Tangible Assets	<u>939,112</u>	<u>974,438</u>	<u>1,078,233</u>
Current Assets			
Stocks	613,271	592,836	607,920
Debtors	186,788	356,226	811,620
Intercompany Debtor	7,728,666	7,728,666	6,664,266
Cash	<u>34,377</u>	<u>116,374</u>	<u>220,665</u>
	8,563,102	8,794,102	8,304,471
Creditors: Amounts Falling due within one year	<u>(2,522,571)</u>	<u>(2,517,151)</u>	<u>(1,536,318)</u>
Net Current Assets/(Liabilities)	<u>6,040,531</u>	<u>6,276,951</u>	<u>6,768,153</u>
Total Assets less Current Liabilities	6,979,643	7,251,389	7,846,386
Creditors: Amounts falling due after more than year	<u>(580,000)</u>	<u>(580,000)</u>	<u>(580,000)</u>
Net Assets	<u>6,399,643</u>	<u>6,671,389</u>	<u>7,266,386</u>
Represented by			
Paid up share capital	833	833	833
Share premium account	43,109	43,109	43,109
Profit and Loss account	6,355,701	6,627,447	7,222,444
Shareholders' Funds	<u>6,399,643</u>	<u>6,671,389</u>	<u>7,266,386</u>

Please note that the connected party debt relates to a loan account with Bright Star (Proportion) Limited, the Company's ultimate parent company. We understand that the intercompany loan came about as part of the refinancing activities carried out in August 2014, at which time funds were re-allocated between the various entities making up the Proportion Group and in order to release value to the exiting investor in the form of investment shares and cash. Bright Star (Proportion) Limited acts as a holding company and has no assets except its share in Proportion Limited, which in turn holds the share capital in the Company. Based on current information, there is no prospect of a recovery under the connected party debt.

Statement of Affairs

- 4.2 The director is required to lodge a statement of affairs as at 18 July 2019 which has to be filed with the Registrar of Companies. This document has not yet been received. In the meantime, an estimate of the financial position as at the date of the Joint Administrators' appointment is enclosed at Appendix B, together with a list of creditors including their names, addresses and details of their debts, including any security held.

Please note that no provision has been made in the estimated financial position for costs and expenses of realisation, the costs of the Administration and any Corporation Tax which may be payable. The following comments are considered to be relevant and should be borne in mind when reading the figures:

Secured Creditors

- 4.3 The Company has six secured creditors. A detailed explanation of the secured creditor position is provided at sections 2.7 to 2.9 above. At the date of Administration, the Company's secured creditors had outstanding balances due as follows:

Secured Creditor	£
Leumi	107,355
Jim Turley	580,000
Gordons Partnership LLP	500,000
Antonia D'Marco	248,507
	1,435,862

Leumi provided the Company with a Confidential Invoice Discounting ("CID") facility. Under the terms of the CID facility Leumi have taken an assignment of the Company's debtor ledger. To date, Leumi have recovered £70,191 under their principal security and have an outstanding balance of £37,164. It is expected that they will be paid in full under their principal security.

The other secured creditors have not received any distributions under their fixed or floating charges at present, however, it is anticipated that a distribution will be paid to Jim Turley upon receipt of the second instalment of the sale consideration, detailed in section 5.1 below. It is highly unlikely that there will be sufficient funds to enable a distributions to Gordons Partnership LLP and Antonia D'Marco under their fixed and floating charges.

Prescribed Part

- 4.4 The Insolvency Act 1986 provides that, where a company has created a floating charge after 15 September 2003, the Administrator must make a prescribed part of the company's net property available to the unsecured creditors and not distribute it the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims.

The method of calculating the prescribed part and additional notes as regards its application are detailed in the notes at Appendix B.

Based upon the information currently available, it is estimated that there will be a prescribed part fund available in this case. In instances where there will be no dividend to unsecured creditors, as is the case here, the prescribed part fund will be distributed at the appropriate time by the Joint Administrators.

Preferential Claims

- 4.5 The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay. The Company's employees have been transferred to PL Visual Limited in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006. Consequently, there are no preferential claims anticipated in the Administration.

Unsecured Claims

- 4.6 At present, it is considered unlikely that a Liquidator will be appointed for the purpose of enabling a distribution to unsecured creditors. This statement is being made in accordance with paragraph 52(1)(b) of Schedule B1 to the Act. Creditors should, however, continue to submit details of their claims using the proof of debt form attached at Appendix I. These will enable the Joint Administrators to pay any prescribed part dividend referred to in paragraph 4.4 above. The claims will also be collated and passed to any subsequently appointed Liquidator, should the position change.

Receipts and Payments

- 4.7 A receipts and payments account for the period of Administration to date is enclosed at Appendix C.

5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT

Sale of Business

- 5.1 Prior to and upon appointment, the Joint Administrators investigated the possibility of concluding a sale of the business and assets of the Company, as it was considered that a sale of all or part of the business as a going concern would allow the following:
- Enhanced asset values over what could be achieved in a break up scenario, and specifically maximise realisations for the Company's goodwill and intellectual property.
 - Customers continuity, which will result in improved debtor collections.
 - Mitigation of preferential creditor claims.
 - Mitigation of any contractual liabilities that would otherwise crystallise in the event that the Company ceased to trade.

An offer of £650,000 was made by PL Visual Limited to the proposed Joint Administrators. Following advice from our appointed agents, Axia Valuation Services ("Axia"), who had carried out valuations of the Company's assets, this offer was accepted and the business sale was concluded on 18 July 2019. The terms of the sale granted that the consideration be payable in two instalments, being an immediate payment of £125,000 on completion and a payment of £525,000 three months after completion. The first instalment of £125,000 has been received in full.

Following the completion of the pre-packaged sale of the Company's business and assets, the Joint Administrators sent a letter to creditors on 24 July 2019 to provide further information on the sale pursuant to the requirements of Statement of Insolvency Practice 16. A copy of the information provided is attached at Appendix J. As detailed in our initial letter to creditors, we were waiting on additional information from Leumi in respect of the anticipated recoverability of the Company's debtors ledger and their prospects of achieving full recovery under their principle security before the Joint Administrators' Proposals could be finalised.

Factored Book Debts

- 5.2 The Company had a book debt ledger which was subject to an invoice discount facility with Leumi. As at the date of Administration the gross value of the outstanding ledger was £164,750 with a balance of £107,355 due Leumi. Book debts of £70,191 have been recovered by Leumi since the date of Administration.

Balance at Bank

- 5.3 The Company had a bank balance of approximately £1,000 at the date of Administration. We have written to the Company's bankers requesting that the balance be remitted to the Administration.

Professional Advisors and Subcontractors Used

- 5.4 On this assignment the Joint Administrators have used the professional advisors listed below.

Name of Professional Advisor	Service Provided	Basis of Fees
PDT Solicitors	Drafting sale and purchase agreement and review of the Company's secured creditor position	Time costs
Axia Valuation Services	Asset valuation advice	Time costs

Details of this firm's policy regarding the choice of advisors and the basis for their fees are given in Appendix H

6 ACHIEVING THE PURPOSE OF ADMINISTRATION

- 6.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:
- (a) rescuing the Company as a going concern, or (if this cannot be achieved);
 - (b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration), or (if (a) and (b) cannot be achieved);
 - (c) realising property in order to make a distribution to one or more secured or preferential creditors.
- 6.2 The first objective is not capable of being achieved given the extent of historic liabilities.
- 6.3 The second objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were to be wound up (without first being in Administration). It is considered that this objective is likely to be achieved as it is anticipated that there will be a distribution to unsecured creditors by virtue of the prescribed part.
- 6.4 As objective b) is capable of being achieved it is not, at this stage, necessary to consider objective c). However, it is anticipated that this objective will also be achievable as it is anticipated that the first and second ranking secured creditors are likely to receive distributions under their fixed and floating charges.

7 JOINT ADMINISTRATORS' PROPOSALS AND EXIT ROUTE

- 7.1 The Joint Administrators' Proposals for achieving the objective of Administration are attached at Appendix A.
- 7.2 Ordinarily the Joint Administrators would seek a decision from the Company's creditors as to whether they approve the Proposals. However, in this case, as there is little likelihood of a dividend being available for unsecured creditors, other than under the prescribed part, there is no requirement to seek such a decision from creditors.
- 7.3 Creditors whose debts amount to at least 10% of the total debts of the Company may however request the Joint Administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. Such a request must be delivered to the Joint Administrators within 8 business days of the date on which this report was delivered. The deemed date of delivery of this report is given on the front page of this report. Please note that security must be given for the costs of convening the requisitioned decision.
- 7.4 If such a decision is requisitioned, creditors will be invited to consider the appointment of a creditors' committee and to vote on the Joint Administrators' Proposals as set out at Appendix A.
- 7.5 In the event that no such request is received, the Proposals will be deemed to have been approved in accordance with the Rules. Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the expiry of the period for requisitioning a decision referred to in 1.5 above.
- 7.6 Once approved, the affairs of the Company will be managed in accordance with the Proposals and funded out of asset realisations.
- 7.7 Once the Administration has been finalised, and if there are insufficient funds available to allow a distribution to unsecured creditors, the Joint Administrators will file a notice with the Registrar of Companies that the Company

Proportion London Limited - In Administration

be dissolved. Alternatively, if there are assets still to be realised or investigations to be concluded but there will be no return to unsecured creditors, the Company may be placed into Compulsory Liquidation.

8 EXTENSION OF ADMINISTRATION

8.1 The appointment of the Joint Administrators ordinarily ceases to have effect at the end of the period of one year from the date of their appointment.

8.2 In certain circumstances it may be necessary to extend the Joint Administrators' term of office. In the circumstances of this case, this may be done for a specified period not exceeding twelve months with the consent of each secured creditor of the Company.

8.3 We do not believe that an extension to the Administration will be necessary in this case.

9 PRE-ADMINISTRATION COSTS

9.1 Pre-administration costs are defined as:

- fees charged; and
- expenses incurred

by the Joint Administrators, or another person qualified to act as an insolvency practitioner before the Company entered Administration (but with a view to its doing so). "Unpaid pre-Administration costs" are pre-Administration costs which had not been paid when the Company entered Administration.

9.2 Time charged and expenses incurred by the Joint Administrators and their agents and solicitors in the period prior to their appointment are summarised below:

Charged by	Services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Leonard Curtis	Marketing of the Company's business and negotiation of the sale to PLV, dealing with appointment formalities and process.	27,893.50	Nil	Not applicable	27,893.50
Axia Valuation Services	Valuation of the Company's assets, assistance with marketing and sale of business and assets.	18,000.00	Nil	Not applicable	18,000.00
PDT Solicitors	Dealing with sale contract and other agreements and review of the Company's secured creditor position.	12,000.00	Nil	Not applicable	12,000.00
Shakespeare Martineau	Preparation and filing of the Joint Administrators' appointment documentation	3,018.50	Nil	Not applicable	3,018.50

9.3 Enclosed at Appendix D is an analysis of the Joint Administrators' pre-Administration costs. The analysis shows that total pre-Administration time costs of £27,893.50 have been incurred which represents 83.8 hours at a rate of £332.86 per hour.

- 9.4 Appendix D provides further details concerning specific matters dealt with by the Joint Administrators in the pre-Administration period.
- 9.5 The incurrence of the above costs prior to the Administration was necessary to ensure that a going concern sale of the Company's business and assets could be achieved immediately following the Administration. There were insufficient funds available to trade the business in Administration.
- 9.6 The payment of unpaid pre-Administration costs (set out above) as an expense of the Administration is subject to the approval of the appropriate class of creditors, separately to the approval of the Joint Administrators' Proposals. In this case, the Joint Administrators are required to seek the approval of the secured creditors to this resolution.

10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

General

- 10.1 The basis of the Joint Administrators' remuneration may be fixed either as a percentage of the value with which they have to deal ('a percentage basis'), as a set amount, or by reference to the time properly given by the Joint Administrators and their staff in attending to matters as set out in a Fees Estimate. A combination of these bases may be fixed, with different bases being fixed in respect of different things done by the Joint Administrators. Additionally, where a percentage basis is fixed, different percentages may be fixed in respect of different things done by the Joint Administrators.

Approval by appropriate body

- 10.2 The Joint Administrators think that the Company has insufficient property to enable a distribution to be made to unsecured creditors. In such circumstances, responsibility for approving the basis of the Joint Administrators' remuneration lies with the Creditors' Committee (if there is one); or if none (or the Committee does not make the requisite determination); each secured creditor of the Company; or where the Joint Administrators intend to make a distribution to preferential creditors, each secured creditor of the Company and a decision of the preferential creditors.
- 10.3 In the absence of a Creditors' Committee being established in this case, approval will be sought from the secured creditors and the outcome will be reported to all creditors in due course.

Information to be given to creditors

- 10.4 The Joint Administrators wish, in this case, to seek the secured creditors' agreement to their remuneration being fixed by reference to the time properly given by them and their staff in attending to matters as set out in a Fees Estimate. Prior to seeking approval of this basis, the Joint Administrators are required to provide all known creditors with their Fees Estimate and details of the expenses that they consider will be, or are likely to be, incurred during the administration ("Statement of Likely Expenses").

The Fees Estimate

- 10.5 The Joint Administrators' Fees Estimate for the whole of the Administration is set out at Appendix E. It includes the following:
- details of the work that the Joint Administrators and their staff propose to undertake;
 - the hourly rate or rates that the Joint Administrators and their staff propose to use; and
 - the time that the Joint Administrators anticipate that each part of the work will take.

Details of the Joint Administrators' time costs to date have also been included for comparison purposes. In summary, time costs of £11,459 have been incurred to date which represents 43.3 hours at an average rate of £264.64 per hour.

- 10.6 The total amount of time costs as set out in the Fees Estimate is £42,393. Once approved by the appropriate body of creditors, the remuneration drawn by the Joint Administrators must not exceed this total amount without prior approval. It should be noted that in some instances payment of these costs will be limited to the amount of realisations available in the Administration.
- 10.7 The Fees Estimate is based upon information currently available to the Joint Administrators. Based upon this information, the Joint Administrators do not anticipate that the Fees Estimate will be exceeded. However, should information come to light during the course of the Administration which means that the Joint Administrators will be required to undertake work not envisaged at the time that the Fees Estimate was provided, it may be necessary for the Joint Administrators to revert to the secured creditors for further approval.
- 10.8 Details of the firm's charge-out rates and policy regarding the recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix H. Please be aware that the firm's charge out rates have been amended with effect from 1 August 2019.
- 10.9 Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded using the following link:

<https://www.r3.org.uk/what-we-do/publications/professional/fees>

If you would prefer this to be sent to you in hard copy please email recovery@leonardcurtis.co.uk or contact Dane O'Hara of this office on 020 7535 7000.

Statement of Likely Expenses

- 10.10 The Joint Administrators' Statement of Likely Expenses is set out for creditor information at Appendix F. To assist creditors' understanding of this information, it has been separated into the following categories:
- (i) **Standard Expenses:** this category includes expenses payable by virtue of the nature of the Administration process and / or payable in order to comply with legal or regulatory requirements.
 - (ii) **Case Specific Expenses:** this category includes expenses likely to be payable by the Joint Administrators in carrying out their duties in dealing with issues arising in this particular case. Also included within this category are costs that are directly referable to the Administration but are not paid to an independent third party (and which may include an element of allocated costs). These are known as "Category 2 disbursements" and they may not be drawn without the approval of the secured creditors in the same way as fees and the secured creditors will be contacted directly in this respect. The basis of the calculation of their recharge is detailed in Appendix H.

Further Updates

- 10.11 The Joint Administrators will provide creditors with an indication of whether the remuneration anticipated to be charged by them is likely to exceed the Fees Estimate, and if so the reasons for this, in their subsequent reports. Information will also be provided in subsequent reports on whether the expenditure detailed in the Statement of Likely Expenses has been or is likely to be exceeded and the reasons why.

11 ESTIMATED OUTCOME FOR CREDITORS

- 11.1 In order to assist the various classes of creditors in assessing the quantum of any dividend which may or may not be payable to them, we have produced an Estimated Outcome Statement. This is attached at Appendix G.
- 11.2 The Estimated Outcome Statement assumes the following:

- a) that asset realisations are in line with those estimated at Appendix B;
- b) that the Joint Administrators' Fees Estimate (as detailed at Appendix E) is approved and is not exceeded, and
- c) that the expenses of the Administration are as set out in the Statement of Likely Expenses at Appendix F and are not exceeded.

11.3 In summary:

- Secured creditors – It is anticipated that Leumi will be paid in full under their principal security. It is also anticipated that Jim Turley will receive fixed and floating charge distributions in the Administration, however, will suffer a shortfall of approximately £27,500. It is not anticipated that Gordon Partnership LLP and Antonia D'Marco will receive a distribution in the Administration.
- Preferential creditors – There are no preferential claims expected in the Administration.
- Unsecured creditors – There are sufficient assets subject to floating charge to enable a distribution to unsecured creditors by virtue of prescribed part.

12 RELEASE OF JOINT ADMINISTRATORS FROM LIABILITY

- 12.1 As soon as all outstanding matters in the Administration have been attended to it is anticipated that we will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically to dissolution.
- 12.2 The appointment of the Joint Administrators will cease as soon as this notice is issued.
- 12.3 It is ordinarily for the creditors to fix the date upon which the Joint Administrators are discharged from liability in respect of any action of theirs during the Administration. However, as it is considered that there is little prospect of a dividend to unsecured creditors in this case, we are required to obtain approval to this resolution from the secured creditors. The appropriate class of creditor will be contacted directly in this respect.

13 CONCLUSION

- 13.1 It is important that you give careful attention to this report and its Appendices.
- 13.2 Creditors will be advised of the outcome on the deemed approval of the Proposals in due course.

Should you have any queries or require any further clarification please contact Dane O'Hara at my office, **in writing**. Electronic communications should also include a full postal address.

for and on behalf of
PROPORTION LONDON LIMITED



ALEX CADWALLADER
Joint Administrator

Alex Cadwallader is authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants in England and Wales under office holder number 9501 and Andrew Duncan is authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants in England and Wales under office holder number 9319

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

It is proposed that:

1. The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration.
2. If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company.
3. If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation. It is further proposed that Alex Cadwallader and Andrew Duncan be appointed Joint Liquidators of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them. Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved.
4. Alternatively, if appropriate, the Joint Administrators apply to Court under Paragraph 65 (3) of Schedule B1 to the Insolvency Act 1986 (as amended) for permission to make a distribution to the unsecured creditors within the Administration.
5. In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved.
6. The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company.
7. The Company may be placed into Compulsory Liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that Alex Cadwallader and Andrew Duncan be appointed Joint Liquidators of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them.
8. The Joint Administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986, as they consider desirable or expedient to achieve the statutory purpose of the Administration.

APPENDIX B

ESTIMATED FINANCIAL POSITION AS AT 18 JULY 2019

	Notes	Book value £	In Administration £
Assets specifically pledged			
Book Debts	1	164,750	145,838
less: Leumi ABL Limited	2	(107,355)	(107,355)
Surplus / (Deficit) as regards Leumi ABL Limited		57,395	38,483
Assets subject to fixed charge			
Goodwill	3	N/a	200,000
Intellectual Property	4	N/a	300,000
less: Amount due to Jim Turley		(580,000)	(580,000)
Surplus / (Deficit) as regards Jim Turley		(580,000)	(80,000)
Assets subject to floating charge			
Surplus from book debts	1	57,395	38,483
Leasehold improvements	5	499,015	Nil
Tangible Assets	6	440,097	25,000
Stock	7	613,271	125,000
Other Debtors	8	14,282	Nil
Connected Party Debtors	9	7,728,666	Uncertain
Balance at Bank	10	1,000	1,000
		9,353,726	189,483
Preferential creditors	11		-
Net property available for prescribed part			189,483
Less: Prescribed Part	12		(40,897)
Available for floating charge creditor			148,586
Shortfall to Jim Turley	13		(80,000)
Surplus / (Deficit)			68,586
Less: Gordon Partnership LLP	13		(500,000)
Surplus / (Deficit) carried down			(431,414)
Add back prescribed part	12		40,897
Available for unsecured creditors			40,897
Unsecured creditors			
Trade and expense creditors	14		(504,629)
H M Revenue & Customs	15		(134,935)
Intercompany Creditor	16		(1,365,844)
Directors' Loan Account	17		(274,086)
Total value of unsecured creditors			2,279,494
Shortfall to floating charge creditors b/d			(431,414)
Gordon Partnership LLP			(248,507)
Antonia D'Marco			
Estimated deficiency as regards creditors			2,918,518

ESTIMATED FINANCIAL POSITION

All book values have been taken from the Company's latest financial information or from valuations obtained by independent valuers. It should be noted that no provision has been made for the costs and expenses of the Administration.

1. Book Debts

The Company's debtors ledger as at 18 July 2019 showed outstanding debts of £164,750 due to the Company. The Company's debts had been assigned to Leumi in accordance with the terms of an Invoice Discounting Agreement.

Following the going concern sale of the Company's business and assets, it is anticipated that the majority of the debts will be recoverable, as the Purchaser is offering the Company's customers continuity and mitigating any potential counter claims that they may have for breach of contract/loss of profits. A provision of 20% has applied to the book debts in the likely event of bad debts.

2. Leumi ABL Limited ("Leumi")

Leumi have taken assignment of the Company's debtor's ledger in accordance with the terms of an Invoice Discounting facility provided to the Company. Leumi therefore have first call over debtor realisations in the Administration.

Leumi also holds security by way of a debenture incorporating fixed and floating charges over the assets of the Company, created on 31 July 2014. It is understood that Leumi were due £107,355 under the terms of its securities at the date of Administration. The Joint Administrators anticipate that Leumi will be repaid in full from recoveries made under its principal security.

3. Goodwill

The Company's accounts did not include goodwill. Following the going concern sale of the Company's business and assets to the Purchaser the Company's goodwill has been sold for £200,000. Although this could potentially give a rise to a gain on disposal, we understand that this will be offset against trading losses and result in no tax implications.

4. Intellectual Property

The Company's accounts did not include intellectual property. Following the going concern sale of the Company's business and assets to the Purchaser the Company's intellectual property has been sold for £300,000. Although this could potentially give a rise to a gain on disposal, we understand that this will be offset against trading losses and result in no tax implications.

5. Leasehold Improvements

The book value has been extracted from the Company's management accounts for the period to 31 May 2019. The estimated to realise for the purpose of the statement of affairs has been written down to nil as the asset has no value in an Administration scenario.

6. Tangible Assets

The book value has been extracted from the Company's management accounts for the period to 31 May 2019. The tangible assets comprised of plant and machinery, office furniture and equipment and moulds. The tangible assets were sold as part of the business and asset sale for £25,000 on 18 July 2019.

7. Stock

The book value has been extracted from the Company's management accounts for the period to 31 May 2019. The stock was sold as part of the business and asset sale for £125,000 on 18 July 2019.

8. Other Debtors

The book value has been extracted from the Company's management accounts for the period to 31 May 2019. These debtors relate to prepayments made by the Company and it is not anticipated that there will be any recoverable balances.

9. Connected Party Debtors

The book value has been extracted from the Company's management accounts for the period to 31 May 2019. It is currently uncertain whether the connected party is in a position to repay the loan although we will be taking the necessary steps to make any recovery that is possible.

10. Balance at Bank

At the date of Administration, the Company had balance at bank of approximately £1,000. It is anticipated that this balance will be recovered in full.

11. Preferential Creditors

There are no preferential creditors in the Administration as all employees were transferred by way of TUPE transfer to the Purchaser.

12. Prescribed Part

Section 176A of the Act provides that, where a company has created a floating charge after 15 September 2003, an Administrator must make a prescribed part of the company's net property available to the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims.

As there are floating charge creditors in this case, a prescribed part has been set aside and calculated as 50% of the first £10,000 and 20% of the balance thereafter.

13. Floating Charge Creditors

There are four secured creditors who hold fixed and floating charges debentures over the Company's assets, created at Companies House on 31 July 2014. Detailed explanations of the secured creditor position is detailed at sections 2.7 to 2.9 and 4.3.

14. Trade and Expense Creditors

The Company's aged creditor analysis as at 18 July 2019 showed trade and expense creditors of £504,629. Details of the trade and expense creditors have been provided by the Company's director and should not be regarded as agreed amounts.

15. H M Revenue & Customs

The Company has an outstanding balance of approximately £134,935 due to HM Revenue & Customs and is broken down as follows. Please note that they should not be regarded as agreed amounts:

PAYE	£94,136
VAT	£40,090
Corporation Tax	£709
Total	£134,935

16. Intercompany Creditor

The Company's management accounts for the period to 31 May 2019 showed an intercompany creditor of £1,365,844. This should not be regarded as an agreed amount.

17. Directors' Loan Account

The Company's management accounts for the period to 31 May 2019 showed an outstanding directors' loan account of £274,086. This should not be regarded as an agreed amount.

Company Creditors

Name of Creditor or Claimant	Address -	Postcode	Amount	Details of Security held by Creditor	Date Security Given	Value of Security
Trade & Expense Creditors						
Able Art Limited	Suite 3703, Office Tower Langham Place		176,011.15		-	-
Canada Life Investments	Irish Life Centre		108,865.38		-	-
London Borough Of Waltham Forest	P O Box 6838		60,088.00		-	-
Mercer & Hile Chartered Accountants	421 Sbury Boulevard		19,500.00		-	-
Export Overseas	Opp. Ramilla Ground		19,042.70		-	-
Equinox Worldwide Ltd	H 39, Lajpat Nagar		14,809.35		-	-
Investec Asset Finance Plc	758-760 Great Cambridge Road		13,921.70		-	-
Bentley Engineering Company	Reading International Business Park		8,675.00		-	-
Dynastone Taiwan	38 Eskdale Road		6,000.00		-	-
Nichols Bros	2F No.110 Sac.2		5,821.56		-	-
Action Industrial Cleaning (UK) Ltd	2A Milton Road		5,287.62		-	-
Zeus Packaging Group	Bridge House		5,022.48		-	-
Unicue Forwarding Ltd	Lancaster Way		4,970.10		-	-
Direct Adhesives	Unique House		4,960.80		-	-
Euroseals UK	Unit 15, Charnoor Road		4,955.48		-	-
Dp Displays & Private -fire	Closter Way		4,050.35		-	-
Soil Beder Company Ltd	7 Broadstone Close		3,795.46		-	-
Pennant Shop Equipment Limited	Wollaston Hall		3,724.20		-	-
Mglass	Unit 1		3,715.80		-	-
Black's Visual Merchandising	51 Downing St		3,418.20		-	-
Scottish Hydro	Ridgate		3,395.51		-	-
Bnp Paribas Leasing Solutions	Po Box 6324		2,171.26		-	-
Abarna Display Ltd	Northern Cross		2,387.40		-	-
Torrana G L S M	The Hall		2,065.04		-	-
Express Vending Ltd	DI Todeschini Stefano & C. Soc		1,528.41		-	-
Essex Finishers Limited	Donna House		1,339.09		-	-
Neogene Limited	1 Finney Road		1,282.80		-	-
Moulkille Ltd	Unit 3		1,135.20		-	-
Daisy Communications	14 Canton Way		1,119.78		-	-
Centrapoint Software	Miro House		1,088.16		-	-
Vindor West Management Ltd	Daisy House		762.00		-	-
Adhesive Brokers Ltd	122 Minories		728.76		-	-
Winder & Co UK Ltd	Victor House		648.36		-	-
LHT Logistics	10 Lowlands Crescent		635.44		-	-
Whaleys (Bradford) Ltd	Stonehill		570.00		-	-
Safety-Kleen UK Ltd	LN Logistics Ltd		548.36		-	-
Landsmart Landscapes	Harris Court		423.25		-	-
Elite Fire Protection Ltd	Profile West		384.00		-	-
Monrels Woodfinishes Ltd	Halfway Farm House		378.00		-	-
Air Check Services	Unit 9 & 10 Egham Business Village		375.56		-	-
Clerkenwell Screws Ltd	Wellington Works		360.00		-	-
Ovenden Papers Limited	The Business Exchange		322.54		-	-
Lloyds Pharmacy Ltd	109 Clarendon Rd		310.27		-	-
Jewelry Ryland Ltd	Swordfish House		294.30		-	-
Alec Trant Ltd	Sapphire Court		255.05		-	-
Lee Newsome	Haden Street		252.36		-	-
	Unit 2 Rule Business Park				-	-
	Gainslaw Lane				-	-
	London				-	-
	Birmingham				-	-
	Walsgrave Triangle				-	-
	Unit C, River Way				-	-
	London				-	-
	Rockingham Road				-	-
	Mill Lane				-	-
	Crabtree Road				-	-
	Bygrave Road				-	-
	Great Horton				-	-
	15 & 16 Highams Park Ind Estate				-	-
	Huntingdon				-	-
	Great Kingshill				-	-
	Youngman Place				-	-
	London				-	-
	Lindred Road Business Park				-	-
	Western Way West				-	-
	Watford Business Centre				-	-
	Hatfield Industrial Estate				-	-
	Herts				-	-
	London				-	-
	Italy				-	-
	Raunds				-	-
	Basingstoke				-	-
	Wetherby				-	-
	West Midlands				-	-
	Conesby				-	-
	Wellingborough				-	-
	Middlesex				-	-
	Ellersmere Port				-	-
	Bedfordshire				-	-
	Billicray				-	-
	Biggleswade				-	-
	Romford				-	-
	London				-	-
	Wenshan Chu				-	-
	Uxbridge				-	-
	Berkshire				-	-
	Middlesex				-	-
	Moradabad				-	-
	Central Milton Keynes				-	-
	Waltonshaw				-	-
	London				-	-
	Dublin 1 Ireland				-	-
	Kowloon, Hong Kong				-	-
	Postcode				-	-
	Amount				-	-
	£				-	-
	Details of Security held by Creditor				-	-
	Date Security Given				-	-
	Value of Security				-	-

Joint Administrators' Report and Proposals
8 August 2019

Company Creditors

Name of Creditor or Claimant	Address -	Postcode	Amount £	Details of Security held by Creditor	Date Security Given	Value of Security
Preferential Creditors						
None						
Secured Creditors						
Leum ABL Limited	126 Dyle Road	Brighton	106,079.00	Debtshare	31 July 2014	All monies due
Jim Turkey		London	560,000.00	Debtshare	31 July 2014	All monies due
Gordons Partnership LLP	22 Great James Street	London	560,000.00	Debtshare	31 July 2014	All monies due
Antonia D'Marco	212a Munster Road	Fulham	748,507.00	Debtshare	31 July 2014	All monies due
			1,434,586.00			

APPENDIX C

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS FROM
18 JULY 2019 TO 8 AUGUST 2019

	Estimated Financial Position £	Received to date £
RECEIPTS		
Goodwill	300,000	-
Intellectual Property	200,000	-
Stock	25,000	100,000
Tangible Assets	125,000	25,000
Book Debts not Subject to Fixed Charge	38,483	-
Balance at Bank	1,000	-
	<u>689,483</u>	<u>125,000</u>
PAYMENTS		
None		-
		<u>-</u>
BALANCE IN HAND		<u>125,000</u>

APPENDIX D

Summary of Joint Administrators' Pre-Administration Costs

	Director		Senior Manager		Manager 1		Manager 2		Administrator 4		Total		Average
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Hourly Rate £
Financial Assessment	56	2,520.00	5	205.00	55	2,007.50	-	-	31	465.00	147	5,197.50	353.57
Strategy & Purpose Evaluation	90	4,050.00	61	2,501.00	165	6,022.50	3	96.00	138	2,070.00	457	14,739.50	322.53
Preparation of Documents	25	1,125.00	-	-	-	-	-	-	75	1,125.00	100	2,250.00	225.00
Chargeholder	76	3,420.00	-	-	31	1,131.50	-	-	2	30.00	109	4,581.50	420.32
Court related issues	25	1,125.00	-	-	-	-	-	-	-	-	25	1,125.00	450.00
Total	272	12,240.00	66	2,706.00	251	9,161.50	3	96.00	246	3,690.00	838	27,893.50	
Average Hourly Rate (£)		450.00		410.00		365.00		320.00		150.00		332.86	

All Units are 6 minutes

DETAILED ANALYSIS OF PRE-ADMINISTRATION COSTS

Financial Assessment

- Liaising with Axia regarding valuation of the Company's business and assets.
- Liaising with Leumi regarding the Company's debtors' ledger and invoice discounting facility.
- Preparation of the Estimated Outcome Statement for the strategy note.
- Reviewing and assessing financial information provided by the Company.
- Reviewing the Company's cash flow and advising the Company on critical payments.

Strategy & Purpose Evaluation

- Liaising with the directors to discuss the Administration strategy and planning.
- Liaising with PDT regarding case strategy and planning.
- Circulating a conflict of interest email to all members of LCBSG staff.
- Preparation of a case strategy note.
- Liaising with PDT regarding the Sales and Purchase Agreement.
- Liaising with Axia regarding the marketing and sales process.

Preparation of Documents

- Conducting the requisite financial conduct authority, Pension Protection Fund, data protection register and individual insolvency searches.
- Conducting anti-money laundering checks in accordance with mandatory requirements.
- Preparing consents to act and liaising with Shakespeare Martineau solicitors regarding preparation of the Joint Administrators' appointment documentation.
- Compiling key information and documentation required for the Administration process.

Chargeholder

- Liaising with the Company's charge holders regarding the Administration process.
- Dealing with the complex nature of the Company's charges, including detailed reviews of the various deed of priorities and deed of assignments.
- Liaising with the chargeholders to discuss the Administration strategy and planning.

Court related issues

- Dealing with the preparation of the Notice of Intention to Appoint Administrators.
- Liaising with Shakespeare Martineau regarding filing of Notice of Intention to Appoint Administrators.

APPENDIX E

JOINT ADMINISTRATORS' FEES ESTIMATE INCORPORATING TIME INCURRED TO DATE

	FEES ESTIMATE			INCURRED TO DATE		
	Total			Total		
	Units No	Cost £	Average hourly rate £	Units No	Cost £	Average hourly rate £
Statutory and Review	154	5,918.00	384.29	6	270.00	450.00
Receipts and Payments	55	1,699.50	309.00	12	280.00	233.33
Insurance, Bonding and Pensions	23	618.50	268.91	15	368.00	245.33
Assets	94	3,550.00	377.66	40	1,420.00	355.00
Liabilities	163	4,827.50	296.17	64	2,510.00	392.19
Landlords	59	1,815.50	307.71	3	45.00	150.00
Debenture Holder	61	2,650.00	429.51	11	495.00	450.00
General Administration	107	3,356.00	313.64	17	335.00	197.06
Appointment	82	2,531.00	308.66	82	1,937.00	236.22
Post Appointment Creditor Reporting	330	11,139.50	337.56	183	3,799.00	207.60
Investigations	124	4,317.50	348.19	-	-	-
	1,252	42,393.00	338.60	433	11,459.00	264.64

APPENDIX E (CONTINUED)

**JOINT ADMINISTRATORS' FEES ESTIMATE
DETAILS OF WORK PROPOSED TO BE UNDERTAKEN**

Statutory and Review

This category of activity encompasses work undertaken for both statutory and case management purposes. Whilst this work will not directly result in any monetary value for creditors, it will ensure that the case is managed efficiently and resourced appropriately, which will be of benefit to all creditors. The work to be carried out under this category will comprise the following:

- Case management reviews. These will be carried out periodically throughout the life of the case. In the early stages of the case this will involve team meetings to discuss and agree case strategy and a month 1 review by the firm's Compliance team to ensure that all statutory and best practice matters have been dealt with appropriately. As the case progresses we will as a minimum carry out three monthly reviews to ensure that the case is progressing as planned.
- Allocation of staff, management of staff, case resourcing and budgeting. It is anticipated that the day to day running of the case will be conducted by a manager assisted by an administrator, under the supervision of the office holder.
- Review of time costs data to ensure accurate posting of time and to ensure compliance with Statement of Insolvency Practice 9.
- Review of work carried out by more junior members of staff to ensure quality of work and adherence to standards, legislation and best practice.
- The team is required under the Company Director Disqualification Act 1986 ("CDDA") to review the Company's records and consider information provided by creditors on the conduct of the all directors involved in the Company during the three years leading up to the insolvency. This will result in the preparation and submission of statutory returns or reports on all directors to the Insolvency Service. Evidence of unfit conduct can result in directors being disqualified for periods of up to 15 years.
- Review of director's statement of affairs and filing of document at Companies House in accordance with statutory requirements.
- Completion of case closing procedures at the end of the case.

Receipts and Payments

This category of work will not result in a direct financial benefit for creditors. However, close monitoring of case bank accounts is essential to ensure that bank interest is maximised where possible, estate expenses are properly managed and kept to a minimum and amounts payable to creditors are identified and distributed promptly.

- Opening of case bank accounts.
- Management of case bank accounts to ensure compliance with relevant risk management procedures.
- Regular review of case bank account by senior member of staff to ensure that fixed and floating charge assets have been properly identified and prescribed part funds have been set aside where appropriate.
- Preparation of periodic receipts and payments accounts for inclusion in statutory reports.

Proportion London Limited - In Administration

- Timely completion of all post appointment tax and VAT returns.
- Managing estate expenses.

Insurance, Bonding and Pensions

Insolvency Practitioners are obliged to comply with certain statutory requirements when conducting their cases. Some of these requirements are in place to protect company assets (see insurance and bonding matters below), whilst requirements in respect of company pension schemes are there to protect the pension funds of Company employees. Whilst there is no direct financial benefit to Company creditors in dealing with these, close control of case expenditure is crucial to delivering maximum returns to the appropriate class of creditor.

- Calculation and request of Joint Administrators' bond in accordance with the Insolvency Practitioners Regulations 2005. A bond is a legal requirement on all Administrations and is essentially an insurance policy to protect creditors against the fraud or dishonesty of the Insolvency Practitioner. The bond is calculated by reference to the value of assets which are estimated before costs to be available to unsecured creditors.
- Periodic review of bonding requirements to ensure that creditors are appropriately protected. The bond is reviewed upon each large receipt of monies into the case and also at three month intervals in accordance with best practice.
- Completion and submission of statutory notifications under the Pensions Act 2004. This includes liaising with the Company director to establish the existence of Company pension schemes, making the statutory notifications under s22 and s120 of the pensions legislation; liaising with pensions providers to understand the nature of the scheme, and submitting claims to the Redundancy Payments Service for reimbursement of unpaid contributions to the scheme, if appropriate.

Assets

- Agreeing strategy for realisation of Company assets – as mentioned above, the Joint Administrators have instructed Axia to assist with the valuation and disposal of the Company's business and assets. As the sale was completed on the date of appointment, it is not anticipated that Axia will be required to carry out any further work post appointment.
- Liaising with Company's bankers regarding ongoing management of pre-appointment bank accounts, including recovery of the Company's cash at bank balance.
- The recovery of the Company's debtors' ledger will be undertaken by Leumi in the first instance and it is anticipated that there will be a debtor surplus passed to the Joint Administrators. It may be necessary for the Purchaser to assist us with the recovery of the remaining debtors.

Liabilities

This category of time includes both statutory and non-statutory matters.

Statutory

- Processing of claims from the Company's creditors - according to the Company's records, there are approximately 68 creditors. It is anticipated that there will be sufficient funds available to pay a dividend to unsecured creditors by virtue of the prescribed part and as such, creditor claims are being logged and will be subsequently agreed by the Joint Administrators. Due to the nature and number of creditors, it is envisaged that a significant amount of time will be incurred logging claims.
- Preparation, review and submission of pre-appointment tax and VAT returns.

Non-statutory

- Dealing with enquiries from the Company's creditors - the Company has a significant creditor base consisting of mainly trade suppliers. It is anticipated that there will be a significant incurrence of time costs in liaising with creditors. Whilst this time will not result in any direct commercial benefit to creditors, it is essential for keeping creditors informed of the progress of the Administration and ensuring that claims are submitted correctly

Landlords

- Review of the lease at 16 Hickman Avenue, London E4 9JG.
- Dealing with the licence to occupy agreement and payments to the landlord under the agreement.
- Liaising with the landlord with regards to the licence to occupy agreement.
- Liaising with the Purchaser regarding licence fee payments.

General Administration

- General planning matters.
- Setting up and maintaining the Joint Administrators' records.
- Arranging collection and storage of the Company's records.
- Dealing with general correspondence and communicating with the directors and shareholder.

Appointment

- Statutory notifications to creditors and other interested parties following the Joint Administrators' appointment.
- Preparation of case plan.
- Formulation of case strategy, including recording of any strategic decisions.

Post Appointment Creditor Reporting

- Preparation of the Joint Administrators' Proposals for achieving a statutory purpose of the Administration.
- Preparation of the Fees Estimate and Statement of Expenses in accordance with the Rules
- Convening a decision of creditors by correspondence to agree Fees Estimate with appropriate body of creditors.
- Reporting on outcome of voting.
- Preparation of the Joint Administrators' progress report.
- Preparation of the Joint Administrators' final report.

Investigations

- Collecting and reviewing the Company's records. The Company's records have been collected and this will mainly consist of reviewing bank statements and any other information provided by creditors.

- Conducting initial investigations into the Company's affairs/records to identify the possibility of further realisations and enable the submission of returns due under the CDDA - whilst no specific matters have been brought to our attention at this stage, a review of the records may lead to further realisations in the event that antecedent transactions are identified which can be pursued by the Joint Administrators. The submission of returns under the CDDA is a statutory requirement and is unlikely to result in any benefit to creditors.

JOINT ADMINISTRATORS' STATEMENT OF LIKELY EXPENSES

Standard Expenses

Type	Description	Amount £
AML Checks	Electronic client verification	20.00
Bond Fee	Insurance bond	90.00
Company Searches	Extraction of company information from Companies House	4.00
Document Hosting	Hosting of documents for creditors	56.00
Software Licence Fee	Case management system licence fee	87.00
Statutory Advertising	Advertising	171.90
Storage Costs	Storage of books and records	500.00
Post redirection	Redirection of post	-
Postage	Postage Costs	150.00
	Total standard expenses	1,078.90

Case Specific Expenses

Type	Description	Amount £
Agents' Fees	Costs of valuing and realising assets	-
Debt Collection Fees	Costs of collection of debts	-
Legal Fees	Costs of appointed solicitors	8,000.00
Staff Mileage	Category 2 disbursement requiring specific creditor / committee approval	-
Printing and Photocopying	Category 2 disbursement requiring specific creditor / committee approval	150.00
	Total case specific expenses	8,150.00

Estimated Outcome Statement as at 8 August 2019

	Estimated Financial Position £	Receipts & Payments To Date £	Anticipated Future Receipts & Payment £	Total Anticipated Receipts & Payments £
Assets Specifically Pledged				
Factored book debts	164,750	70,191	75,847	145,838
Less:				
Leumi ABL Limited	(107,355)	(70,191)	(37,164)	(107,355)
Surplus/ (deficit) c/d	57,395	-	38,483	38,483
Assets Subject to Fixed Charge				
Goodwill	200,000	-	200,000	200,000
Intellectual Property	300,000	-	300,000	300,000
Less:				
Pre-appointment costs	N/a	-	(23,000)	(23,000)
Jim Turley	(580,000)	-	(580,000)	(580,000)
Surplus / (deficit) c/d	(80,000)	-	(103,000)	(103,000)
Assets Subject to Floating Charge				
Surplus from factored book debts b/d	57,395	-	38,483	38,483
Leasehold improvements	Nil	-	-	-
Tangible assets	25,000	25,000	-	25,000
Stock	125,000	125,000	-	125,000
Other debtors	Nil	-	-	-
Connected party debts	Uncertain	-	Uncertain	Uncertain
Cash at bank	1,000	-	1,000	1,000
Assets available to costs	208,395	150,000	39,483	189,483
Less:				
Pre-appointment costs		-	(37,912)	(37,912)
Office holders' remuneration		-	(42,393)	(42,393)
Office holders' disbursements		-	(2,000)	(2,000)
Pension advisors' fees		-	(1,000)	(1,000)
Solicitors' fees		-	(8,000)	(8,000)
Assets available to preferential creditors		150,000	(51,822)	98,178
Preferential claims (wage arrears and accrued holiday)		-	-	-
Estimated surplus to prescribed part		150,000	(51,822)	98,178
Less: prescribed part		-	-	(22,636)
Available to floating charge creditors		150,000	(51,822)	75,543
Shortfall to Jim Turley b/d		-	(103,000)	(103,000)
Surplus / (deficit) c/d		150,000	(154,822)	(27,457)
Estimated surplus/(shortfall) available to unsecured creditors		-	-	-
Add: prescribed part		-	-	22,636
Total assets available to unsecured creditors		150,000	-	22,636
Unsecured creditors				(2,184,649)
Estimated deficiency as regards unsecured creditors				(2,162,013)
Shortfall to floating charge holders				
1. Shortfall to Jim Turley b/d				(27,457)
2. Gordons Partnership LLP				(500,000)
3. Antonia D'Marco				(248,507)
Estimated deficiency as regards creditors				(2,937,978)
Outcome Summary				
Estimated returns to secured creditors				
1. Leumi ABL Limited				100.00%
2. Jim Turley				95.27%
3. Gordons Partnership LLP				0.00%
4. Antonia D'Marco				0.00%
Estimated dividend to unsecured creditors				1.04%

LEONARD CURTIS POLICY REGARDING FEES, EXPENSES AND DISBURSEMENTS

The following Leonard Curtis policy information is considered to be relevant to creditors:

Staff Allocation and Charge Out Rates

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by resolution that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters as set out in a fees estimate, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below. In cases of exceptional complexity or risk, the insolvency practitioner reserves the right to obtain authority from the appropriate body of creditors that their remuneration on such time shall be charged at the higher complex rate given below.

The following hourly charge out rates apply to all assignments undertaken by Leonard Curtis:

6 Jan 2014 onwards	Standard	Complex	1 Aug 2019 onwards	Standard	Complex
	£	£		£	£
Director	450	562	Director	525	656
Senior Manager	410	512	Senior Manager	445	556
Manager 1	365	453	Manager 1	395	494
Manager 2	320	400	Manager 2	345	431
Administrator 1	260	325	Administrator 1	280	350
Administrator 2	230	287	Administrator 2	250	313
Administrator 3	210	262	Administrator 3	230	288
Administrator 4	150	187	Administrator 4	165	206
Support	0	0	Support	0	0

Office holders' remuneration may include costs incurred by the firm's in-house legal team, who may be used for non-contentious matters pertaining to the insolvency appointment.

Subcontractors

Where we subcontract out work that could otherwise be carried out by the office holder or his/her staff, this will be drawn to the attention of creditors in any report which incorporates a request for approval of the basis upon which remuneration may be charged. An explanation of why the work has been subcontracted out will also be provided.

Professional Advisors

Details of any professional advisor(s) used will be given in reports to creditors. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements.

The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

Expenses

We are required to provide creditors with an estimate of the expenses we expect to be incurred in respect of an assignment and report back to them on actual expenses incurred and paid in our periodic progress reports. There are two broad categories of expenses: standard expenses and case specific expenses. These are explained in more detail below:

- Standard Expenses – this category includes expenses which are payable in order to comply with legal or regulatory requirements and therefore will generally be incurred on every case. They will include:

Proportion London Limited - In Administration

Type	Description	Amount																								
AVL checks	Electronic client verification in compliance with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017	£5.00 plus VAT per search																								
Bond / Bordereau fee	Insurance bond to protect the insolvent entity against and losses suffered as a result of the fraud or dishonesty of the IP	£10.00 to £1,200.00 dependent on value of assets within case																								
Company searches	Extraction of company information from Companies House	£1.00 per document unless document can be accessed via the free service																								
Document hosting	Hosting of documents for creditors/shareholders. Cost per upload, plus VAT.	<table> <tr> <th>Type</th><th>First 100</th><th>Every addtl 10</th></tr> <tr> <td>ADM</td><td>£14.00</td><td>£1.40</td></tr> <tr> <td>CVL</td><td>£7.00</td><td>£0.70</td></tr> <tr> <td>MVL</td><td>£7.00</td><td>£0.70</td></tr> <tr> <td>CPL</td><td>£7.00</td><td>£0.70</td></tr> <tr> <td>CVA</td><td>£10.00</td><td>£1.00</td></tr> <tr> <td>BKY</td><td>£10.00</td><td>£1.00</td></tr> <tr> <td>IVA</td><td>£10 p.a. or £25 for life of case</td><td></td></tr> </table>	Type	First 100	Every addtl 10	ADM	£14.00	£1.40	CVL	£7.00	£0.70	MVL	£7.00	£0.70	CPL	£7.00	£0.70	CVA	£10.00	£1.00	BKY	£10.00	£1.00	IVA	£10 p.a. or £25 for life of case	
Type	First 100	Every addtl 10																								
ADM	£14.00	£1.40																								
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CPL	£7.00	£0.70																								
CVA	£10.00	£1.00																								
BKY	£10.00	£1.00																								
IVA	£10 p.a. or £25 for life of case																									
Post re-direction	Redirection of post from Company's premises to office-holders' address	0-3 months £204.00 3-6 months £303.00 6-12 months £490.00																								
Software Licence fee	Payable to software provider for use of case management system	£87.00 plus VAT per case																								
Statutory advertising	Advertising of appointment, notice of meetings etc <ul style="list-style-type: none"> - London Gazette - Other 	£85.95 plus VAT per advert Dependent upon advert and publication																								
Storage costs	Costs of storage of case books and records	£5.07 plus VAT per box per annum plus handling charges																								

- b) Case-specific expenses – this category includes expenses (other than office-holders' fees) which are likely to be payable on every case but which will vary depending upon the nature and complexity of the case and the assets to be realised. They will include:

Type	Description	Amount
Agents' fees	Costs of appointed agents in valuing and realising assets	Time costs plus disbursements plus VAT
Debt Collection fees	Costs of appointed debt collectors in realising debts	Generally agreed as a % of realisations plus disbursements plus VAT
Legal fees	Costs of externally appointed solicitors. Will generally comprise advice on validity of appointment, drafting of sale contracts, advice on retention of title issues and advice on any reviewable transactions.	Time costs plus disbursements plus VAT
Other disbursements	See disbursements section below	See disbursements section below

Disbursements

Included within both of the above categories of expenses are disbursements, being amounts paid firstly by Leonard Curtis on behalf of the insolvent entity and then recovered from the entity at a later stage. These are described as Category 1 and Category 2 disbursements.

- a) Category 1 disbursements: These are costs where there is specific expenditure directly referable both to 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 (exc. mileage), and equivalent costs reimbursed to the office holder or his or her staff. Category 1 disbursements may be drawn without prior approval.
- b) 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. In the event of charging for category 2 disbursements the following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Storage of office files (6 years)	£81.25 per box
Business mileage	45p per mile

Category 2 disbursements may be drawn if they have been approved in the same manner as an office holder's remuneration.

Proof of Debt – General Form

Relevant date:

Please e-mail completed form to:

recovery@leonardcurtis.co.uk quoting ref: PRO33/DH/PROOF

Name of Company in Administration:

Proportion London Limited

Company registered number:

02597122

1. Name of creditor (if a company, provide registration number)

2. Correspondence address of creditor (including email address)

3. Total amount of claim (£) at relevant date (include any Value Added Tax)

4. If amount in 3 above includes outstanding uncapitalised interest, state amount (£)

5. Details of how and when the debt was incurred (if you need more space attach a continuation sheet to this form)

6. Details of any security held, the value of the security and the date it was given

**INFORMATION IN RELATION TO THE PRE-PACKAGED SALE
OF THE BUSINESS AND ASSETS IN ACCORDANCE WITH
THE PROVISIONS OF STATEMENT OF INSOLVENCY PRACTICE 16**

**PROPORTION LONDON LIMITED ("the Company")
(IN ADMINISTRATION)**

**IN THE HIGH COURT OF JUSTICE, BUSINESS AND PROPERTY COURTS IN BIRMINGHAM
COURT NUMBER: CR-2019-BHM-000557
INFORMATION REGARDING THE PRE-PACKAGED SALE OF THE BUSINESS AND ASSETS OF
PROPORTION LONDON LIMITED**

1 INITIAL INTRODUCTION

- 1.1 The Company was introduced to us by Robert Taylor of Brightstar Capital on 26 June 2019. Brightstar Capital are a beneficial owner of the Company by virtue of a majority shareholding. Robert Taylor has previously worked on assignments with directors of Leonard Curtis Business Solutions Group.
- 1.2 We do not believe that there are any significant personal or professional relationships between the Company or its directors and Leonard Curtis, and we confirm that we carried out the appropriate conflict review prior to accepting the appointment.

2 PRE-APPOINTMENT CONSIDERATIONS

The extent of the Administrators' involvement prior to the appointment and the Role of the Insolvency Practitioner ("IP")

- 2.1 Following our instruction, we wrote formally to the directors of the Company informing them that our role before any formal appointment would involve providing the following services:
- i) Carrying out an initial assessment of the Company's current financial position and assisting in the preparation of cash flow forecasts to determine the Company's short term working capital requirements.
 - ii) Subsequently advising them on which insolvency process would be most appropriate for the Company.
 - iii) Dealing with all formalities relating to the appointment of Joint Administrators including giving appropriate notification of the intention to make such appointment to secured creditors and other parties entitled to receive notice.
 - iv) Preparing any report(s) necessary and attending Court hearings if appropriate.
 - v) Advising them on the financial control and supervision of the business between the date of our engagement and the date of the appointment of Joint Administrators.
 - vi) Advising them on whether an early sale of the Company's business and trading assets would be likely to be in the interests of creditors.
- 2.2 We made it clear that these services were to be given for the benefit of the creditors of the Company and that our role was not to advise the directors in their personal capacity. We recommended that they seek their own independent advice if they were uncertain on any matter, particularly if they had expressed, or were likely to express, an interest in purchasing the Company's business and trading assets. We also wrote to all interested parties who we believed to be connected to the Company advising them of the IP's obligations under Statement of Insolvency Practice 16 ("SIP 16") regarding the marketing of the business and assets of the Company and of their ability to make a submission, or submissions, to the Pre-Pack Pool.
- 2.3 Finally, we explained that initially an IP acts as professional adviser to the Company with responsibilities only to it and its directors. At this stage of the process the IP will assist the directors in making the right decision about

what is the correct option for them to pursue in the best interests of creditors, having regard to the Company's circumstances. In this case, we advised the directors that the Company was insolvent and that steps should be taken to place it into Administration.

- 2.4 Once the Company has been placed into Administration, the IP becomes Administrator with different functions and responsibilities. The Administrator is obliged to perform his functions and responsibilities in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, he has a duty not to unnecessarily harm the interests of creditors as a whole.

Company History and Background

- 2.5 The Company was incorporated on 2 April 1991. The current directors are Thomas Billings, Robert Taylor, Alison Jordan and Tanya Reynolds. The principal shareholder is Brightstar Capital London Limited.
- 2.6 The Company's registered office and principal trading address is at 16 Hickman Avenue, London E4 9JG.
- 2.7 The Company is a market leading visual merchandise company ("VM"), designing and manufacturing premium mannequins, bustforms and accessories. The Company is the only such manufacturer based in the UK and uses a team of craftsmen to hand produce its range of bespoke mannequins. Its creations are used by many of the leading London based fashion houses such as Vivienne Westwood, Alexander McQueen and Paul Smith.
- 2.8 With a heritage dating back over 100 years, the business also has a long track record of creating innovative designs for the leading independent stores, department stores and fashion multiples including clients such as Burberry, M&S and Primark.
- 2.9 The directors advise that the Company is at the forefront of predicting and influencing VM retail trends and has considerable in-house creative expertise. The Company is famed for a design led approach and specialises in creating innovative abstract mannequin collections at high margins (50-70%). A full range of accessories and other fixtures supplement this core offering.
- 2.10 In recent times, faced with a challenging fashion retail environment, the Company has also grown its specialist museum division. It has worked on a number of prestigious domestic and international projects over the past 18 months with clients including the V&A and the New York Met.
- 2.11 The Company employs 55 members of staff and operates out of a 50,000 square foot manufacturing facility in North London. Its production capabilities include fibre glass, papier mache, rota-moulding, jesmonite laminating, concrete pouring and basic metal work.
- 2.12 The Company was acquired in July 2014 by BrightStar Capital London Limited ("Brightstar") who remain the majority shareholder. The acquisition was supported by BrightStar equity, a debt funding package offered by Leumi ABL Limited ("Leumi"), a tranche of subordinate debt and a Vendor Loan Note.
- 2.13 The directors advise that, in spite of challenging trading conditions, the Company has repaid over £1.2m of debt since the refinancing in 2014. The Company has reacted quickly to the various challenges it has faced, aligning costs to a recent fall in turnover. The directors believe they have reached the bottom of the Company's current decline and that both turnover and profitability will begin to improve in the coming years. In April 2019, BrightStar agreed to further support the business with £400,000 of new equity investment but required concessions from the existing subordinate debt holders (£380,000 outstanding and due in 2021) and Vendor Loan Note holders. Unfortunately, an agreement could not be reached in this regard.
- 2.14 In June 2019, the Company's directors approached Leonard Curtis for advice concerning the Company's financial position and the other options available to them. A summary of those the options considered is provided below at section 2.15.

Alternative courses of action considered by the Administrator

- 2.15 The following alternative courses of action were considered with management prior to our appointment as Joint Administrators of the Company and the completion of the pre-packaged sale of the business and assets;

- ***Refinancing or distressed sale by management***

As stated above, the Company had a working capital shortfall and were seeking a new equity investment of £400,000 from Brightstar, however, an agreement could not be reached with the existing subordinate debt holders and vendor loan note holders to facilitate this investment. The Company is heavily geared and was also not able to attract external sources of investment or debt funding.

The Company could not support its trading activities beyond the end of July 2019 without additional working capital funding. In the absence of an investment from Brightstar or any other party, the Company had limited time to act and could not properly explore a distressed sale of business and assets by management without causing significant risk to the interests of the creditors and other stakeholders.

Finally, the Company was carrying substantial liabilities that made the business unattractive within its current vehicle, and in particular the substantial subordinated debt and vendor loan notes.

- ***Company Voluntary Arrangement ("CVA")***

This was unlikely to be a viable option for the Company, as there was no immediate source of funding to enable a CVA to be proposed to creditors. The directors, current investors and shareholders were approached regarding their ability to continue funding the Company and they indicated that they were not in a position to provide further funding for the resources highlighted above.

In the absence of further funding, the business had insufficient time and financial resources to implement a turnaround strategy to bring the business back to profitability, which would be essential to fund any CVA contributions from trading surpluses.

Finally, a CVA would not address the liabilities due to secured creditors, who would be excluded by virtue of their securities. Without the ability to either compromise secured liabilities or renegotiate repayment terms, as previously discussed, a CVA would not be capable of addressing one of the Company's key viability issues.

- ***Administrative Receivership***

All of the Company's secured creditors have debentures created on 31 July 2014. As such, there is no creditor holding a floating charge created prior to the introduction of the Enterprise Act 2002 that would enable them to appoint an Administrative Receiver in respect of the Company.

- ***Sale of the business and assets as a going concern by the Administrator***

This was considered the most appropriate option for creditors as a whole. It was agreed that to achieve the best possible value for the business and assets, a sale should be completed as soon as possible protecting the Company's goodwill, contracts and intellectual property rights.

A sale of the business in Administration would allow for continuity of trading, preserving the value in the Company's debtor ledger and work in progress and ultimately offering a better return for creditors as a whole. Had the Company ceased trading it is likely that a number of its ongoing contracts would have resulted in breach of contract claims that would have resulted in claims of set off against outstanding debtor balances, increasing the level of unsecured claims in the Administration and, consequently, reducing the level of any prospective return to unsecured creditors.

In addition, a sale would allow for all employees to be transferred to the Purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"), reducing the liability in the Administration and saving some 55 jobs.

It was also considered that a Pre-Pack sale achieves one of the statutory purposes of Administration, namely achieving a better result for the Company's creditors as a whole than would be likely if the Company be wound-up (without first being in Administration). The Joint Administrators will also be able to achieve the third purpose, that being the realisation of property to make a distribution to the secured and any preferential creditors.

- ***Sale of assets by the Administrator after a period of marketing to third parties***

Attempting to trade the business in Administration would not have been viable owing to the lack of funding available and the expected damage that such a period of trading may have done to the Company's customer relationships.

- ***Liquidation and subsequent forced sale of the Company's assets***

A sale of the business and assets as a going concern would not be achievable in a liquidation scenario and would not lead to better realisations for the benefit of the Company's creditors. Axia Valuation Services ("Axia"), our instructed agents, advised that the realisable value of the Company's assets, and specifically its intellectual property, would be significantly impaired in the event that the business ceased to trade and enter into liquidation.

In addition, we anticipate that in a liquidation scenario there would be significant erosion of the debtors ledger due to breach of contract claims and counter-claims for loss of profits, as well as a greater value of creditors overall as a result of these additional claims.

Furthermore, employee claims for unpaid wages, accrued holiday pay, lieu of notice and redundancy pay would have crystallised, further increasing the overall level of claims.

Liquidation was not, therefore, deemed to be the optimum process in these circumstances.

Whether efforts were made to consult with major creditors and the outcome of any consultations

- 2.16 Prior to the Administration, representatives from Leonard Curtis consulted with Leumi, the primary secured creditor of the Company, in order to communicate their strategy for the proposed Administration and seek their feedback. The Administration strategy was also communicated to other subordinated secured creditors, a number of whom were included in the M&A process carried out by the proposed Joint Administrators.
- 2.17 No efforts were made to consult with other unsecured creditors as it was determined that early awareness within the industry of the Company's financial difficulties and proposal for a pre-packaged sale of the business might potentially jeopardise the sale, especially if the Company's main customers were made aware. Given the nature of the market in which the Company operated such an outcome was considered likely if the Company's suppliers were made aware in advance of a sale completing.

Why it was not appropriate to trade the business, and offer it for sale as a going concern, during the Administration

- 2.18 As stated above, there were insufficient cash resources available in the Company to fund an Administration trading period, and none of the existing investors, shareholders or directors were in a position to provide additional funding for the reasons previously highlighted.

- 2.19 In addition, the Company's contracts with its major customers contained standard insolvency termination clauses. There was significant risk that attempting to trade the business in Administration would damage customer confidence in the Company's ability to fulfil its contractual obligations and result in those contracts being terminated, ultimately impacting on the viability of the business and our ability to secure a going concern sale of the business and assets.

Details of requests made to potential funders to fund working capital requirements

- 2.20 Please see above information concerning requests made to the existing subordinate debt holders, vendor loan note holders and shareholders for further funding. The Company had secured a substantial working capital investment offer prior to the Administration but this was incapable of proceeding as an agreement could not be reached with the other secured creditors. Given that an agreement could not be reached with existing investors, and taking into account the Company's substantial level of gearing, no third party investments offers were forthcoming.

Details of registered charges and dates of creation

- 2.21 According to Companies House, the following outstanding charges are registered:

Charger	Description	Date Created	Amount Secured and Assets Charged
Leumi ABL Limited	Debenture	31 July 2014	All Monies and All Assets
Antonia D'Marco (as Security Trustee)	Debenture	31 July 2014	All Monies and All Assets
Antonia D'Marco	Debenture	31 July 2014	All Monies and All Assets
Adam Knight	Debenture	31 July 2014	All Monies and All Assets
Peter Stephen Ferstendik (as Security Trustee)	Debenture	31 July 2014	All Monies and All Assets
Gordons Partnership LLP (as Security Trustee)	Debenture	31 July 2017	All Monies and All Assets

- 2.22 We understand that in 2017, Jim Turley acquired the debts and securities previously held by Adam Knight and Peter Ferstendik (as Security Trustee). In addition, the charge in favour of Antonia D'Marco was satisfied. None of the above amendments were filed with Companies House, but remain binding.
- 2.23 We have undertaken a brief review of the security documentation provided and our initial assessment in respect of priority of the secured creditors is as follows:
1. Leumi ABL Limited
 2. Jim Turley
 3. Gordons Partnership LLP (as security trustee for Peter Ferstendik, Linda Ferstendik, Ida Dyan, Godfrey Dyan, Tanya Cowan, Robert Dyan and Martin Dyan).
 4. Antonia D'Marco (as security trustee for Antonia D'Marco, Tanya Reynolds and Keith Fox).

Details of any acquisition of business assets from an insolvency practitioner

- 2.24 We confirm that the business, or business assets, of the Company were not acquired from an insolvency practitioner within the 24 months prior to our appointment.

3 MARKETING OF THE BUSINESS AND ASSETS

- 3.1 The directors confirmed that no formal marketing activities had been conducted by the Company prior to the proposed Joint Administrators' involvement.
- 3.2 The proposed Joint Administrators, with the assistance of the directors and Axia, organised an accelerated M&A process to target known interested parties, main competitors, distressed investors and other potentially interested parties held on our firm's database and Axias. A summary of the M&A process is provided below.

Marketing Activities Conducted

- 3.3 The business and assets of the Company were marketed for sale by Axia. A mailshot was sent to Leonard Curtis's general interested party database on 5 July 2019. In addition, a targeted mailshot was sent by Axia to around 50 parties identified by the Company's directors and from their own interested party database. Finally, an advertisement was also uploaded to a website specialising in distressed business sales. The mailshot circulated gave a deadline of 12.00pm on 11 July 2019 for the receipt of best and final offers.
- 3.4 A total of 19 expressions of interest were received following the email mailshot. Non-Disclosure Agreements ("NDAs") were sent to these parties for completion prior to circulation of a detailed Information Memorandum. 10 NDAs were returned and Information Memorandums were subsequently circulated to these parties. Nine parties declined to make an offer, and two offers were received prior to the deadline.

Offers Received

- 3.5 A brief summary of the two offers received is provided below:
- An offer from one of the Company's secured creditor, the full balance of which was to be offset against their loan. Owing to the priority of securities in this matter, this offer was not capable of acceptance.
 - A cash offer of £650,000 from PL Visual Limited, a connected party by way of common directors and shareholders. This offer includes up front consideration of £125,000 and a deferred consideration payment of £525,000 due 3 months after completion.

Suitability of Marketing

- 3.6 We confirm that in our opinion we consider that the marketing undertaken conformed with the marketing essentials set out in the Appendix to SIP16.

4 VALUATION OF THE BUSINESS AND ASSETS

Details of Valuers / Advisors

- 4.1 Axia were instructed to carry out a valuation in respect of the Company's business and assets and also to advise on the acceptability of any offers received for the business and / or assets of the Company. Representatives of Axia are NAVA qualified and carry appropriate levels of professional indemnity insurance.
- 4.2 Axia have confirmed their independence and ability to act in respect of this matter.

The Valuation Obtained

- 4.3 Following their instruction Axia prepared a valuation in respect of the Company's assets, a summary of which is provided below:

Asset Category	In Situ Valuation	Ex Situ Valuation
	£	£
Office Furniture & Equipment	7,500	3,000
Plant and Machinery	20,500	8,200
Moulds	40,000	10,000
Stock	270,000	55,000
Business Intellectual Property	50,000	Nil
	<u>388,000</u>	<u>76,200</u>

- 4.4 The in situ valuation is reflective of the anticipated value that can be achieved in the event of a going concern sale of business and assets, whereas the ex situ valuation shows the likely outcome of a break up sale of the assets in isolation.

An explanation of the sale of the assets compared to those valuations

- 4.5 The valuation of the Company's chattel assets has been based on current market values. Valuation of the Company's intangible assets has been based on turnover and profit multiples. Axia advised that a sale of the business as a going concern would, in the circumstances of this case, result in the best possible outcome for the Company's creditors and as such, is represented by the 'in situ' valuation. The "ex situ" valuation was provided as what the Joint Administrators could expect to achieve if a sale of the business was not possible and the assets had to be sold on a break up basis.
- 4.6 The business's intellectual property included the business model, copyright and related rights, moral rights, trade marks, the website, web domain, the customer base, the knowledge within the Company and seller's records. The sale price achieved was in excess of the in situ valuation provided by Axia.
- 4.7 The equipment which included office furniture & equipment, plant and machinery and moulds was generally in average condition and free of encumbrance. The sale price achieved was lower than the in situ valuations obtained, but in excess of the ex situ valuations. When considered together with the substantial uplift in the value of intellectual property and goodwill, the overall value achieved is significantly higher than the in situ valuation figures provided by Axia.
- 4.8 The stock was mostly bespoke to the Company and it was anticipated that there would be little interest should the stock have been sold on an ex situ basis. The sale price achieved was in lower than the in situ valuations obtained but in excess of the ex situ valuations obtained. Again, when considered against the overall offer value the in situ valuation on a total asset basis was greatly exceeded.

If no valuation has been obtained, the reason for not having done so and how the administrator was satisfied as to the value of the assets.

- 4.9 Valuations were obtained for all assets, with the exception of the debtors, as they were excluded from the sale.

5 THE TRANSACTION

- 5.1 Details of the transaction are provided below:

- The sale of the Company's business and assets was completed on 18 July 2019 for £650,000 by way of a sale and purchase agreement ("SPA"). The sale consideration was payable as detailed in paragraph 5.7 below.
- The purchaser is PL Visual Limited, Company number 12081445, the registered office of which is at 1 Colmore Square, Birmingham B4 6AA ("the Purchaser").

- The Purchaser is a connected party by way of common directors, Thomas Billings and Robert Taylor and common shareholders, specifically Brightstar.
- The offer for the Company's business and assets was received on 11 July 2019 and subsequently accepted on the recommendation of Axia.

5.2 Pre-Pack Pool

As the Purchaser is a connected party, they were advised to approach the Pre-Pack Pool to provide an opinion on the proposed Sale. The Purchaser made a submission to the Pre-Pack Pool on 12 July 2019 and received a response from them on 15 July 2019 confirming that they had no grounds to consider that the proposed sale to the Purchaser outlined to them were unreasonable.

A copy of the Pre-Pack Pool's opinion has been provided to the Joint Administrators and is enclosed.

You will note that the Pre-Pack Pool's opinion has commented on the offer being better than a forced sale liquidation but has raised a slight concern over the allocation of sale proceeds not following the agents valuation. The allocation of the consideration between the respective assets was confirmed by the Purchaser, who did not have sight of our valuation during the offer process. It is not, therefore, unexpected that the offer does not mirror the Joint Administrators valuation in this regard.

As detailed in sections 4.7 and 4.8, when considered together with the substantial uplift in the value of intellectual property and goodwill, the overall value achieved is significantly higher than the in situ valuation figures provided by Axia. The Pre-Pack Pool's opinion acknowledges this and does not raise any concern regarding the viability of the sale.

5.3 Viability Statement

As far as we are aware, the Purchaser did not prepare a formal viability statement stating how the purchasing entity will survive for at least 12 months from the date of the proposed purchase, however, the Purchaser provided business forecasts and a business plan to the Pre-Pack Pool.

5.4 As far as we are aware, the directors had not given guarantees for amounts due from the Company to a prior financier.

5.5 The following assets were excluded from the sale:

- Debtors.
- Third party assets.
- ROT assets.
- Any cash balances held.
- The benefit of any actual or potential claim, or right to make a claim, against any person.
- All policies of insurance and assurance and any actual or potential claim under such policies.

5.6 The consideration paid in respect of the Company's business and assets was £650,000. The consideration was apportioned under the SPA as follows:

Asset	Value Achieved (£)
Goodwill (including intellectual property)	500,000
Stock	125,000
Equipment	25,000
Total Consideration	<u>650,000</u>

- 5.7 The terms of the sale granted that the consideration be payable in two instalments, being an immediate payment on completion and a payment on deferred consideration terms as follows:
- £125,000 on completion; and
 - £525,000 payable 3 months after completion.
- 5.8 There is a condition of the sale that is contained within the deed of priority entered into between the Company, the Joint Administrators and Leumi that can materially affect the receipt of the deferred consideration. If there is an event of default under Leumi's new facility with the Purchaser, the payment of the deferred consideration can be delayed by up to 2 months.
- 5.9 As a condition of the sale, the Purchaser was granted a licence to occupy the Company's trading premises for a 6 month period from 18 July 2019. In addition to the consideration, a licence fee paid one month in advance of £69,200 was received in relation to the trading premises.
- 5.10 The deferred consideration is secured by way of debenture over the Purchaser's assets. A deed of priority has been agreed between the Company, the Joint Administrators and Leumi, who are funding the Purchaser's business and have been granted a debenture as security.
- 5.11 There are no options, buy-back arrangements or similar conditions attached to the contract of sale.
- 5.12 All employees were transferred to the Purchaser by way of TUPE, which will reduce preferential and unsecured claims in the Administration. No employees were made redundant.
- 5.13 The sale is not part of a wider transaction.

6 STATUTORY PURPOSE OF ADMINISTRATION

- 6.1 The Joint Administrators must perform their functions with the objective of:
- (a) Rescuing the Company as a going concern, or (if this cannot be achieved)
 - (b) Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration), or (if (a) and (b) cannot be achieved)
 - (c) Realising property in order to make a distribution to one or more secured or preferential creditors.
- 6.2 As mentioned previously, we are obliged to perform our functions in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, we have a duty not to unnecessarily harm the interests of the creditors as a whole.

6.3 Dealing with each in turn:

- a) It will not be reasonably practicable to achieve this objective unless external funds were introduced to provide working capital. As previously mentioned, the current investors were not in a position to provide further funding to the Company in its present form and were not willing to agree to a new equity investment from the shareholder.
- b) It is anticipated that the second purpose of Administration is likely to be achieved as a sale of the business and assets as a going concern will result in:
 - Greater realisations for the benefit of creditors, which may ultimately enable a distribution to the unsecured creditors by virtue of prescribed part.
 - Continuity of service for the Company's customers, which should lead to an increase in the recoverability of the Company's book debts.
 - A reduction in preferential claims in the Administration due to the transfer of employees.
 - Mitigation of other unsecured claims in respect of breach of contract, which would have otherwise increase the level of claims and diluted any return to creditors.
- c) As objective b) is capable of being achieved it is not, at this stage, necessary to consider objective c). However, it is anticipated that this objective will also be achievable as it is anticipated that the first and second ranking secured creditors are likely to receive distributions under their fixed and floating charges.

6.4 We confirm that, in our opinion, the transaction will enable the statutory purpose to be achieved and that the sale price achieved was the best reasonably obtainable in all the circumstances.