

The Insolvency Act 1986

Statement of administrator's proposals

2.17B

| | |
|---|-----------------------------------|
| Name of Company ALDERLEY ASSET MANAGEMENT LIMITED | Company number 03472967 |
| In the Manchester District Registry of the High Court <small>(full name of court)</small> | Court case number 2196 of 2014 |

(a) Insert full name(s) and address(es) of administrator(s) I/We (a) K G Murphy & A Poxon of Leonard Curtis, Tower 12,
18/22 Bridge Street, Spinningfields, Manchester M3 3BZ

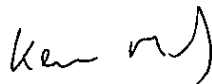
attach a copy of *my / our proposals in respect of the administration of the above company

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

* Delete as applicable

(b) Insert date (b) 8 April 2014

Signed



K G Murphy & A Poxon - Joint /Administrator(s)

Dated

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.

| | |
|--|------------------|
| Leonard Curtis | |
| Tower 12, 18/22 Bridge Street, Spinningfields, Manchester, | |
| M3 3BZ | Tel 0161 7671250 |
| DX Number | DX Exchange |



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COMPANIES HOUSE

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



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**ALDERLEY ASSET MANAGEMENT LIMITED
(IN ADMINISTRATION)**

Registered Number 03472967
Court Ref 2196 of 2014
Manchester District Registry of the High Court

Joint Administrators' Report and Statement of Proposals

08 April 2014

Leonard Curtis
Tower 12, 18/22 Bridge Street, Spinningfields,
Manchester M3 3BZ
Tel 0161 7671250 Fax 0161 7671240

Ref M/35/MD/NA648K/1040

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TO. THE REGISTRAR OF COMPANIES
ALL CREDITORS
ALL SHAREHOLDERS

1 INTRODUCTION

- 1.1 I refer to the appointment of A Poxon and myself as Joint Administrators ("the Joint Administrators") of Alderley Asset Management Limited ("the Company") on 27 February 2014 and now write to present our proposals ("the Proposals") (Appendix A) for the Company pursuant to the Insolvency Act 1986 ("the Act")
- 1.2 We do not propose to convene a meeting of creditors in this instance, as we anticipate that the Company will have insufficient property to enable a distribution to be made to unsecured creditors and therefore the requirement to convene a meeting is disapplied by Paragraph 52(1)(b) of Schedule B1 to the Act
- 1.3 Creditors whose debts amount to at least 10% of the total debts of the Company may request a meeting. Any requests for an initial creditors' meeting must be made in writing to this office using Form 2.21B (available on request) by 24 April 2014. Security for the costs of holding the meeting must also be provided
- 1.4 In the event that no meeting is requested, the Proposals will be deemed to have been approved in accordance with Rule 2.33(5) of the Insolvency Rules 1986. 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 date given in 1.3 above

2 STATUTORY INFORMATION

- 2.1 The Administration proceedings are under the jurisdiction of the Manchester District Registry of the High Court under Court reference 2196 of 2014
- 2.2 During the period in which the Administration Order 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 was changed from 35a London Road, Alderley Edge, Cheshire, SK9 7JT to Tower 12, 18/22 Bridge Street, Spinningfields, Manchester, M3 3BZ on 6 March 2014. The registered number is 03472967
- 2.4 The Company operated from leasehold premises at 35a London Road, Alderley Edge, Cheshire, SK9 7JT
- 2.5 The Company's directors are

| Name | Role | Date Appointed |
|------------------|----------|----------------|
| Mr Robert Angel | Director | 08/09/2011 |
| Mrs Pamela Angel | Director | 08/09/2011 |

- 26 The Company's authorised share capital is made up of 2 £1 shares and are owned as follows

| Name | Class of Share | No. of Shares | % of Total Owned |
|--------------|----------------|---------------|------------------|
| Soja Limited | Ordinary | 2 | 100 |
| | | 2 | 100% |

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

| Chargeholder | Date created | Description | Amount secured £ | Assets Charged |
|---------------------|--------------|-------------|---------------------|----------------|
| Lloyds TSB Bank Plc | 08/09/2011 | Debenture | All monies | All assets |

- 28 The EC Regulation on Insolvency Proceedings 2000 applies to this Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom

3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION

- 31 The Company was incorporated in November 1997. On incorporation, the directors were Mr Christopher Burgess, Mr Simon Taylor and Mr Martyn Weaver. In September 2000, Mr Taylor and Mr Weaver resigned as directors. The Company initially traded as Bankhall Financial Services Limited.
- 32 In September 2011, Mr Robert Angel and Mrs Pamela Angel were looking to acquire an IFA firm and the opportunity to acquire the Company was identified. A share purchase via a new holding company, Soja Limited, was subsequently completed on 8 September 2011 in the sum of £355,000 ("the acquisition"). Mr Burgess subsequently resigned as a director.
- 33 The Company traded from leasehold premises at 35a London Road, Alderley Edge, Cheshire, SK9 7JT and employed 6 staff.
- 34 The Company acted as a broker for financial services including life assurance, pensions and financial planning (personal and corporate). The Company was registered with the Financial Conduct Authority ("FCA").
- 35 The acquisition was funded by way of personal funds from Mr & Mrs Angel, a bank loan from Lloyds TSB Bank Plc ("Lloyds") and the remainder by way of deferred consideration.
- 36 Lloyds hold security by way of a debenture, incorporating a fixed and floating charge over all assets, created on 8 September 2011. Lloyds also hold further security by way of debentures over two other group companies, with cross guarantees, and personal guarantees provided by the directors, secured on residential property.
- 37 Following the acquisition, management continued to develop the Company's service offering and decided to specialise in the pensions market and commenced offering reviews of personal pension plans for individuals with a view to improving the returns.
- 38 The Company has historically traded profitably since the acquisition. Accounts for the year ended 31 December 2011, the year of the acquisition, detail turnover of approximately £730,000 and a profit of £34,000 was recorded.

- 3 9 In the year ended 31 December 2012, the first full year following the acquisition, turnover reduced to £530,000 however the profit margins increased significantly and a profit of £73,000 was recorded
- 3 10 During 2012, the Company received 18 claims from clients with regards to the alleged mis-selling of products. The majority of the claims relate to advice given prior to the acquisition. None of these potential claims were identified during the due diligence exercise. Whilst the majority of these claims are covered by the Company's professional indemnity insurance policy, a number of claims will not be covered. Accordingly, the directors sought advice as regards the impact these claims have on the Company and in particular, the potential breach of its Capital Adequacy Ratio, the position of creditors and the directors duties
- 3 11 Draft accounts for the year ended 31 December 2013 detail that the Company continued to trade profitably. Turnover increased to £1m, which reflected a significant amount of selling of life assurance policies which have an extremely low margin, and a profit of £52,000 was recorded. However, during the year, a number of the mis-selling claims have been paid, several claims have been upheld by the Financial Ombudsman and not paid or are still ongoing and are likely to be finalised shortly. The potential financial implications of these claims could be exceptional losses in excess of £250,000
- 3 12 In addition, there is a further ongoing claim in relation to an introducer to the Company who worked on a self employed basis. The claim relates to a specific investment trust where the introducer acted as one of the trustees. The remaining trustees have advised that they intend to commence legal action against the Company on the basis that, as the individual was a known introducer to the Company, there could be a liability as an 'employer'. Whilst legal advice received by the Company details there is no liability whatsoever, there would be substantial costs involved, estimated at between £50,000 and £100,000, in dealing with any litigation
- 3 13 Given the ongoing claims and the significant potential liabilities involved, the directors subsequently sought advice from Leonard Curtis in relation to the options available to the Company to best protect the value of the business of the Company
- 3 14 The advice resulted in the directors concluding that the Company was balance sheet insolvent once the claims are provided for
- 3 15 The Company's financial position and options available were discussed further and it was concluded that administration was the most suitable insolvency procedure for the Company as it would allow the business to be preserved whilst the possibility of selling the business as a going concern was explored. It was however recognised that a quick sale, without the need for ongoing trading whilst in administration, would be preferable to allow maximum value to be realised from the Company's physical assets, work in progress and goodwill as well as reducing the professional costs of the Administration
- 3 16 The proposed Administrators (K Murphy and A Poxon) contacted the FCA on 5 February 2014 advising of the intention to appoint administrators and obtain the FCA's consent to the filing of a Notice of Intention to Appoint Administrators as required by Section 362A of The Financial Services & Markets Act 2000
- 3 17 Following receipt of the FCA consent on 11 February 2014, a Notice of Intention to appoint A Poxon and I of this office as Joint Administrators of the Company was given by the directors and filed in the High Court of Justice, Chancery Division, Manchester District Registry on 14 February 2014. The Notice was subsequently served on the Company, and Lloyds, as holder of a qualifying floating charge, pursuant to Rule 2.20 of The Insolvency Rules 1986
- 3 18 Following the expiration of the five day notice period, a Notice appointing A Poxon and I of this office as Joint Administrators of the Company was given by the directors, and filed in the High Court of Justice, Chancery Division, Manchester District Registry on 27 February 2014

- 3 19 My colleague, A Poxon and I are licensed by the Institute of Chartered Accountants in England and Wales. In accordance with paragraph 100(2) of the Insolvency Schedule B1 to the Act, the function of the Joint Administrators may be exercised by either or both, acting jointly or alone

4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

- 4 1 The Company's trading results for the periods ending 31 December 2011, 31 December 2012 and 31 December 2013 are detailed below

| | Mgmt Year ended 31/12/2013 £'000 | Signed Year ended 31/12/2012 £'000 | Signed Year ended 31/12/2011 £'000 |
|--------------------------|---|---|---|
| Turnover | 1,010 | 529 | 729 |
| Gross Profit | 353 | 294 | 219 |
| Gross Profit % | 35% | 56% | 30% |
| Administrative expenses | (301) | (203) | (176) |
| Operating Profit/(Loss) | 52 | 91 | 43 |
| Exceptional Items | (320) | - | - |
| Interest and charges | - | - | - |
| Profit/(Loss) before tax | (268) | 91 | 43 |
| Taxation | 7 | (18) | (9) |
| Profit for the year | (261) | 73 | 34 |
| Dividends | - | (75) | (28) |
| Retained profit | (261) | (2) | 6 |

- 4.2 The balance sheets as at 31 December 2011, 31 December 2012 and 31 December 2013 are detailed below

| | Mgmt 31/12/2013 £'000 | Signed 31/12/2012 £'000 | Signed 31/12/2011 £'000 |
|--|-----------------------------|-------------------------------|-------------------------------|
| Fixed Assets | | | |
| Tangible Assets | 4 | 4 | 4 |
| | <u>4</u> | <u>4</u> | <u>4</u> |
| Current Assets | | | |
| Cash at Bank | - | 32 | - |
| Debtors | 149 | 85 | 144 |
| | <u>149</u> | <u>117</u> | <u>144</u> |
| Creditors Amounts Falling due within one year | <u>(397)</u> | <u>(103)</u> | <u>(117)</u> |
| Net Current Assets/(Liabilities) | <u>(248)</u> | <u>14</u> | <u>27</u> |
| Total Assets less Current Liabilities | (244) | 18 | 31 |
| Creditors Amounts falling due after more than year | - | - | (12) |
| Provision for liabilities | - | (1) | - |
| Net Assets | <u>(244)</u> | <u>17</u> | <u>19</u> |
| Represented by | | | |
| Called up share capital (£2) | - | - | - |
| Profit and Loss account | (244) | 17 | 19 |
| Shareholders' Funds | <u>(244)</u> | <u>17</u> | <u>19</u> |

4.3 Statement of Affairs

The directors are required to lodge a statement of affairs as at 27 February 2014 which has to be filed with the Registrar of Companies. Although the document has not yet been received, I understand that it is in the course of preparation and will be submitted shortly. 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.

The following comments are considered to be relevant and should be borne in mind when reading the figures.

4.4 Secured Creditor

Lloyds

Lloyds hold security by way of a debenture incorporating a fixed and floating charge over the Company's assets created on 8 September 2011.

Lloyds provided an EFG loan to the Company. The Company also provided a cross company guarantee in relation to a loan provided by Lloyds to Soja Limited. On our appointment, a sum of £143,901 remained outstanding to Lloyds over the two loans.

It is anticipated that Lloyds will be repaid in part following a sale of the goodwill in the sum of £140,000. It is anticipated that Lloyds will receive a further distribution, repaying the balance in full, under their floating charge.

4.7 Prescribed Part

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 to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims.

The net property in this case is expected to be less than the prescribed minimum and we consider that the cost of making a distribution of the prescribed part in this case to be disproportionate to the benefits. Accordingly, we do not intend to set aside a prescribed part in this instance.

4.8 Preferential Claims

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay.

Prior to our appointment, the Company made three staff redundant. These employees were paid wages up to the date of dismissal however holiday pay remained outstanding.

I can advise that the employees have made the relevant claims to the Redundancy Payments Office. We have yet to receive a claim from the Redundancy Payments Office however we have estimated preferential claims may total approximately £500.

It is anticipated that preferential creditors will be repaid in full.

The employees also have further unsecured claims in relation to redundancy and notice pay which have yet to be calculated.

4.9 Unsecured Claims

At present, it is considered unlikely that there will be sufficient funds available to enable a distribution to unsecured creditors. This statement is being made in accordance with paragraph 52(1)(b) of Schedule B1 to the Act.

The Joint Administrators are aware of a number of ongoing complaints which have been made against the Company. A number of these complaints have been referred to the Financial Ombudsman for judgement. Any claims which are upheld against the Company will be referred to the Company's previous professional indemnity insurers who may make any payments due.

Should any claim not be payable by the insurers then any amounts due will rank as an unsecured claim in the administration.

Creditors should however continue to submit details of their claims using the statement of claim form attached at Appendix H. These claims will be collated and passed to any subsequently appointed Liquidator in due course.

4 10 Receipts and Payments

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

5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT

5 1 Sale of Business

Prior to and upon appointment, the administrators investigated the possibility of concluding a sale of what remained of the business and assets as it was considered that a sale of all or part of the business as a going concern would allow the following

- Maximise asset realisations – a pre packaged sale has allowed for minimum disruption in trade which has allowed for a realisation to be received in relation to the work in progress, which would not have been available if the Company has ceased to trade. Enhanced realisations for the Company's fixtures and fittings have also been achieved, as compared to ex-situ realisations most likely achievable on a cessation of trade,
- Preservation of goodwill – a pre-packaged sale has allowed for a sale of the goodwill, in line with independent valuations, which may not have been available if the Company had ceased to trade. It was critical in maximising realisations from the goodwill, that there was minimal disruption to trading. Trading the business during administration would not have guaranteed an improved offer, and may, conversely, have devalued the goodwill, and
- Transfer of the client files to the purchaser to continue to provide the services and advice required

An offer of £155,000 was made to the proposed Administrators. Following advice from our appointed agents, Cerberus Asset Management, who had carried out valuations of the Company's physical assets, and Lopian Gross Barnett & Co, who had valued the Company's goodwill, this offer was accepted and the business sale was concluded on 3 March 2014.

The consideration is payable on a deferred basis. I can confirm that a sum of £3,750 has been received and that payments are up to date.

Following the completion of the pre-packaged sale of the Company's business and assets, the Joint Administrators sent a letter to creditors on 7 March 2014 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 D.

5 2 Inter Company Debtors

The Company records detail a sum of £84,134 is due from two connected companies.

We are currently in discussions with the connected companies with regards to repayment of the amounts due. However, it is not anticipated that the debtor totalling £64,134 has the ability to repay the debt due. It is anticipated that the balance of £20,000 from the remaining debtor will be received in full.

5.3 Professional Advisors Used

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

| Name of Professional Advisor | Service Provided | Basis of Fees |
|------------------------------|---------------------------------|---------------|
| Turner Parkinson | Legal advice | Time costs |
| Cerberus Asset Management | Physical asset valuation advice | Time costs |
| Lopian Gross Barnett & Co | Goodwill valuation advice | Time costs |
| EK Employment Law | Employee advice | Time costs |

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

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 unlikely to be achieved as there is little prospect of a dividend to unsecured creditors

6.4 The third objective is to realise property in order to make a distribution to secured or preferential creditors This objective is likely to be achieved as it is anticipated that Lloyds and preferential creditors will be repaid in full

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 approval of the Proposals at a meeting of the creditors of the Company However, in this case, as there is little likelihood of a dividend being available for unsecured creditors, the Joint Administrators are dispensing with the requirement to hold such a meeting as allowed by Para 52(1)(b) of Schedule B1 to the Act

7.3 Creditors whose debts amount to at least 10% of the total debts of the Company, may request a meeting Any requests for an initial creditors' meeting must be made in writing to this office using Form 2.21B (available on request) by 24 April 2014 Security for the costs of holding the meeting must also be provided

- 7 4 If no meeting is requested, the Proposals will be deemed to have been approved
- 7 5 Once approved, the affairs of the Company will be managed in accordance with the Proposals and financed out of asset realisations
- 7 6 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 be dissolved. Alternatively, if there are assets still to be realised or investigations 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 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 Administrators' term of office. In the circumstances of this case, this may be done for a specified period not exceeding six months with the consent of
- each secured creditor of the Company, and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the Company, disregarding debts of any creditor who does not respond to an invitation to give or withhold consent
- 8 3 The appropriate body of creditors will be contacted in due course should an extension be required

9 PRE-ADMINISTRATION COSTS

- 9 1 Pre-administration costs are defined as

- Fees charged, and
- Expenses incurred

by the Administrator, 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 Pre-appointment fees charged and expenses incurred by the Joint Administrators 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 | Advise to directors and secured creditor and considering whether an administration purpose could be achieved and negotiating the sale of the business | £2,495 00 | Nil | n/a | £2,495 00 |
| Cerberus Asset Management | Valuation of physical assets | £1,000 00 | Nil | n/a | £1,000 00 |
| Lopian Gross Barnett & Co | Valuation of goodwill | £2,500 00 | Nil | n/a | £2,500 00 |
| Turner Parkinson LLP | Dealing with sale contract and appointment papers | £3,035 00 | Nil | n/a | £3,035 00 |

- 9 3 Enclosed at Appendix E is an analysis of the Joint Administrators' pre-appointment costs. The analysis shows that total pre-appointment time costs of £2,495 00 have been incurred which represents 6.7 hours at a rate of £372.39 per hour.
- 9 4 In the period prior to the administration, Leonard Curtis provided insolvency advice to the Company and the secured creditor and carried out an assessment of its financial position with a view to establishing the appropriate insolvency procedure for the Company.
- 9 5 Following the decision to place the Company into administration, Cerberus Asset Management were requested to provide an assessment of the likely realisable value of the Company's physical assets. Lopian Gross Barnett & Co were also requested to provide an assessment of the likely realisable value of the Company's goodwill. This information enabled Leonard Curtis to properly gauge the Company's financial position and ensure that at least one of the three statutory purposes could be achieved.
- 9 6 Further costs were incurred by Leonard Curtis and Turner Parkinson LLP with regards to the preparation of the appointment papers and the drafting of the sale documentation.
- 9 7 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 Administrators' Proposals. In this case, the Joint Administrators are required to seek the approval of the secured and preferential creditors to this resolution.

10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 10 1 As there is little prospect of a dividend being available for unsecured creditors, the Joint Administrators are required to agree the basis of their remuneration with the secured and preferential creditors.
- 10 2 The remuneration of the Joint Administrators may be fixed either as a percentage of the value of the property with which they have to deal, as a set amount or by reference to the time spent. In this case the Joint Administrators are requesting agreement to the latter.
- 10 3 Enclosed at Appendix F is a summary of the Joint Administrators' time costs to 28 March 2014. The summary shows that time costs of £11,448 00 have been incurred which represents 32.50 hours at a rate of £352.25 per hour. Further time has been spent to date which has yet to be posted to the system.

Further details of my 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 G. Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded from <http://www.leonardcurtis.co.uk/resources/creditorsguides>. If you would prefer this to be sent to you in hard copy please contact Michael Dillon of this office on 0161 7671250.

- 10.4 The Joint Administrators also require approval in respect of the basis upon which they recharge internal disbursements that include an element of allocated costs. These are known as Category 2 costs and the basis of the calculation of their recharge is also detailed in Appendix G. Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as a "category 1 disbursement". Category 1 disbursements will generally comprise items such as case advertising and travel costs. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and storage of company records.

- 10.5 Summarised below are Category 1 and 2 disbursements incurred on the case since appointment.

Category 1 disbursements

| Charged by | Services provided | Total amount pd by LC £ | Amount recovered from case £ | Amount still to be recovered from case £ |
|------------------------------|------------------------------|----------------------------|---------------------------------|---|
| Courts Advertising | Statutory Advertising | 84.60 | Nil | 84.60 |
| AUA Insolvency Risk Services | IP Bond | 90.00 | Nil | 90.00 |
| Pelstar Computing Limited | Software Licence | 87.00 | Nil | 87.00 |
| Business Tax Centre | Client Identification Checks | 10.00 | Nil | 10.00 |

Category 2 disbursements

No category 2 disbursements have been incurred on this case to date.

- 10.6 The outcome of the voting on remuneration will be communicated to creditors in due course.

11 ANTICIPATED OUTCOME AND RELEASE OF ADMINISTRATORS FROM LIABILITY

- 11.1 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.
- 11.2 The appointment of the Joint Administrators will cease as soon as this notice is issued.
- 11.3 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 and preferential creditors. The appropriate class of creditor will be contacted directly in this respect.

12 CONCLUSION

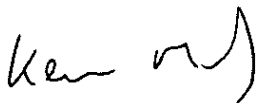
12.1 It is important that you give careful attention to this report and its Appendices

12.2 Creditors will be notified of the outcome of voting in due course

Should you have any queries or require any further clarification please contact Michael Dillon at my office, in writing. Electronic communications should also include a full postal address

for and on behalf of

ALDERLEY ASSET MANAGEMENT LIMITED



K G MURPHY

Joint Administrator

Licensed in the UK by Institute of Chartered Accountants in England and Wales

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

APPENDIX A

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 K G Murphy and/or A Poxon be appointed (Joint) Liquidator(s) 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. NB 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 Para 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 K G Murphy and/or A Poxon be appointed (Joint) Liquidator(s) 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 his powers as contained in Schedule 1 of the Insolvency Act 1986, as he considers desirable or expedient to achieve the statutory purpose of the Administration

APPENDIX B

ESTIMATED FINANCIAL POSITION AS AT 27 FEBRUARY 2014

| | Notes | Book value £ | In Administration £ |
|--|-------|------------------|---------------------------|
| Assets specifically pledged | | | |
| Goodwill | 1 | - | 140,000 |
| less Lloyds TSB Bank Plc | 2 | (143,901) | (143,901) |
| Surplus as regards fixed charge holder | | <u>(143,901)</u> | <u>(3,901)</u> |
| Assets not specifically pledged | | | |
| Business Information | 1 | - | 1 |
| Contracts | 1 | - | 1 |
| Fixtures, Fittings & Equipment | 1 | 4,269 | 5,000 |
| Intellectual Property | 1 | - | 1 |
| Work in Progress | 1 | 10,000 | 9,997 |
| Inter Company Debtors | 3 | 84,135 | 20,000 |
| | | <u>98,404</u> | <u>35,000</u> |
| Costs of Administration (est) | | - | (30,599) |
| Preferential creditors | 4 | - | (500) |
| Net property available for prescribed part | | <u>98,404</u> | <u>3,901</u> |
| Prescribed part calculation | 5 | - | n/a |
| Available for floating charge creditor | | 98,404 | 3,901 |
| Lloyds TSB Bank Plc | 2 | (143,901) | (3,901) |
| Surplus as regards floating charge holder | | <u>(45,497)</u> | <u>Nil</u> |
| Add back prescribed part | | - | n/a |
| Available for unsecured creditors | | <u>(45,497)</u> | <u>Nil</u> |
| Unsecured creditors | | | |
| H M Revenue & Customs – PAYE / NI | 6 | (9,472) | (9,472) |
| Directors Loan Account | 7 | (21,108) | (21,108) |
| Trade and expense creditors | 8 | (17,348) | (17,348) |
| Contingent Claims | 9 | (250,000) | (250,000) |
| Redundancy & Notice Pay | 10 | n/k | n/k |
| Total value of unsecured creditors | | <u>(297,928)</u> | <u>(297,928)</u> |
| Estimated deficiency as regards unsecured creditors | | <u>(343,425)</u> | <u>(297,928)</u> |

NOTES TO THE ESTIMATED STATEMENT OF AFFAIRS

1. Sale of Business

The book values have been taken from the Company records. The realisable figures have been achieved following a sale of the business.

2. Lloyds

Lloyds hold security by way of a debenture incorporating a fixed and floating charge over the Company's assets created on 8 September 2011.

Lloyds provided an EFG loan to the Company. The Company also provided a cross company guarantee in relation to a loan provided by Lloyds to Soja Limited. On our appointment, a sum of £143,901 remained outstanding to Lloyds over the two loans.

3. Inter Company Debtors

The Company records detail a sum of £84,134 is due from two connected companies.

We are currently in discussions with the connected companies with regards to repayment of the amounts due. However, it is not anticipated that the debtor totalling £64,134 has the ability to repay the debt due. It is anticipated that the balance of £20,000 from the remaining debtor will be received in full.

4. Preferential Creditors

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay.

Prior to our appointment, the Company made three staff redundant. These employees were paid wages up to the date of dismissal however holiday pay remained outstanding.

I can advise that the employees have made the relevant claims to the Redundancy Payments Office. We have yet to receive a claim from the Redundancy Payments Office however we have estimated preferential claims may total approximately £500.

5. Prescribed Part

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 (after costs and preferential creditors) 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.

The method of calculating the prescribed part is given below:

- Where the net property does not exceed £10,000
50% of that property
- Where the net property exceeds £10,000
50% of the first £10,000, plus 20% of the property which exceeds £10,000, up to a maximum prescribed part of £600,000

The net property in this case is expected to be less than the prescribed minimum and we consider that the cost of making a distribution of the prescribed part in this case to be disproportionate to the benefits. Accordingly, we do not intend to set aside a prescribed part in this instance.

6 H M Revenue & Customs – PAYE / NI

The values have been taken from the Company records and should not be taken as agreed amounts.

7 Directors Loan Account

The Company records detail a sum of £21,108 is due to a director in relation to a loan account. This value should not be taken as an agreed amount.

8 Trade and expense creditors

The values have been taken from the Company records and should not be taken as agreed amounts.

9. Contingent Creditors

The Joint Administrators are aware of a number of ongoing complaints which have been made against the Company. A number of these complaints have been referred to the Financial Ombudsman for judgement. Any claims which are upheld against the Company will be referred to the Company's previous professional indemnity insurers who may make any payments due.

Should any claim not be payable by the insurers then any amounts due will rank as an unsecured claim in the administration. It is estimated that these claims could have a value of up to £250,000.

10 Redundancy & Notice Pay

Prior to our appointment, the Company made three staff redundant and the claims for redundancy and notice pay remain outstanding. I can advise that the employees have made the relevant claims to the Redundancy Payments Office. We have yet to receive a claim from the Redundancy Payments Office.

Alderley Asset Management Limited - In Administration

APPENDIX B (continued)

CREDITORS LIST FOR THE ESTIMATED FINANCIAL POSITION

| Name | Address -- | | | | | Statement of affairs | Per Creditors Claim |
|------------------------------|--------------------------|------------------------|-------------------|-----------------|----------|----------------------|---------------------|
| Allsbrook Dev Dir P/Fund Ltd | Foden House | London Road | Alderley Edge | Cheshire | SK9 7RT | 1,278.42 | 0.00 |
| Angel Springs | Angel House | Shaw Road | Wolverhampton | WV10 9LE | | 53.24 | 0.00 |
| Barclaycard Commercial | PO BOX 3000 | Teesdale Business Park | Stockton on Tees | TS17 6YG | | 2,152.30 | 0.00 |
| Contingent Claims | | | | | | 250,000.00 | 0.00 |
| Directors Loan Account | | | | | | 21,108.61 | 0.00 |
| FCA | 25 The North Colonnade | Canary Wharf | London | E14 5HS | | 0.00 | 0.00 |
| Financial Services Authority | Firm Contact Centre | 25 The North Colonnade | Canary Wharf | LONDON | E14 5HS | 7,280.52 | 0.00 |
| Francotyp-Postalia Ltd | 74 Questor | Powdermill Lane | Dartford | Kent | DA1 1EF | 696.95 | 0.00 |
| HARVESTER CONSULTANTS LTD | 6th FLOOR CARDINAL HOUSE | 20 ST MARY'S PARSONAGE | MANCHESTER | M3 2LG | | 124.80 | 0.00 |
| HM Revenue & Customs | Durrington Bridge House | Barrington Road | Worthing | West Sussex | BN12 4SE | 9,472.63 | 0.00 |
| LEGEND ALLIANCE | PINEWOOD, CROCKFORD LANE | CHINEHAM | BASINGSTOKE | HANTS | RG24 8AL | 384.00 | 0.00 |
| Lloyds TSB Bank Plc | 76 Stamford New Road | Altrincham | Cheshire | WA14 1BS | | 143,900.66 | 0.00 |
| LMN | 168 HESKETH LANE | TARLETON | PRESTON | LANCS | PR4 6AT | 1,200.00 | 0.00 |
| MARK JONES | 5 HINDLEY CLOSE | | ASHTON UNDER LYNE | LANCS | OL7 0EE | 50.00 | 0.00 |
| Preferential Creditors | | | | | | 500.00 | 0.00 |
| Premium Credit Limited | PO Box 350 | Epsom | KT17 1WP | | | 0.00 | 1,580.86 |
| Rob Angel Expenses | | | | | | 4,025.91 | 0.00 |
| The Exchange | Allen Jones House | Jessop Avenue | Cheltenham | Gloucestershire | GL50 3SH | 37.92 | 0.00 |
| Unicom | Universal House | Longley Lane | Manchester | M22 4SY | | 0.00 | 0.00 |
| United Utilities | PO Box 450 | Warrington | WA55 1WA | | | 64.00 | 0.00 |
| Zurich | Tri Centre 1-3N | New Bridge Square | Swindon | SN1 1H | | 0.00 | 35,617.92 |
| Total | | | | | | 442,329.96 | 37,198.78 |

Note Lloyds TSB Bank hold security by way of a debenture, incorporating a fixed and floating charge over the Company's assets, created on 8 September 2011

APPENDIX C

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS FROM
27 FEBRUARY 2014 TO 08 APRIL 2014

| | Statement of Affairs £ | Received to date £ |
|--------------------------------|------------------------------|--------------------------|
| RECEIPTS | | |
| Goodwill | 140,000 | |
| Business Information | 1 | |
| Contracts | 1 | |
| Fixtures, Fittings & Equipment | 5,000 | |
| Intellectual Property | 1 | |
| Work in Progress | 9,997 | 3,750 00 |
| Inter Company Debtors | 20,000 | |
| | <u>175,000</u> | <u>3,750 00</u> |
| PAYMENTS | | |
| None | | - |
| | | <u>-</u> |
| BALANCE IN HAND | | <u>3,750 00</u> |

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

1 INITIAL INTRODUCTION

- 1.1 Leonard Curtis were approached by the directors in December 2013, and provided general advice only at that time
- 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

2.1 The extent of the Administrators' involvement prior to the appointment

Following our engagement, we wrote to the directors of the Company informing them that our role before any formal appointment would involve providing the following services

- i) advising them on which insolvency process would be most appropriate for the Company,
- ii) dealing with all formalities relating to the appointment of Administrators including giving appropriate notification of the intention to make such appointment to secured creditors and other parties entitled to receive notice,
- iii) preparing any report(s) necessary and attending Court hearings if appropriate,
- iv) advising them on the financial control and supervision of the business between the date of our engagement and the date of the appointment of Administrators,
- v) 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

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

- 2.2 The Company was incorporated in November 1997. On incorporation, the directors were Mr Christopher Burgess, Mr Simon Taylor and Mr Martyn Weaver. In September 2000, Mr Taylor and Mr Weaver resigned as directors. The Company initially traded as Bankhall Financial Services Limited.

In September 2011, Mr Robert Angel and Mrs Pamela Angel were looking to acquire an IFA firm and the opportunity to acquire the Company was identified. A share purchase via a new holding company, Soja Limited, was subsequently completed on 8 September 2011 in the sum of £355,000 ("the acquisition"). Mr Burgess subsequently resigned as a director.

The Company traded from leasehold premises at 35a London Road, Alderley Edge, Cheshire, SK9 7JT and employed 6 staff.

The Company acted as a broker for financial services including life assurance, pensions and financial planning (personal and corporate). The Company is registered with the Financial Conduct Authority ("FCA").

The acquisition was funded by way of personal funds from Mr & Mrs Angel, a bank loan from Lloyds TSB Bank Plc ("Lloyds") and the remainder by way of deferred consideration.

Lloyds hold security by way of a debenture, incorporating a fixed and floating charge over all assets, created on 8 September 2011. Lloyds also hold further security by way of debentures over two other group companies, with cross guarantees, and personal guarantees provided by the directors, secured on residential property.

Following the acquisition, management continued to develop the Company's service offering and decided to specialise in the pensions market and commenced offering reviews of personal pension plans for individuals with a view to improving the returns.

The Company has historically traded profitably since the acquisition. Accounts for the year ended 31 December 2011, the year of the acquisition, detail turnover of approximately £730,000 and a profit of £34,000 was recorded.

In the year ended 31 December 2012, the first full year following the acquisition, turnover reduced to £530,000 however the profit margins increased significantly and a profit of £73,000 was recorded.

During 2012, the Company received 18 claims from clients with regards to the alleged mis-selling of products. The majority of the claims relate to advice given prior to the acquisition. None of these potential claims were identified during the due diligence exercise. Whilst the majority of these claims are covered by the Company's professional indemnity insurance policy, a number of claims will not be covered. Accordingly, the directors sought advice as regards the impact these claims have on the Company and in particular, the potential breach of its Capital Adequacy Ratio, the position of creditors and the directors' duties.

Draft accounts for the year ended 31 December 2013 detail that the Company continued to trade profitably. Turnover increased to £1m, which reflected a significant amount of selling of life assurance policies which have an extremely low margin, and a profit of £52,000 was recorded. However, during the year, a number of the mis-selling claims have been paid, several claims have been upheld by the Financial Ombudsman and not paid or are still ongoing and are likely to be finalised shortly. The potential financial implications of these claims could be exceptional losses in excess of £250,000.

In addition, there is a further ongoing claim in relation to an introducer to the Company who worked on a self-employed basis. The claim relates to a specific investment trust where the introducer acted as one of the trustees. The remaining trustees have advised that they intend to commence legal action against the Company on the basis that, as the individual was a known introducer to the Company, there could be a liability as an 'employer'. Whilst legal advice received by the Company details there is no liability whatsoever, there would be substantial costs involved, estimated at between £50,000 and £100,000, in dealing with any litigation.

Given the ongoing claims and the significant potential liabilities involved, the directors subsequently sought advice from Leonard Curtis in relation to the options available to the Company to best protect the value of the business of the Company.

The advice resulted in the directors concluding that the Company was balance sheet insolvent once the claims are provided for.

The Company's financial position and options available were discussed further and it was concluded that administration was the most suitable insolvency procedure for the Company as it would allow the business to be preserved whilst the possibility of selling the business as a going concern was explored. It was however recognised that a quick sale, without the need for ongoing trading whilst in administration, would be preferable to allow maximum value to be realised from the Company's physical assets, work in progress and goodwill as well as reducing the professional costs of the Administration.

The proposed Administrators (K Murphy and A Poxon) contacted the FCA on 5 February 2014 advising of the intention to appoint administrators and obtain the FCA's consent to the filing of a Notice of Intention to Appoint Administrators as required by Section 362A of The Financial Services & Markets Act 2000.

Following receipt of the FCA consent on 11 February 2014, a Notice of Intention to appoint A Poxon and I of this office as Joint Administrators of the Company was given by the directors and filed in the High Court of Justice, Chancery Division, Manchester District Registry on 14 February 2014. The Notice was subsequently served on the Company, and Lloyds, as holder of a qualifying floating charge, pursuant to Rule 2.20 of The Insolvency Rules 1986.

Following the expiration of the five day notice period, a Notice appointing A Poxon and I of this office as Joint Administrators of the Company was given by the directors, and filed in the High Court of Justice, Chancery Division, Manchester District Registry on 27 February 2014.

My colleague, A Poxon and I are licensed by the Institute of Chartered Accountants in England and Wales. In accordance with paragraph 100(2) of the Insolvency Schedule B1 to the Act, the function of the Joint Administrators may be exercised by either or both, acting jointly or alone.

2.3 Alternative courses of action considered by the Administrator

The following courses of alternative action were considered with management prior to our appointment and the pre-packaged sale.

Equity Injection

The directors considered injecting further equity into the Company in order to restore the balance sheet to a solvent position. This option was explored however funding could not be raised.

Liquidation

The directors could have placed the Company into voluntary liquidation which would have resulted in the closure of the business and realisation of the assets on a piecemeal basis. This would have resulted in reduced asset realisations, particularly with regard to the physical assets, work in progress and goodwill.

All employment contracts would have terminated which would have given rise to additional preferential claims in respect of arrears of wages and holiday pay, in addition to a substantial increase in unsecured creditors in respect of pay in lieu of notice and redundancy pay. Placing the Company into liquidation would have resulted in a worse overall position for creditors.

Company Voluntary Arrangement ('CVA')

The directors could have put forward a proposal for a CVA for the Company with its creditors. Such a scheme would involve the consent of the FCA given the breach of the Capital Adequacy Ratio. In addition, the directors were concerned that a number of claims have arisen that were not identified during due diligence and additional further claims could arise which may lead to the failure of the CVA.

In addition, there is some further uncertainty as regards to the specific investment trust litigation detailed above. Subsequently, a CVA was not considered viable.

Administration

It was considered that administration would best prevent enforcement action being commenced against the Company. Furthermore, administration would allow a sale of the business and assets to be negotiated and concluded which would result in improved realisations, particularly in respect of the physical assets, work in progress and goodwill, and the preservation of the employee's employment. A sale would also ensure continuity of advice to clients and security of client files.

A pre-packaged sale was considered necessary to allow the following:

- Maximise asset realisations – a pre-packaged sale has allowed for minimum disruption in trade which has allowed for a realisation to be received in relation to the work in progress, which would not have been available if the Company had ceased to trade. Enhanced realisations for the Company's fixtures and fittings have also been achieved, as compared to ex-situ realisations most likely achievable on a cessation of trade.
- Preservation of goodwill – a pre-packaged sale has allowed for a sale of the goodwill, in line with independent valuations, which may not have been available if the Company had ceased to trade. It was critical in maximising realisations from the goodwill, that there was minimal disruption to trading. Trading the business during administration would not have guaranteed an improved offer, and may, conversely, have devalued the goodwill, and
- Transfer of the client files to the purchaser to continue to provide the services and advice required.

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

Given the commercially sensitive nature of the business, it was not appropriate that the proposed sale be discussed with general trade creditors. The proposed administrators did discuss the position with the secured creditor and the FCA and explained the considerations taken into account when considering the insolvency options.

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

Trading whilst in administration was not viable for the following reasons:

- The costs of trading the Company would be high and any losses associated with trading would have had a significant adverse impact on the position of creditors,
- Trading the business would not have guaranteed an improved offer for the purchase of the assets, and may, conversely, have devalued the realisable value of the goodwill, work in progress and fixtures and fittings, and
- Trading the business would have resulted in increased professional costs in addition to overheads associated with trading. These costs would be paid as an expense of the administration. The proposed administrators did not consider that trading the Company would result in an increase in realisations sufficient to outweigh the costs associated with trading. It was considered that trading the in administration Company would result in less funds being available to creditors.

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

Given the uncertainty over the level of creditor claims, the funders were not willing to provide further funding for the business in its current form

27 Details of registered charges and dates of creation

According to Companies House, the following charges are registered against the Company

| Date of creation | Chargee | Type of charge | Amount secured and assets charged |
|------------------|-----------------|----------------|-----------------------------------|
| 08/09/2011 | Lloyds Bank Plc | Debenture | All monies and all assets |

28 Details of any acquisition of business assets from an insolvency practitioner

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

Independent valuations of the Company's assets were obtained and discussions were held with a view to obtaining maximum value for the business and assets

These discussions concluded that there was little or no benefit to marketing the business for sale on the open market as the likelihood of finding a third party purchaser for the business was small given that

- the customer relationships and goodwill of the business was inextricably linked to the skills and personality of the directors and their key business relationships, and
- any disruption in trading was likely to have resulted in the loss of customers. The costs of trading in administration would have been prohibitive, and there was no real prospect of finding a third party purchaser to take on the business

Management expressed an interest in acquiring the business and assets out of administration by way of a pre-packaged sale and submitted an offer of £155,000 to the proposed Administrators

A number of benefits of a pre-packaged sale to a connected entity were identified by the proposed Administrators

- Certainty in terms of outcome, in excess of independent valuations,
- transfer of client matters to be dealt with by the Purchaser, and
- there would be no need for ongoing trading in Administration the costs of which could have been prohibitive, given the level of assets available to fund ongoing trading losses, and the professional costs associated with trading

4 VALUATION OF THE BUSINESS AND ASSETS

4.1 Details of valuers/advisors

Cerberus Asset Management ("Cerberus Asset")

Cerberus Asset Management, Asset Valuers and Auctioneers, prepared a valuation report and recommendation in respect of the physical assets of the Company. The Company's physical assets included fixtures, fittings and equipment.

Lopian Gross Barnett & Co ("LGB")

LGB, Chartered Accountants, prepared a valuation report and recommendation in respect of the Company's goodwill.

All valuers have confirmed their independence.

4.2 The valuations obtained of the business or the underlying assets

| Category of asset | Note | Book value £ | High value £ | Low value £ | Value achieved £ |
|--------------------------------|------|-----------------|-----------------|----------------|------------------------|
| Fixed charge assets | | | | | |
| Goodwill | 1 | - | 140,000 | 125,000 | 140,000 |
| Floating charge assets | | | | | |
| Fixtures, Fittings & Equipment | 2 | 4,269 | 4,950 | 1,350 | 5,000 |
| Business Information | | - | - | - | 1 |
| Contracts | | - | - | - | 1 |
| Intellectual Property | | - | - | - | 1 |
| Work in Progress | | 10,000 | 10,000 | - | 9,997 |
| TOTAL | | 14,269 | 154,950 | 126,350 | 155,000 |

4.3 A summary of the basis of valuation adopted and an explanation of the sale of the assets compared to those valuations

1 Goodwill

LGB provided a valuation report in respect of the goodwill. The valuation was based on accounts information and discussions with the directors.

LGB advised that the basis of the valuation was a combination of a multiple of operating profit, using a weighted average operating profit, and a review of "guaranteed" recurring fees, assuming the Company was to retain existing clients. A greater weighting to the more recent years is in line with expectation that current years are more indicative.

They concluded that the goodwill had, in their opinion, a value between £125,000 and £140,000, however, further add that in a distressed sale this value can reduce significantly. The Purchaser offered £140,000 and LGB recommended that this offer be accepted.

2 Fixtures, Fittings & Equipment

Cerberus Asset provided a valuation of the fixtures, fittings and equipment held by the Company in a range of £1,350 to £4,950. An offer of £5,000 was received for the fixtures, fittings and equipment. Cerberus Asset recommended that this offer be accepted.

4 4 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

A valuation was not obtained for the work in progress as it was considered to have no value in a cessation of trade scenario, although the value achieved represented the book value of the work in progress to be taken on by the Purchaser

A valuation was not obtained for the business information, contracts and intellectual property as only a nominal value could be attributed to this asset, although these assets are reflected in the goodwill figures achieved

5 THE TRANSACTION

A sale of the business and assets of the Company was completed on 3 March 2014, following the appointment of the Joint Administrators to TPD Wealth Management Limited (CRN 08505361)

The assets sold to the Purchaser are summarised below

| Asset | £ |
|--------------------------------|----------------|
| Goodwill | 140,000 |
| Business Information | 1 |
| Contracts | 1 |
| Fixtures, Fittings & Equipment | 5,000 |
| Intellectual Property | 1 |
| Work in Progress | 9,997 |
| Total | <u>155,000</u> |

Please note that the Company's debtors are excluded from the sale of the business and assets

The total sale consideration of £155,000 is to be paid by the Purchaser as follows

- Goodwill consideration in the sum of £140,000 is payable by the Purchaser assuming the burden of the debt due to Lloyds,
- Cash consideration of £15,000, payable as detailed below

| Date | £ |
|---------------|------------------|
| 31 March 2014 | 3,750 00 |
| 30 April 2014 | 3,750 00 |
| 31 May 2014 | 3,750 00 |
| 30 June 2014 | 3,750 00 |
| Total | <u>15,000 00</u> |

I can advise that the Administrators have obtained security by way of a personal guarantee from the director of the Purchaser

The Purchaser is connected to the Company as Mr Robert Angel and Mrs Pamela Angel are both directors and shareholders of the Purchaser

Mr Robert Angel and Mrs Pamela Angel have both provided personal guarantees, with security on personal property, to Lloyds

We are not aware that any of the Company's funders are providing funding to the Purchaser

The Sale is not part of a wider transaction and no further clauses are included as part of the agreement

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 It is anticipated that objective c will be achieved in this instance as Lloyds will receive payment following the sale of the goodwill, which is caught under its fixed charge

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

SUMMARY OF JOINT ADMINISTRATORS' PRE APPOINTMENT COSTS

| | Director | | Manager 2 | | Total | | Average Hourly Rate |
|-------------------------------|----------|-----------|-----------|-----------|-------|-----------|------------------------|
| | Units | Cost £ | Units | Cost £ | Units | Cost £ | |
| Strategy & purpose evaluation | 13 | 585 00 | 40 | 1,280 00 | 53 | 1,865 00 | 351 89 |
| Preparation of documents | 10 | 450 00 | - | - | 10 | 450 00 | 450 00 |
| Court related issues | 4 | 180 00 | - | - | 4 | 180 00 | 450 00 |

| | | | | | | |
|-------|----|----------|----|----------|----|----------|
| Total | 27 | 1,215 00 | 40 | 1,280 00 | 67 | 2,495 00 |
|-------|----|----------|----|----------|----|----------|

Average Hourly Rate (£)

| | | | |
|--|--------|--------|--------|
| | 450 00 | 320 00 | 372 39 |
|--|--------|--------|--------|

All Units are 6 minutes

APPENDIX E (CONTINUED)

DETAILED ANALYSIS OF PRE APPOINTMENT TIME SPENT

1 Strategy & Purpose Evaluation

This involved discussions and meetings with the directors and our agents to ensure that at least one of the three statutory purposes could be achieved

2 Preparation of Documents

This involved reviewing the appointment papers provided by our solicitor and any other relevant documentation. This also included setting up the case file and ensuring statutory requirements were met

3. Court related issues

This involved reviewing and signing of specific court documents in order to appoint Administrators

SUMMARY OF JOINT ADMINISTRATORS TIME COSTS FROM 27 FEBRUARY 2014 TO 28 MARCH 2014

| | Director | | Senior Manager | | Manager 2 | | Administrator 1 | | Total | | Average Hourly Rate £ |
|--------------------------------|-----------|-----------------|----------------|---------------|------------|-----------------|-----------------|-----------------|------------|------------------|-----------------------------|
| | Units | Cost £ | Units | Cost £ | Units | Cost £ | Units | Cost £ | Units | Cost £ | |
| Assets | 51 | 2,295.00 | - | - | 25 | 800.00 | - | - | 76 | 3,095.00 | 407.24 |
| Liabilities | 20 | 900.00 | - | - | 85 | 2,720.00 | 43 | 1,118.00 | 148 | 4,738.00 | 320.14 |
| Debenture Holder | 5 | 225.00 | - | - | - | - | - | - | 5 | 225.00 | 450.00 |
| General Administration | - | - | - | - | 20 | 640.00 | - | - | 20 | 640.00 | 320.00 |
| Appointment | 21 | 945.00 | - | - | 50 | 1,600.00 | - | - | 71 | 2,545.00 | 358.45 |
| Investigations | - | - | 5 | 205.00 | - | - | - | - | 5 | 205.00 | 410.00 |
| Total | 97 | 4,365.00 | 5 | 205.00 | 180 | 5,760.00 | 43 | 1,118.00 | 325 | 11,448.00 | |
| Average Hourly Rate (£) | | 450.00 | | 410.00 | | 320.00 | | 260.00 | | 352.25 | |
| All Units are 6 minutes | | | | | | | | | | | |

DETAILED ANALYSIS OF TIME SPENT

1. Assets

This involved spending time completing a sale of the business. This also involved discussions with the secured creditor and management in relation to the book debt collection exercise.

2. Liabilities

A portion of time was spent dealing with general queries from trade creditors by post, telephone and email. Time was also spent preparing and reviewing the initial letter to creditors pursuant to Statement of Insolvency Practice 16, which was sent to all creditors. Further time has been spent dealing with the employee claims.

3. Debenture holder

Time has been expended corresponding with the debenture holder and updating them on the progress of the administration.

4. General Administration

This includes setting up the case file and engaging in general correspondence.

5. Appointment

This involved notifying creditors and all relevant parties of our appointment as administrators including complying with statutory requirements.

6. Investigations

Time was spent on initial investigations on the directors' conduct prior to our appointment.

LEONARD CURTIS CHARGE OUT RATES AND POLICY REGARDING STAFF ALLOCATION, SUPPORT STAFF, THE USE OF SUBCONTRACTORS AND THE RECHARGE OF DISBURSEMENTS

The following information relating to the policy of Leonard Curtis is considered to be relevant to creditors

Staff Allocation and Support Staff

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 of the secured creditors, a creditors' committee or creditors generally, 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 arising in the appointment, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below.

With effect from 6 January 2014 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis

| With effect from 6 Jan 2014 | Standard £ |
|-----------------------------|---------------|
| Director | 450 |
| Senior Manager | 410 |
| Manager 1 | 365 |
| Manager 2 | 320 |
| Administrator 1 | 260 |
| Administrator 2 | 230 |
| Administrator 3 | 210 |
| Administrator 4 | 150 |
| Support | 0 |

Subcontractors

Details and the cost of any work which has been or is intended to be sub-contracted out that could otherwise be carried out by the office holders or their staff will be provided in any report which incorporates a request for approval of the basis upon which remuneration may be charged.

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.

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, 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) | £66.09 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.

STATEMENT OF CLAIM FORM

Date of administration order 27 February 2014

Name of creditor _____

Address of creditor _____

Gross amount of claim
(ie including VAT) _____

Amount of VAT _____

Details of any document by
reference to which the debt can be
substantiated
(eg invoices) _____

Particulars of how and when debt
incurred: _____

Particulars of any security held, the
value of the security and the date it
was given _____

Signature of creditor or person
authorised to act on his behalf _____

Name in BLOCK CAPITALS _____

Position with or relation to creditor _____