

The Insolvency Act 1986

Administrators' progress report

Name of Company KM Furniture Limited	Company number 02904284
In the High Court Leeds District Registry <small>[full name of court]</small>	Court case number 402 of 2015

(a) Insert full
name(s) and
address(es) of
administrator(s)

I/We (a)

Howard Smith
KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Jonathan Charles Marston
KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Joint Administrators of the above company attach a progress report for the period

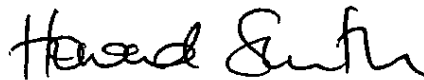
(b) Insert dates from

to

(b) 21 March 2016

(b) 20 September 2016

Signed



Joint Administrator

Dated

5 October 2016

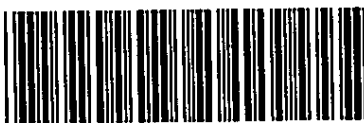
Contact Details

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

Ruth Pearson
KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA United Kingdom

Tel 0161 2464708

SATURDAY



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15/10/2016

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Companies House, Crown Way, Cardiff CF14 3UZ

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KM Furniture Limited - in Administration

Joint Administrators' progress report for the
period 21 March 2016 to 20 September
2016

5 October 2016

Notice to creditors

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

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

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

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

A glossary of the abbreviations used throughout this document is attached (Appendix 5)

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+KF518C2511.html>. We hope this is helpful to you

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



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1 Executive summary

- This progress report covers the period from 21 March 2016 to 20 September 2016
- We circulated our previous progress report to all known creditors on 15 April 2016
- The strategy to date has been to realise the assets of the Company. As previously reported, this was achieved by a sale of tooling, intellectual property and certain items of plant and machinery to Spaceforme Partnership, and an online auction to sell the remaining plant and machinery (Section 2 - Progress to date)
- We continue to monitor the ongoing collection of book debts with Leslie Keats (Section 2 - Progress to date)
- It is expected that the Secured Creditor will recover its indebtedness in full (Section 3 - Dividend prospects)
- We are not aware of any preferential creditor claims against the Company (Section 3 - Dividend prospects)
- Based on current estimates, it is highly unlikely that there will be a dividend to unsecured creditors (Section 3 - Dividend prospects)
- During the Period, LBCF granted a 12-month extension to the period of the administration
- The administration is currently due to end on 19 May 2017
- Please note you should read this progress report in conjunction with our previous progress reports and proposals issued to the Company's creditors which can be found at <http://www.insolvency-kpmg.co.uk/case+KPMG+KF518C2511.html>. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT



Howard Smith
Joint Administrator



2 Progress to date

This section updates you on our strategy for the administration and on our progress to date. It follows the information provided in our previous progress report.

2.1 Strategy and progress to date

Strategy

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

- monitor debt collections as they are finalised with Leslie Keats,
- make distributions to the creditors as appropriate, and
- progress the administration towards completion and closure.

Upon completion of the outstanding matters the Joint Administrators will take the necessary steps to bring the administration to closure.

2.2 Asset realisations

Realisations during the Period are set out in the attached receipts and payments account (Appendix 2). Summaries of the most significant realisations during the Period are provided below.

Book debts

We continue to pursue the collection of contractual book debts with the assistance of Leslie Keats. During the Period a total of £38,946 has been collected.

KPMG RRG were originally assisting us with the collection of supply-only debtors. It has been confirmed during the Period that these collections have been exhausted and no further realisations are expected from this source.

Bank interest

Bank interest totalling £211 has been received during the Period.

Investigations

We have continued to review the affairs of the Company to find out if there are any actions which can be taken against third parties to increase recoveries for creditors.

2.3 Costs

Payments made in the Period are set out in the attached receipts and payments account (Appendix 2). Summaries of the most significant payments made during the Period are provided below.

Joint Administrators' fees

During the Period we have drawn fixed charge fees totalling £6,208.



Debt collection fees

We have paid debt collection fees of £9,380 to Leslie Keats during the Period. This fee is in line with the agreed rates in relation to total collections.

Repayment of customer deposits

A total of £7,125 has been repaid to customers of the Company during the Period in relation to deposits paid before our appointment.

As previously advised, when the directors became aware that they may not be able to fulfil orders due to the Company's insolvency, customer deposits were banked into a trust account. The total refunded to customers since our appointment is now £12,297.

Sundry expenses

We have incurred a sundry expense during the Period with HM Land Registry of £36. Storage costs totalling £165 have also been paid during the Period.

2.4 Schedule of expenses

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

3 Dividend prospects

3.1 Secured creditors

As previously reported, LBCF holds an all assets debenture dated 13 October 2009 and a chattel mortgage dated 23 March 2015. LBCF also holds a specific assignment over the book debts via an invoice discounting facility agreement. According to the Company's records, LBCF was owed £529,900 plus interest and termination fees at the date of our appointment.

It is anticipated that LBCF will be repaid in full. No distributions have been made to LBCF in the Period. To date £374,675 has been distributed to LBCF and we understand that debtor collections of £123,824 have been paid directly into the LBCF trust account.

3.2 Preferential creditors

We are not aware of any preferential creditor claims against the Company.

3.3 Unsecured creditors

Based on current estimates, it is highly unlikely that there will be a dividend to unsecured creditors.

4 Joint Administrators' remuneration and disbursements

Time costs

From 21 March 2016 to 20 September 2016, we have incurred time costs of £36,161. These represent 149 hours at an average rate of £243 per hour.

Disbursements



During the Period, we have not incurred any disbursements

Additional information

We have attached (Appendix 4) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by KPMG for the period from 21 March 2016 to 20 September 2016. We have also attached our charging and disbursements policy.

5 Future strategy

5.1 Future conduct of the administration

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

- monitor debt collections as they are finalised with Leslie Keats,
- make distributions to the creditors as appropriate, and
- progress the administration towards completion and closure

5.2 Extension of the administration

The duration of an administration is restricted to 12 months from the date of commencement unless it is extended with the permission of creditors or the Court.

The Secured Creditor granted a 12-month extension to the period of the administration. The administration is currently due to end on 19 May 2017.

5.3 Future reporting

We intend to provide our final progress report by 19 May 2017, however, if an extension request is necessary we will provide a further progress report to accompany the request.



Appendix 1 Statutory information

Company information

Company name	KM Furniture Limited
Date of incorporation	3 March 1994
Company registration number	02904284
Present registered office	1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

Administration information

Administration appointment	The administration appointment granted in High Court Leeds District Registry, 402 of 2015
Appointor	Directors
Date of appointment	20 May 2015
Joint Administrators' details	Howard Smith and Jonny Marston
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2)
Current administration expiry date	19 May 2017



Appendix 2 Joint Administrators' receipts and payments account

KM Furniture Limited - in Administration

Abstract of receipts & payments

Statement of affairs (£)		From 21/03/2016 To 20/09/2016 (£)	From 20/05/2015 To 20/09/2016 (£)
FIXED CHARGE ASSETS			
350,000 00	P&M, office equipment and motor vehicles	NIL	398,278 24
415,000 00	Book debts	38,946 10	106,800 89
	Bank interest, gross	41 36	159 81
	CIS tax	NIL	(458 05)
		38,987 46	504,780 89
FIXED CHARGE COSTS			
	Administrators' fees	(6,208 46)	(6,208 46)
	Agents'/Valuers' fees	NIL	(4,586 79)
	Agents' disbursements	NIL	(15,320 78)
	Debt collection costs	(9,380 18)	(19,380 18)
	Bank charges	NIL	(80 00)
	Lien/ransom payments	NIL	(4,166 00)
		(15,588 64)	(49,742 21)
FIXED CHARGE CREDITORS			
(529,900 00)	Lloyds Bank Commercial Finance Limited	NIL	(374,674 51)
		NIL	(374,674 51)
HP/LEASING			
200,000 00	Assets subject to finance leases	NIL	NIL
(496,640 00)	Finance outstanding	NIL	(24,007 10)
		NIL	(24,007 10)
ASSET REALISATIONS			
	Plant & machinery	NIL	290,450 00
50,000 00	Stock	NIL	22,371 49
	Sundry realisations	NIL	8,519 45
	Cash at bank	NIL	3,895 44
	Insurance refund	NIL	657 56
21,900 00	Prepayments	NIL	NIL
		NIL	325,893 94
OTHER REALISATIONS			
	Bank interest, gross	169 44	449 89
	Sundry refunds	NIL	54 16

KM Furniture Limited - in Administration
Abstract of receipts & payments

Statement of affairs (£)	From 21/03/2016 To 20/09/2016 (£)	From 20/05/2015 To 20/09/2016 (£)
Receipt of customer deposits	NIL	13,103 12
	169 44	13,607 17
COST OF REALISATIONS		
Repayment of customer deposits	(7,124 62)	(12,296 92)
Water rates	NIL	(246 76)
Pre-admin cost - administrators' fees	NIL	(9,272 50)
Administrators' fees	NIL	(100,000 00)
Administrators' expenses	NIL	(2,044 71)
Payroll costs	NIL	(50 00)
Agents'/Valuers' fees	NIL	(3,913 21)
Agents' disbursements	NIL	(13,070 92)
Legal fees	NIL	(10,000 00)
Legal disbursements	NIL	(57 66)
Security	NIL	(3,125 00)
Sundry expenses	(36 00)	(5,544 67)
Heat & light	NIL	(4,602 38)
Storage costs	(165 12)	(226 03)
Re-direction of mail	NIL	(240 00)
Statutory advertising	NIL	(84 60)
Rent	NIL	(43,837 07)
Insurance of assets	NIL	(3,047 95)
Wages & salaries	NIL	(12,508 27)
PAYE & NIC	NIL	(1,417 27)
Bank charges	NIL	(480 00)
Sub contractors	NIL	(288 46)
	(7,325 74)	(226,354 38)
PREFERENTIAL CREDITORS		
(50,000 00) Employees' wage arrears	NIL	NIL
	NIL	NIL
UNSECURED CREDITORS		
(1,377,846 51) Trade & expense	NIL	NIL
(694,300 00) HMRC	NIL	NIL
(123,787 07) Accruals	NIL	NIL
	NIL	NIL
DISTRIBUTIONS		



KM Furniture Limited - in Administration

Abstract of receipts & payments

Statement of affairs (£)		From 21/03/2016 To 20/09/2016 (£)	From 20/05/2015 To 20/09/2016 (£)
(12,733 00)	Ordinary shareholders	NIL	NIL
		NIL	NIL
(2,248,306 58)		16,242 52	169,503 80

REPRESENTED BY

Floating ch VAT rec'able	33 02
Fixed charge current	53,618 62
Floating charge current - 20K o/d	111,131 35
Trust account	821 88
Fixed charge VAT rec'able	3,117 73
Floating ch VAT control	1,160 49
Fixed charge VAT control	(379 29)
	169,503 80



Appendix 3 Schedule of expenses

Schedule of expenses (21/03/2016 to 20/09/2016)

Expenses (£)	Incurred and paid in the period (£)	Incurred in the period not yet paid (£)	Total (£)
Joint Administrators' fees	0 00	36,161 00	36,161 00
Debt collection costs	0 00	5,841 92	5,841 92
TOTAL	0 00	42,002 92	42,002 92

Please note that there is a difference between the payments made during the Period as per the receipts and payments account and the expenses incurred and paid in the Period as per the schedule of expenses. This is due to the fact that some of the payments made in the Period relate to expenses incurred in a prior period.

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

Creditors' requests for further information

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

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

Creditors' right to challenge our remuneration and expenses

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

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

The full text of the relevant rules can be provided on request by writing to Ruth Pearson at KPMG LLP, One St Peter's Square, Manchester, M2 3AE.



Appendix 4 Joint Administrators' charging and disbursements policy

Joint Administrators' charging policy

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

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

A copy of "A Creditors' Guide to Joint Administrators Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at

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

If you are unable to access this guide and would like a copy, please contact Ruth Pearson on 0161 246 4708.

Hourly rates

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

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

Charge-out rates (£) for: Restructuring	
Grade	From 01 Oct 2015 £/hr
Partner	595
Director	535
Senior Manager	485
Manager	405
Senior Administrator	280
Administrator	205
Support	125

Table of charge-out rates

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



Policy for the recovery of disbursements

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

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

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

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

Mileage claims fall into three categories

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

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

We have not incurred any disbursements during the Period

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

Narrative of work carried out for the period 21 March 2016 to 20 September 2016

The key areas of work have been

Statutory and compliance	<ul style="list-style-type: none">■ preparing statutory receipts and payments accounts,■ arranging bonding and complying with statutory requirements,■ obtaining approval from LBCF of a 12-month extension of the administration,■ ensuring compliance with all statutory obligations within the relevant timescales
Strategy documents, Checklist and reviews	<ul style="list-style-type: none">■ regular case management and reviewing of progress, including regular team update meetings and calls,■ reviewing and authorising junior staff correspondence and other work,■ dealing with queries arising during the appointment,■ reviewing matters affecting the outcome of the administration,■ allocating and managing staff/case resourcing and budgeting exercises and reviews,■ liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters,■ complying with internal filing and information recording practices, including documenting strategy decisions
Reports to debenture holders	<ul style="list-style-type: none">■ providing written and oral updates to representatives of LBCF regarding the progress of the administration and case strategy
Cashiering	<ul style="list-style-type: none">■ preparing and processing vouchers for the payment of post-appointment invoices,■ creating remittances and sending payments to settle post-appointment invoices,■ reconciling post-appointment bank accounts to internal systems,■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments

Tax	<ul style="list-style-type: none"> ■ analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations, ■ working initially on tax returns relating to the periods affected by the administration, ■ analysing VAT related transactions, ■ reviewing the Company's duty position to ensure compliance with duty requirements, ■ dealing with post appointment tax compliance
General	<ul style="list-style-type: none"> ■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9, ■ drawing remuneration in accordance with the basis which has been approved by creditors, ■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage
Asset realisations	<ul style="list-style-type: none"> ■ collating information from the Company's records regarding the assets, ■ liaising with finance companies in respect of assets subject to finance agreements, ■ reviewing outstanding debtors and management of debt collection strategy, ■ liaising with the collections agencies regarding debtor recoveries, ■ reviewing the inter-company debtor position between the Company and other group companies
Property matters	<ul style="list-style-type: none"> ■ reviewing the Company's leasehold properties, including review of leases, ■ communicating with landlords regarding rent, property occupation and other issues, ■ performing land registry searches
Open cover insurance	<ul style="list-style-type: none"> ■ arranging ongoing insurance cover for the Company's business and assets, ■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place, ■ assessing the level of insurance premiums
Creditors and claims	<ul style="list-style-type: none"> ■ responding to enquiries from creditors regarding the administration and submission of their claims, ■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records, ■ drafting our progress report

Time costs

SIP 9 – Time costs analysis (21/03/2016 to 20/09/2016)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Administration & planning			
Bankrupt/Director/Member			
General correspondence	1 50	547 50	365 00
Cashiering			
General (Cashiering)	8 80	2,192 50	249 15
Reconciliations (& IPS accounting reviews)	1 70	476 00	280 00
General			
Books and records	3 50	717 50	205 00
Fees and WIP	2 10	505 50	240 71
Statutory and compliance			
Checklist & reviews	11 20	2,296 00	205 00
Closure and related formalities	4 20	1,163 50	277 02
Strategy documents	10 70	3,116 00	291 21
Tax			
Initial reviews - CT and VAT	0 20	97 00	485 00
Post appointment corporation tax	24 15	7,338 50	303 87
Post appointment VAT	13 60	2,951 50	217 02



Creditors			
Creditors and claims			
General correspondence	17 20	3,646 00	211 98
Legal claims	2 50	312 50	125 00
Secured creditors	1 50	307 50	205 00
Statutory reports	26 00	5,792 50	222 79
Employees			
Correspondence	2 70	606 00	224 44
Pensions reviews	2 50	700 00	280 00
Investigation			
Investigations			
Mail redirection	1 00	45 00	45 00
Realisation of assets			
Asset Realisation			
Cash and investments	1 80	504 00	280 00
Debtors	9 30	2,249 00	241 83
Leasehold property	1 40	354 50	253 21
Open cover insurance	1 00	242 50	242 50
Total in period	148 55	36,161 00	243 43

Brought forward time (appointment date to SIP 9 period start date)	1,264 70	361,142 50
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	148 55	36,161 00
Carry forward time (appointment date to SIP 9 period end date)	1,413 25	397,303 50

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

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

Appendix 5 Glossary

Company	KM Furniture Limited - in Administration
Joint Administrators/we/our/us	Howard Smith and Jonny Marston
KPMG	KPMG LLP
Leslie Keats	Francis Pearce Partnership Limited T/c Leslie Keats
Period	21 March 2016 to 20 September 2016
KPMG RRG	KPMG Receivables Realisations Group
Secured Creditors / LBCF	Lloyds Bank Commercial Finance

Any references in this progress report to sections, paragraphs or rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules 1986 respectively



Appendix 6 Notice About this report

This report has been prepared by Howard Smith and Jonny Marston, the Joint Administrators of KM Furniture Limited – in Administration (the 'Company'), solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

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

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

Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this report to any such person.

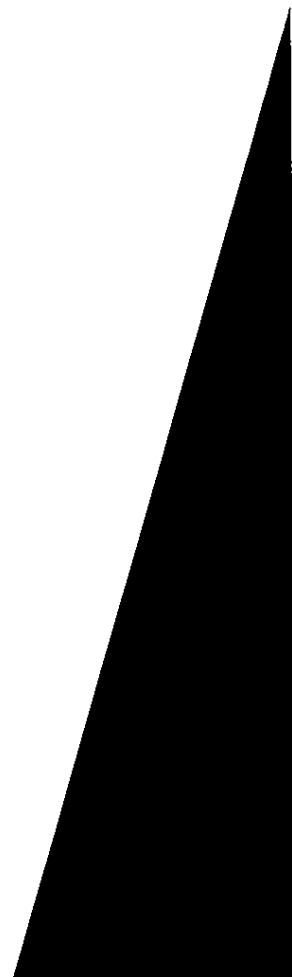
Howard Smith is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association.

Jonathan Charles Marston is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales.

We are bound by the Insolvency Code of Ethics.

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





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