

The Insolvency Act 1986

# Statement of Administrators' Proposals

Name of Company <b>Resource (United Kingdom) Limited – In Administration</b>	Company number <b>03341350</b>
In the High Court of Justice Chancery Division Companies Court	Court case number <b>6639/2014</b>

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

We (a)

John Hansen  
KPMG  
Stokes House  
17/25 College Square East  
Belfast  
BT1 6DH

Stuart Irwin  
KPMG  
Stokes House  
17/25 College Square East  
Belfast  
BT1 6DH

\* Delete as applicable

attach a copy of our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

(b) Insert date

(b) 29 October 2014

Signed

Joint Administrators

Dated 3 November 2014

## 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.

	Tel
DX Number	DX Exchange

TUESDAY



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\*A3JYJ55U\*

04/11/2014

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COMPANIES HOUSE

When you have completed and signed this form please send it to the Registrar of Companies at  
Companies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff



**Resource (United Kingdom) Limited (In  
Administration)**

**Progress Report to Creditors  
pursuant to Paragraph 49 of  
Schedule B1 of the Insolvency  
Act 1986 and Rule 2.33  
Insolvency Rules 1986 (both  
as amended)**

**KPMG  
October 2014  
This report contains 13 pages  
and 5 Appendices**

## **Notice: About this Statement of Proposals**

This Report has been prepared by John Hansen and Stuart Irwin, Joint Administrators of Resource (United Kingdom) Limited, solely to comply with their statutory duty to report to creditors under Paragraph 49 of Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes of the Administration Order, 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 Resource (United Kingdom) Limited.

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 Paragraph 49 of Schedule B1 of the Insolvency Act 1986 does so at their 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.

John Hansen is authorised to act as an Insolvency Practitioner by Chartered Accountants Ireland.

Stuart Irwin is authorised to act as an Insolvency Practitioner by the Insolvency Practitioners Association.

The Joint Administrators act as agents for Resource (United Kingdom) Limited and contract without personal liability. The appointment of the Joint Administrators is personal to them and, to the fullest extent permitted by law, KPMG 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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***Resource (United Kingdom) Limited (In Administration)***

*Progress Report to Creditors Pursuant to Paragraph 49 of  
Schedule B1 of the Insolvency Act 1986 and Rule 2.33 Insolvency  
Rules 1986 (both as amended)  
October 2014*

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*Resource (United Kingdom) Limited – In Administration*

*Progress Report to Creditors Pursuant to Paragraph 49 of Schedule  
B1 of the Insolvency Act 1986 and Rule 2.33 Insolvency Rules 1986  
(both as amended)*

*October 2014*

## **Glossary**

Administration Order	The Administration Order was granted by the High Court of Justice, Chancery Division, Companies Court, in respect of Resource (United Kingdom) Limited dated 18 September 2014 Court Administration Order for 2014 No 6639
the Company	Resource (United Kingdom) Limited (Company registered number 03341350)
Joint Administrators	John Hansen and Stuart Irwin of KPMG
Floating Chargeholder	R3768723 Limited

# **1 Introduction**

Resource (United Kingdom) Limited was incorporated on 27 March 1997

Pursuant to the filing of the notice to appoint an Administrator, John Hansen and Stuart Irwin of KPMG were appointed Joint Administrators by an Order granted by the High Court of Justice, Chancery Division on 18 September 2014

John Hansen is authorised to act as Insolvency Practitioner by Chartered Accountants Ireland

Stuart Irwin is authorised to act as an Insolvency Practitioner by the Insolvency Practitioners Association

In accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986, the Joint Administrators set out their proposals for achieving the purpose of the Administration and for the conduct of the Administration which are attached as Appendix 3 of this Report

The Report also includes certain information required to be provided to creditors in accordance with Rule 2.33 of the Insolvency (Amendment) Rules 2003

The appropriate statutory information is set out in Appendix 1

The EC Council Regulations on Insolvency Proceedings apply to this Administration and the proceedings are main proceedings as defined in Article 3 of the EC Regulations on Insolvency Proceedings 2000. This means that the Administration is conducted according to UK Insolvency legislation and is not governed by the Insolvency law of any other European Union Member State

## **2 Background and events leading to the Administration Order**

Resource (United Kingdom) Limited was incorporated on 27 March 1997 and was involved in the provision of support and business-critical services for the private and public sectors. The Company employed in the region of 2,500 staff in the United Kingdom.

John Hansen and Stuart Irwin of KPMG were appointed as Joint Administrators of the Company on 18 September 2014 on foot of a qualifying floating charge, dated 28 September 2007 and held by R3768723 Limited, a Guernsey registered Company.

KPMG were engaged on 19 August 2014 by the appointer, R3768723 Limited, to undertake a review of the Company's business.

The Company's projected cash flows indicated a deterioration in trading with a significant cash shortfall, in excess of permitted facilities, forecast for September 2014. The Company was attempting to manage the position however the forecasts indicated a further deterioration in cash flows.

This resulted in the appointer approaching the Joint Administrators with a view to considering a pre-packaged sale of the business and assets of the Company. The transaction completed on 19 September 2014 and the purchaser of the Company's trade and assets was Noonan Services Group (UK) Limited. Details of this transaction were included in the Joint Administrators' SIP 16 report which was circulated to all creditors on 25 September 2014.

All employees of the Company were transferred to Noonan Services Group (UK) Limited (under TUPE) on 19 September 2014.

John Hansen and Stuart Irwin were also appointed as Joint Administrators to an associate company, Resource (NI) Limited, and to the parent company, Resource Services Group Limited. Kieran Wallace and Eamonn Richardson (also of KPMG) were appointed as Receivers of Resource Facilities Support Limited, a company incorporated in Ireland.



## **3 Purpose, Initial Strategy and Progress of the Administration**

### **3.1 Purpose of the Administration**

Paragraph 4(1) of Schedule B1 of the Insolvency (Northern Ireland) Order 1989 states that the Administrator of a company must perform his functions with the objective of

- (a) rescuing the company as a going concern, or
- (b) achieving a better result for the company's creditors as a whole than would be likely if the company was wound up, or
- (c) realising property in order to make a distribution to one or more secured or preferential creditors

The Joint Administrators concluded that the Company could not be rescued as a going concern, as defined in objective (a) due to the level of liabilities in the Company and the inability of the Company to continue trading. The Joint Administrators therefore performed their functions in relation to objective (b) by completing the sale of the Company's remaining business and assets within a short period of time in order to maximise book debt recoveries, keep costs to a minimum and minimise creditor claims thereby producing a better result for the Company's creditors than if it were wound up. In addition, the employment of all staff remained intact which eliminated all preferential claims against the Company.

### **3.2 Initial Strategy**

Note that the details laid out in this section have already been presented in the Joint Administrators' report to creditors in accordance with SIP 16 which was circulated on 25 September 2014.

The Joint Administrators concluded that they were unable to trade the business to facilitate a sale for the reasons identified below:

- Cash flow forecasts confirmed the inability of the business to continue to trade without additional working capital or cash injections,
- There was no additional funding available from the secured creditor,
- Insolvency clauses within customer contracts could result in the potential loss of contracts and redundancies,
- The clauses referred to above could result in breach of contract claims impacting on debtor recoveries and additional liabilities crystallising,
- Had customers, competitors or suppliers, become aware of the financial position of the Company it is likely that this would have caused further instability and reputational damage potentially resulting in loss of contracts and damage to the business.

In light of the issues outlined above the Joint Administrators concluded that a trading Administration sale was unachievable.

An orderly wind down of the Company within Administration, or a liquidation of the Company, was considered undesirable due to the significant numbers of job losses that would likely have resulted and the loss to asset value

The Joint Administrators therefore pursued the objective of rescuing the business as a going concern and maximising asset value (and therefore achieving a better result for creditors as a whole) by completing a pre packaged sale of the business and assets and ensuring the transfer of all employment to the purchaser

### **3.3 Progress of the Administration**

To date, the Joint Administrators have dealt with and progressed the following matters

### **3.4 Floating Charge Assets**

The Joint Administrators sold such right, title and interest as the Company had in the Business and the Goodwill, Debts, Accrued Income, Plant and Machinery, Records, Cash, Stock, benefit (subject to the burden) of the Customer Contracts, Name, Business IPR, IT Systems and any Motor Vehicles owned or used by the seller in relation to the business

All assets sold are considered to be floating charge assets. The prescribed part will apply in this case (see section 7.3) and will be the only source of funds for unsecured creditors. The prescribed part contribution is the maximum available under the legislation of £600,000

The consideration received from the purchaser amounts to £4,844,601 and has been satisfied by the debt of the secured creditor being transferred to the purchaser. The consideration of £4,844,601 is in excess of the valuation completed by an independent agent of £3,774,088. The final figure for consideration is subject to a process that more accurately reflects debtors and deferred income at the date of the sale. It is not anticipated that any adjustment as part of this process will impact on the prescribed part available for unsecured creditors

### **3.5 Employees**

At the date of appointment the Company employed in the region of 2,500 staff. Following the pre pack Administration, all employees were transferred to Noonan Services (UK) Limited (via TUPE) on 19 September 2014

### **3.6 Opening Cash**

At the date of appointment the Company held cash at bank of £2,829,498. This was transferred to the Joint Administrators on appointment. Of this amount, some £1,177,085 was returned to the purchaser on foot of the consideration paid as part of the contract at the direction of the secured creditor



***Resource (United Kingdom) Limited – In Administration***

*Progress Report to Creditors Pursuant to Paragraph 49 of Schedule  
B1 of the Insolvency Act 1986 and Rule 2.33 Insolvency Rules 1986  
(both as amended)*

*October 2014*

### **3.7 Debtors**

To date total debtor monies received by the Joint Administrators amount to £2,245,631. As the debtor book transferred upon sale, this amount has been transferred directly to the purchaser.

## **4 Cost of Realisations**

A detailed receipts and payments schedule for the period 18 September 2014 to 27 October 2014 is attached as Appendix 2

### **4.1 Employee Costs**

An amount of £812,413 relating to employee payroll costs of the Company and of Resource (NI) Limited has been paid from cash on appointment as part of, and to facilitate the delivery of, the transaction

### **4.2 Joint Administrators' Remuneration**

The Joint Administrators have not drawn any remuneration or disbursements to date. Fees will be finalised with the secured creditor. Future progress reports will detail any remuneration that has been drawn by the Joint Administrators. Appendix 3 sets out the Joint Administrators' proposals.

### **4.3 Professional Fees**

The Joint Administrators have appointed Arthur Cox Solicitors as their legal advisors in this case. No fee has been raised for legal services to date.



*Resource (United Kingdom) Limited – In Administration*

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*October 2014*

## **5 Statement of Affairs**

The Joint Administrators have written to the Directors to request submission of their Statement of Affairs

Financial information retrieved from the Company's accounts filed in Companies House is attached as Appendix 5

## **6 Investigation**

The Joint Administrators have a duty to investigate whether potential causes of action exist against third parties which would increase recoveries for creditors. If creditors wish to bring any matters they believe to be relevant to the attention of the Joint Administrators, they are invited to do so in writing to John Hansen and Stuart Irwin, KPMG, Stokes House, 17-25 College Square East, Belfast, BT1 6DH.

## **7 Estimated Outcome for Creditors**

### **7.1 Secured Creditors**

R3768723 Limited hold a floating charge over the assets of the Company. The Joint Administrators' solicitor has confirmed that the security is valid.

R3768723 Limited has claimed a balance of £17,000,000 as outstanding by the Company jointly and severally with others within the Resource Group of Companies.

Based on current information, in respect of the Company, Resource (NI) Limited, Resource Services Group Limited and Resource Facilities Support Limited, there will be insufficient realisations to facilitate a discharge of the amount owing to the secured lender in full.

### **7.2 Preferential Creditors**

All employees were transferred to Noonan Services Group (UK) Limited (via TUPE) on 19 September 2014.

Therefore there are no preferential creditors in this case.

### **7.3 Non-Preferential Creditors and Prescribed Part**

As stated in section 5, a Statement of Affairs has yet to be received by the Joint Administrators from the Company Directors. According to the books and records of the Company on appointment, the non-preferential, unsecured creditors are owed approximately £3,830,360 excluding any shortfall to the secured lender.

The availability of a distribution to non-preferential, unsecured creditors via a Prescribed Part distribution is dependent on the availability of floating charge realisations in respect of security created after September 2003. The Insolvency Act 1986 (Prescribed Part) Order 2003 applies in this matter as the chargeholder's security postdates September 2003 and accordingly there will be a Prescribed Part distribution available to unsecured creditors.

Based on current information the Joint Administrators are unable to confirm the quantum of this distribution until unsecured creditors are agreed. The Joint Administrators have retained cash of £600,000 in respect of the prescribed part. This represents the maximum available under the legislation to unsecured creditors on foot of any prescribed part distribution.

## **8 Creditors Meeting**

On the basis of current information the Joint Administrators anticipate and believe that there will be insufficient funds to enable a distribution to be made to unsecured creditors other than by virtue of a Prescribed Part and therefore does not propose to convene a meeting

Creditors have the right to request an initial creditors' meeting in accordance with Rule 2.37 of the Rules. The Joint Administrators will summon an initial creditors' meeting if requested by creditors of the Company whose debts amount to at least 10% of the total debts of the Company, provided the correct procedures are followed (i.e. on Form 2.21B enclosed with this report). Pursuant to Rule 2.37(1) of the Rules, any request for an initial creditors' meeting must be made within 12 days of the date on which the Joint Administrator's report is sent out and shall include

- (a) a list of the creditors concurring with the requests, showing the amounts of their respective debts in the Administration,
- (b) from each creditor concurring, written confirmation of his concurrence, and
- (c) a statement of the purpose of the proposed meeting

In addition, the expenses of summoning and holding a meeting at the request of a creditor shall be paid by that creditor who is required to deposit security for such expenses with the Joint Administrators. It should be noted that, if a meeting is requested by more than 10 % in value of creditors, the Joint Administrators will present the contents of this report to the meeting

The Directors are not obliged to attend such a meeting, and this report will effectively constitute the business of the meeting. It should be noted that individual creditor issues would not be discussed in an open forum and if any creditor has a specific query, they should contact the Joint Administrators directly

Upon expiry of the 12 days without any request for an initial creditors' meeting, the Joint Administrators' proposals (which are set out in Appendix 3) will be deemed to have been approved by creditors under Rule 2.34 (5) of the Rules

A further report will be sent to creditors before 17 April 2015



## **9 Future Conduct of the Administration**

It is proposed that the Joint Administrators will continue to manage the affairs, business and property of the Company in order to achieve the purpose of the Administration. This will include

- dealing with Retention of Title claims,
- agreeing creditor claims,
- conducting the statutory investigations into the conduct of the Directors and Management of the Company and reporting to the Department of Enterprise, Trade and Investment pursuant to the Company Directors Disqualification (Northern Ireland) Order 2002, and
- dealing with all other statutory reporting and compliance obligations,
- finalising the Administration, including payment of all Administration liabilities,
- making payments to the chargeholder under their security,
- payment of a dividend to unsecured creditors via the prescribed part

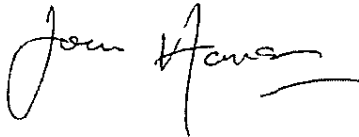
### **9.1 End of Administration**

Pursuant to paragraph 76(1) of schedule B1 of the Insolvency Act 1986, the Administration will automatically end on 17 September 2015, although it can be extended by application to the Court or creditors. In the event that the purpose of the Administration cannot be completed by 17 September 2015, the Joint Administrators will either seek an extension of time to complete the Administration or place the Company into other insolvency proceedings to enable any remaining issues to be resolved.

If and where appropriate, the Administrator ceases to act, he will seek to organise the voluntary or compulsory winding up of the Company or the approval of a voluntary arrangement under Part I of the Insolvency Act 1986 or the striking off of the Company from the Register of Companies, whichever is deemed appropriate.

## **10 Statement Concerning the EC Regulations**

The EC Council Regulations on Insolvency Proceedings apply to this Administration and the proceedings are main proceedings. This means that this Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Union Member State.



John Hansen  
*Joint Administrator*



Stuart Irwin  
*Joint Administrator*

## Appendix 1 – Statutory Information

<b>Company Name</b>	Resource (United Kingdom) Limited
<b>Date of Incorporation</b>	27 March 1997
<b>Company Number</b>	03341350
<b>Previous Registered Office</b>	Innovation House Bullerthorpe Lane Leeds West Yorkshire LS15 9JL
<b>Present Registered Office</b>	C/O KPMG 8 Salisbury Square London EC4Y 8BB
<b>Trading Address</b>	Innovation House Bullerthorpe Lane Leeds West Yorkshire LS15 9JL
<b>Authorised Share Capital</b>	100,003 Ordinary Shares of £1 each
<b>Called Up Share Capital</b>	100,003 Ordinary Shares of £1 each
<b>Shareholders</b>	Pall Mall Holdings Limited
<b>Directors</b>	John King Raymond Foran Richard Gray
<b>Company Secretary</b>	Mark Daniel
<b>Employees</b>	2,500 (approximately)
<b>Previous Names</b>	NIL

## **Appendix 2 – Receipts and Payments for the period from 18 September 2014 to 27 October 2014**

		<b>As at 27 October 2014</b>
<i>Receipts</i>		<b>£</b>
Opening Cash	2,829,498	
Debtors	<u>2,245,631</u>	
<b>Total Receipts</b>		<b>5,075,129</b>
<i>Payments</i>		
Cash transferred to purchaser	(1,177,085)	
Amounts paid regarding employees	(812,413)	
Debtors transferred to purchaser	<u>(2,245,631)</u>	
<b>Total Payments</b>		<b>(4,235,129)</b>
<b>Total Balance</b>		<b><u>840,000</u></b>

## **Appendix 3 – Joint Administrators’ Proposals**

The Joint Administrators propose the following resolutions

### **RESOLUTION (1):**

- to continue to do all such things reasonably expedient and generally exercise their powers as Joint Administrators as they, in their discretion, consider desirable in order to maximise realisations from the assets of the Company,
- to investigate and, if appropriate, pursue any claims that the Company may have,
- to seek an extension to the Administration period if deemed necessary by the Joint Administrators,
- when it is anticipated that no better realisations will be made in the Administration than would be available in a winding up, or, that any other outstanding matters which require resolution can be satisfactorily resolved by utilising an alternative process, to take the necessary steps to put the Company into either Creditors’ Voluntary Liquidation or Compulsory Liquidation or Company Voluntary Arrangement as deemed appropriate by the Joint Administrators at a time deemed necessary at the Joint Administrator’s discretion, in the event the Joint Administrators deem that liquidation is not appropriate because, for example, no dividend will become available to creditors and there are no other outstanding matters that require to be dealt with in a liquidation, then the Joint Administrators shall file the appropriate notices at Companies House and the Company will subsequently be dissolved,
- in the event that Creditors’ Voluntary Liquidation is deemed appropriate, the Joint Administrators be permitted to seek the appointment of John Hansen and Stuart Irwin of KPMG as Liquidator of Resource (United Kingdom) Limited, without any further recourse to creditors. In accordance with paragraph 84(6) and Rule 2.118(3), creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of the proposals and before the proposals are approved,
- in the event that Compulsory Liquidation is deemed appropriate, the Joint Administrators be permitted to seek appointment as Joint Liquidators of the Company, and
- upon the appointment of a Liquidator or Supervisor or the filing of an appropriate notice at Companies House, the Joint Administrators will cease to act and the Joint Administrators will be discharged of all liabilities at that point as detailed in Paragraph 100 of Schedule B1 of the Insolvency (Northern Ireland) Order 1989

### **RESOLUTION (2):**

- in dealing with claims received by unsecured creditors for distributions under the prescribed part and the prescribed part generally, the Joint Administrators be authorised to draw fees on account from the assets of the Company from time to time during the period of the Administration based on time properly spent at KPMG charge out rates. Also, that the Joint Administrators be authorised to draw disbursements from time to time to include category two disbursements,

## **Appendix 4 – A Creditors’ Guide to Administrators’ Fees – England & Wales**

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## **STATEMENT OF INSOLVENCY PRACTICE 9**

### **(ENGLAND AND WALES)**

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#### **PAYMENTS TO INSOLVENCY OFFICE HOLDERS AND THEIR ASSOCIATES**

##### **INTRODUCTION**

- 1 The particular nature of an insolvency office holder's position renders transparency and fairness in all dealings of primary importance. Creditors and other interested parties<sup>1</sup> with a financial interest in the level of payments from an insolvent estate should be confident that the rules relating to charging have been properly complied with.

##### **PRINCIPLES**

- 2 Payments to an office holder or his or her associates should be appropriate, reasonable and commensurate reflections of the work necessarily and properly undertaken.
- 3 Those responsible for approving the basis or bases upon which payments to an office holder are to be calculated should be provided with sufficient information to make an informed judgement about the reasonableness of the office holder's requests.
- 4 Requests for additional information about payments to an office holder or his or her associates should be viewed upon their individual merits and treated by an office holder in a fair and reasonable way. The provision of additional information should be proportionate to the circumstances of the case.

##### **KEY COMPLIANCE STANDARDS**

##### **PROVISIONS OF GENERAL APPLICATION**

- 5 The information provided and the way in which the approval of payments to insolvency office holders and their associates for remuneration is sought should enable creditors and other interested parties to exercise properly their rights under the insolvency legislation.
- 6 An office holder should disclose
  - a) payments, remuneration and expenses arising from an insolvency appointment to the office holder or his or her associates,
  - b) any business or personal relationships with parties responsible for approving his or her remuneration or who provide services to the office holder in respect of the insolvency appointment where the relationship could give rise to a conflict of interest.
- 7 An office holder should inform creditors and other interested parties of their rights under insolvency legislation. Information on how to find a suitable explanatory note setting out the rights of creditors should be given in the first communication with creditors following appointment and in each subsequent report to creditors.

##### **SUGGESTED FORMAT**

- 8 A suggested format for the provision of information is in the Appendix, including the suggested levels at which the provision of further information may be appropriate.

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<sup>1</sup> other interested parties" means those parties with rights pursuant to the prevailing insolvency legislation to information about the office holder's receipts and payments. This may include creditors' committee, the members (shareholders) of a company, or in personal insolvency the debtor.

## **PROVISION OF INFORMATION WHEN FIXING THE BASES OF REMUNERATION**

- 9 When seeking approval for the basis or bases of remuneration, an office holder should provide sufficient supporting information to enable the approving body, having regard to all the circumstances of the case, to make an informed judgement as to whether the basis or bases sought is/are appropriate. The nature and extent of the information provided will depend on the stage during the conduct of the case at which approval is being sought.
- 10 If any part of the remuneration is sought on a time costs basis, an office holder should provide details of the minimum time units used and current charge-out rates, split by grades of staff, of those people who have been or who are likely to be involved in the time costs aspects of the case.
- 11 An office holder should also provide details and the cost of any work that has been or is intended to be sub-contracted out that could otherwise be carried out by the office holder or his or her staff.
- 12 If work has already been carried out, an office holder should state the proposed charge for the period to date and provide an explanation of what has been achieved in the period and how it was achieved, sufficient to enable the progress of the case to be assessed and whether the proposed charge is reasonable in the circumstances of the case. Where the proposed charge is calculated on a time costs basis, the office holder should disclose the time spent and the average charge-out rates, in larger cases split by grades of staff and analysed by appropriate activity. An office holder should also provide details and the cost of any work that has been sub-contracted out that could otherwise be carried out by the office holder or his or her staff.

## **PROVISION OF INFORMATION AFTER THE BASES OF REMUNERATION HAVE BEEN FIXED**

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

## **DISBURSEMENTS**

- 18 Costs met by and reimbursed to an office holder in connection with an insolvency appointment should be appropriate and reasonable. Such costs will fall into two categories:
  - 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, and equivalent costs reimbursed to the office holder or his or her staff.
  - 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.



- 19 Category 1 disbursements can be drawn without prior approval, although an office holder should be prepared to disclose information about them in the same way as any other expenses
- 20 Category 2 disbursements may be drawn if they have been approved in the same manner as an office holder's remuneration. When seeking approval, an office holder should explain, for each category of expense, the basis on which the charge is being made
- 21 The following are not permissible
- a) a charge calculated as a percentage of remuneration,
  - b) an administration fee or charge additional to an office holder's remuneration,
  - c) recovery of basic overhead costs such as office and equipment rental, depreciation and finance charges
- 22 If an office holder has obtained approval for the basis of category 2 disbursements, that basis may continue to be used in a sequential appointment where further approval of the basis of remuneration is not required, or where the office holder is replaced

#### **PRE-APPOINTMENT COSTS**

- 23 When approval is sought for the payment of outstanding costs incurred prior to an office holder's appointment, disclosure should follow the principles and standards contained in this statement

#### **PAYMENTS TO ASSOCIATES**

- 24 Where services are provided from within the practice or by a party with whom the practice, or an individual within the practice, has a business or personal relationship, an office holder should take particular care to ensure that the best value and service is being provided. An office holder should also have regard to relationships where the practice is held out to be part of a national or international association
- 25 Payments that could reasonably be perceived as presenting a threat to the office holder's objectivity by virtue of a professional or personal relationship should not be made unless approved in the same manner as an office holder's remuneration or category 2 disbursements

#### **PROVISION OF INFORMATION TO SUCCESSIVE OFFICE HOLDERS**

- 26 When an office holder's appointment is followed by the appointment of another insolvency practitioner, whether or not in the same proceedings, the prior office holder should provide the successor with information in accordance with the principles and standards contained in this statement

#### **PROVISION OF INFORMATION TO INTERESTED PARTIES**

- 27 Where realisations are sufficient for payment of creditors in full with interest, the creditors will not have the principal financial interest in the level of remuneration. An office holder should provide the beneficiaries of the anticipated surplus, on request, with information in accordance with the principles and standards contained in this statement

**Effective Date** This SIP applies to insolvency appointments starting on or after **1 November 2011**. However, insolvency practitioners are encouraged to apply the SIP to all cases regardless of the starting date where to do so would not be onerous or give rise to excessive costs

**APPENDIX**  
**SUGGESTED FORMAT FOR PROVISION OF INFORMATION**

**INTRODUCTION**

- 1 Information provided by an office holder should be presented in a manner that is transparent, consistent and useful to the recipient, whilst being proportionate to the circumstances of the case. The level of disclosure suggested below may not be appropriate in all instances and the office holder may take account of proportionality considerations. In larger or more complex cases the circumstances of each case may dictate the information provided and its format.
- 2 It is a matter for each office holder to decide what detailed information and explanations are required, having regard to the circumstances of the case. However, the importance of consistency and clarity should be recognised, and this Appendix sets out suggestions in relation to the presentation of information in a standard way. Those receiving the information ought to be able to make an informed judgement about the reasonableness of the office holder's request. The information provided should facilitate comparisons between cases.

**A NARRATIVE OVERVIEW OF THE CASE**

- 3 In all cases, reports on remuneration should provide a narrative overview of the case. Matters relevant to an overview are:
  - a) the complexity of the case,
  - b) any exceptional responsibility falling on the office-holder,
  - c) the office-holder's effectiveness,
  - d) the value and nature of the property in question.
- 4 The information provided will depend upon the basis or bases being sought or reported upon, and the stage at which it is being provided. An overview might include:
  - a) an explanation of the nature, and the office-holder's own initial assessment, of the assignment (including the anticipated return to creditors) and the outcome (if known),
  - b) initial views on how the assignment was to be handled, including decisions on staffing or subcontracting and the appointment of advisers,
  - c) any significant aspects of the case, particularly those that affect the remuneration and cost expended,
  - d) the reasons for subsequent changes in strategy,
  - e) the steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, and fee drawing,
  - f) any existing agreement about remuneration,
  - g) details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees,
  - h) in a larger case, particularly if it involved trading, considerations about staffing and managing the assignment and how strategy was set and reviewed,
  - i) details of work undertaken during the period,
  - j) any additional value brought to the estate during the period, for which the office holder wishes to claim increased remuneration.

**TIME COST BASIS**

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

- a) An explanation of the office-holder's time charging policy, clearly stating the units of time that have been used, the grades of staff and rates that have been charged to the assignment, and the policy for recovering the cost of support staff. There is an expectation that time will be recorded in units of not greater than 6 minutes
  - b) A description of work carried out, which might include
    - details of work undertaken during the period, related to the table of time spent for the period,
    - an explanation of the grades of staff used to undertake the different tasks carried out and the reasons why it was appropriate for those grades to be used,
    - any comments on any figures in the summary of time spent accompanying the request the office-holder wishes to make
  - c) Time spent and charge-out summaries, in an appropriate format
- 6 It is useful to provide time spent and charge-out value information in a tabular form for each of the time periods reported upon, with work classified (and sub-divided) in a way relevant to the circumstances of the case, in particular to facilitate comparisons between cases

#### Hours

Classification of work function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost£	Average hourly rate £
Administration and planning							
Investigations							
Realisation of assets							
Trading							
Creditors							
Case specific matters (Specify the matters)							
Total hours							
Total fees claimed (£)							

- 7 The level of disclosure suggested by the standard format will not be appropriate in all instances and the office holder should take account of proportionality considerations
- a) where the cumulative time costs are, and are expected to be, less than £10,000 the office holder should, as a minimum, state the number of hours and average rate per hour and explain any unusual features of the case,

- b) where cumulative time costs are, or are expected to be, between £10,000 and £50,000, a time and charge-out summary similar to that shown above will usually provide the appropriate level of detail (subject to the explanation of any unusual features),
- c) where cumulative time costs exceed, or are expected to exceed, £50,000, further and more detailed analysis or explanation will be warranted

## Appendix 5 – Financial Information

	Balance as at 30 September 2012 £	Balance as at 30 September 2011 £	Balance as at 30 September 2010 £
<b>Fixed Assets</b>			
Tangible	546,302	834,329	2,683,701
<b>Total</b>	546,302	834,329	2,683,701
<b>Current Assets</b>			
Debtors	20,197,908	17,948,606	20,401,159
Cash at Bank	651,186	412,105	816,858
<b>Total current assets</b>	20,849,094	18,360,711	21,218,017
<b>Creditors: falling due within one year</b>	(10,598,219)	(9,653,945)	(13,685,918)
<b>Net Current Assets</b>	10,250,875	8,706,766	7,532,099
<b>Total assets less current liabilities</b>	10,797,177	9,541,095	10,215,800
<b>Creditors: falling due after one year</b>	(1,197,454)	(956,190)	(2,519,139)
<b>Net Assets Excluding Pension Scheme Assets</b>	9,599,723	8,584,905	7,696,661
<b>Defined benefit pension scheme liability</b>	(97,910)	(82,989)	-
<b>Total net assets/ (Liabilities)</b>	9,501,813	8,501,916	7,696,661
<b>Capital and Reserves</b>			
Called up share capital	1,000,003	1,000,003	1,000,003
Share premium account	13,406,181	13,406,181	13,406,181
<b>Profit and loss account</b>	(4,904,371)	(5,904,268)	(6,709,523)
<b>Shareholders funds'</b>	9,501,813	8,501,916	7,696,661