

AM10

Notice of administrator's progress report



Companies House

WEDNESDAY



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03/06/2020

#130

COMPANIES HOUSE

1 Company details

Company number 03580800

Company name in full Shopfittings Direct Limited also trading as SFD

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

2 Administrator's name

Full forename(s) Christopher Robert

Surname Pole

3 Administrator's address

Building name/number One Snowhill

Street Snow Hill Queensway

Post town Birmingham

County/Region

Postcode B46GH

Country

4 Administrator's name ①

Full forename(s) David John

Surname Pike

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

5 Administrator's address ②

Building name/number 66 Queen Square

Street

Post town Bristol

County/Region

Postcode BS14BE

Country

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

AM10

Notice of administrator's progress report

6 Period of progress report

From date	^d 0	^d 4	^m 1	^m 1	^y 2	^y 0	^y 1	^y 9
To date	^d 0	^d 3	^m 0	^m 5	^y 2	^y 0	^y 2	^y 0

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X

CRBh

X

Signature date

^d 0	^d 1	^m 0	^m 6	^y 2	^y 0	^y 2	^y 0
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**Presenter information**

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

Contact name Rachel Cutts

Company name KPMG LLP

Address St Nicholas House
Park Row

Post town Nottingham

County/Region

Postcode N G 1 6 F Q

Country

DX

Telephone Tel +44 (0) 115 935 3535

**Checklist**

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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

**Important information**

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

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

**Further information**

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

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



In Joint
Administrators'
progress
report for the
period 4
November
2019 to 3 May
2020

Shopfittings Direct Limited
also trading as SFD - in
Administration

1 June 2020

Deemed delivered: 3 June
2020

Notice to creditors

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

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

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

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

A glossary of the abbreviations used throughout this document is attached (Appendix 7).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+SJB04B2228.html>. We hope this is helpful to you.

Please also note that an important legal notice about this progress report is attached (Appendix 8).

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1 Executive summary

- This progress report covers the period from the date of our appointment to 3 May 2020.
- We circulated our statement of proposals ('Proposals') to all known creditors on 24 December 2019. They were deemed approved without modification on 9 January 2020.
- The directors of Shopfittings Direct Limited ('SFD' / 'the Company') resolved on 31 October 2019 to appoint us as Joint Administrators. The notice of appointment was lodged at High Court of Justice Business and Property Courts in Birmingham on 4 November 2019 and we were duly appointed.
- As set out in our Proposals, due to ongoing losses, lack of available funding and difficulties in accessing stock, the administrators could not continue to trade the business in full. As such, 35 employees were made redundant on appointment with the remaining 23 retained to assist with our duties. (Section 2 - Progress to date).
- During the administration, we completed three projects for two of the Company's key customers which are expected to deliver a surplus to the administration estate after final trading sales are received and remaining costs are settled. (Section 2 - Progress to date).
- We completed a sale of all remaining stock and equipment for £430,000 on 6 December 2019 to Kesslers International Limited ('the Purchaser' / 'Kesslers') (Section 2 - Progress to date).
- We also sold equipment located at the Company's workshop in Old Dalby, Leicestershire, for £35,000 on 29 November 2019 to We-Fab Limited. (Section 2 - Progress to date).
- We have recovered tax refunds and other repayments totalling approximately £510,099 (Section 2 - Progress to date).
- The Company's book debt ledger totalled £3.6 million on appointment and to date £2.7 million has been collected. We continue to work with customers, with the support of third party credit controllers, Veritas Commercial Services ('Veritas'), in order to recover the final balances due. (Section 2 - Progress to date).
- The Company operated an invoice discounting facility and a trade finance agreement with Bibby Financial Services Limited ('Bibby'), who were owed £3.17m in respect of the book debts and stock on appointment (including termination and facility charges). Recoveries achieved from the collection of book debts will be used to settle the outstanding indebtedness owed to Bibby and we anticipate they will be paid in full. (Section 3 - Dividend prospects).
- The Company also had a trade finance agreement with Conance Limited ('Conance') who were owed £529,997 on appointment. Conance have a second ranking floating charge after Bibby and based on current estimates, we anticipate that there will be a distribution to Conance in respect of this. However, we cannot confirm the quantum or timing of this distribution until the realisation of assets and payment of costs is complete. (Section 3 - Dividend prospects).
- Based on current estimates, we expect to pay the preferential creditors in full. (Section 3 - Dividend prospects).
- Based on current estimates, it is anticipated that unsecured creditors will receive a dividend by virtue of the prescribed part but the timing and quantum of this is currently unknown. (Section 3 - Dividend prospects).
- During the period, secured and preferential creditors granted us a 12 month extension to the period of the administration. The administration is now due to end on 3 November 2021. We propose to commence the agreement of unsecured and preferential creditor

claims shortly during the administration. The extension is expected to provide sufficient time to allow us to agree claims and pay a dividend to creditors.

- Please note: you should read this progress report in conjunction with our proposals which were issued to the Company's creditors and can be found at <http://www.insolvency-kpmg.co.uk/case+KPMG+SJB04B2228.html>. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.



Chris Pole
Joint Administrator

2 Progress to date

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

2.1 Strategy and progress to date

Strategy

As detailed in our Proposals, it was not possible to trade the business on in full as the business was loss making, no funding was available and it was not possible to freely access stock as third party warehousing providers (Geodis and Hemisphere) given liens had been claimed over the Company's stock.

The administration strategy included delivering three projects for two of the Company's key customers ('the Administrators' contracts'). These projects are expected to deliver a surplus to the administration estate after final trading sales are received and remaining costs are settled. Delivery of these projects reduced disruption to the customers and thereby, mitigated counter claims against the debtor balances.

Sale of business

As set out in our Proposals, we completed a sale of the remaining business and assets of the Company to Kesslers International Limited ('Kesslers') on 6 December 2019 for £430,000. Of this amount, £100,000 is due to Bibby in respect of its owned stock and £115,000 and £150,000 were paid to Geodis and Hemisphere respectively in order to secure release of the stock which was held at their warehousing facilities.

The remaining £65,000 was allocated to the administration estate for stock on hand, furniture and equipment, intellectual property rights, goodwill, contracts, and licences.

Kesslers are a connected party by way of common ownership by Elaghmore I LP ('Elaghmore').

2.2 Asset realisations

Realisations during the period are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant realisations during the period are provided below.

VAT and tax refunds

The Company received refunds in respect of pre-appointment VAT and pre-appointment research and development ('R&D') tax totalling £337,252 and £172,847 respectively.

There are further funds owed to the Company for pre-administration VAT which we continue to liaise with HMRC to organise repayment. However, recoveries will be dependent on the amounts owed to HMRC and any Crown offset applied.

Debtors

As stated in our Proposals, the Company's debtor ledger totalled £3.6 million on appointment, before taking into account known disputes and potential offsets. The book debts are subject to an invoice discounting facility provided by Bibby who were owed approximately £3.17 million on appointment (including facility and termination charges).

To date, realisations total £2.7 million and these funds have been remitted directly to Bibby under the terms of the facility. In the period, we have achieved a settlement with the second largest debtor (which is in the process of being paid) and we continue discussions with the final debtor over a full and final settlement.

Once this is concluded we anticipate recoveries will be sufficient to repay Bibby's indebtedness in full and generate a surplus which will be available for the remaining creditors. We will update on the outcome of debtor recoveries in our next progress report once collections are complete.

Investments in subsidiaries

As stated in the Proposals, the Company's global operations were supported by its two overseas subsidiaries; Shanghai Shifudi Trading Company Limited and SFD Australia Pty Limited ('SFD Australia').

On appointment, SFD Australia was already in the process of winding up its operations which completed in April 2020. After costs of the winding up process were settled, SFD Australia distributed surplus funds of £150,743 back to the Company (as sole shareholder). SFD Australia has now been wound up and deregistered following completion of this process.

Stock

As detailed in our Proposals, the Company held stock in various third party warehouses in the UK where the warehousing providers had claimed a lien over stock prior to the administration. As stated in section 2.1, all stock contained in these warehouses was sold as part of the sale of business to Kesslers for a total of £400,000. Of this £400,000, £115,000 and £150,000 were paid directly to Geodis and Hemisphere respectively in order to secure release of the stock which was held at their warehousing facilities.

A further stock sale was made to Next PLC totalling £17,920 in respect of stock which was held at the port.

Plant and machinery

The Company owed manufacturing equipment held at the Company's workshop in Old Dalby, Leicestershire. This equipment was sold for £35,000 to We-Fab Limited which was in line with our agents', John Pye & Sons Limited ('John Pye') valuation.

Furniture and equipment

In the period, all furniture and equipment was sold as part of the sale of business to Kesslers for £30,394.

2.3 Costs

Payments made in this period are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant payments made during the period are provided below.

Trading costs

We have paid £386,429 in respect of trading costs for the administration to date. The key payments made have been in relation to: shopfittings, sub-contractors, transport, salaries, holding costs and other purchases necessary to fulfil the Administrators' contracts.

Legal fees

During the period, £40,115 has been paid to our lawyers, Squire Patton Boggs, in respect of appointment related formalities, drafting the sale of business contract, advising on matters relating to book debts and haulier liens as well as general advice for the administration

Legal fees of £1,000 has been paid to Actons Solicitors ('Actons') for providing advice relating to the validity of appointment.

Wages and salaries

We have paid £30,987 in respect of retained employees' salaries for the months of November and December 2019 which did not relate to ongoing trading.

Debt collection costs

During the period, we have paid £15,728 to our third party credit controllers, Veritas, in respect of time spent collecting book debts.

2.4 Schedule of expenses

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

Summaries of the most significant expenses which have been incurred in the period but have not yet been paid are provided below.

Administrators' fees and disbursements

During the period, we have incurred fees and disbursements totalling £564,445 and £13,183 respectively which have not yet been paid.

Holding costs

During the period, we have incurred approximately £21,595 of holding costs relating to the administrators' occupation of the head office and workshop which have not yet been paid.

Legal fees

During the period, the administrators have incurred approximately £33,000 in respect of legal fees relating to the recovery of debtor balances.

Insurance

Costs for insurance of the Company's assets for the period are yet to be finalised. As shown in Appendix 3, we expect these costs to total approximately £5,000.

Transport and logistics

In the trading period, we paid £100,000 to Geodis which was paid on our behalf by Bibby. We will settle this cost with Bibby in due course.

3 Dividend prospects

3.1 Secured creditors

As set out in our Proposals, Squire Patton Boggs carried out a review of security held by the Company and have confirmed the validity of Bibby and Conance's security.

Bibby Financial Services

The Company operated an invoice discounting facility and a trade finance agreement with Bibby. Bibby hold a fixed against the book debts and have a first ranking floating charge (ahead of Conance – see below) in respect of the remaining assets.

At the date of appointment, Bibby was owed approximately £3.17 million (including facility and termination charges). To date, £2.7 million has been paid to Bibby directly in respect of the Company's book debts. Based on current estimates, we anticipate that Bibby will be repaid in full.

Conance Limited

Conance provided trade finance loans to the Company and hold a second ranking floating charge debenture after Bibby over the assets of the Company.

At the date of appointment, Conance was owed £529,997. Based on current estimates, we anticipate that there will be a distribution to Conance, however, the timing and quantum of this is currently unknown.

3.2 Preferential creditors

We estimate the amount of preferential claims to be £94,104.

Based on current estimates, we anticipate that preferential creditors should receive a dividend of 100p in the £. The timing and amount of any dividend are dependent upon the realisation of assets and payment of associated costs.

3.3 Unsecured creditors

Based on current estimates, we anticipate that unsecured creditors should receive a dividend. We have yet to determine the amount of this, but we will do so when we have completed the realisation of assets and payment of associated costs.

4 Joint Administrators' remuneration, disbursements and pre-administration costs

4.1 Joint Administrators' remuneration and disbursements

During the period, secured and preferential creditors have provided approval that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 4 and the charge-out rates included in Appendix 5 of our Proposals.
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 5.

Time costs

From the date of our appointment to 3 May 2020, we have incurred time costs of £564,445. These represent 1,533 hours at an average rate of £368 per hour.

Remuneration

During the period, we have not drawn any remuneration.

Disbursements

During the period, we have incurred disbursements of £13,183. None of these have yet been paid.

Additional information

We have attached a revised fees estimate at Appendix 4. Our time costs have increased due to additional time being spent on statutory investigations, creditor claims and realisations of assets. Within realisations of assets, time has increased in particular in relation to recovery of book debt balances, however, this has resulted in a significantly higher debtor recovery than previously anticipated. We are seeking approval of this revised fee estimate from the secured and preferential creditors and a voting form has been circulated to the preferential creditors to vote on this decision.

We have attached a revised expenses estimate at Appendix 5. Our estimated expenses have increased due to increased transport and logistics costs and our increased fees estimate.

4.2 Pre-administration costs

We disclosed the following pre-administration costs, which were unpaid at the date of our appointment, in our proposals:

Pre-Administration costs (23/10/2019 to 03/11/2019)			
	Paid (£)	Unpaid (£)	Total (£)
KPMG fees	0.00	33,335.00	33,335.00
KPMG disbursements	0.00	0.00	0.00
Legal fees and disbursements	0.00	7,705.50	7,705.50
Total	0.00	41,040.50	41,040.50

During the period, the Joint Administrators obtained approval from the preferential creditors that the pre-administration costs listed above would be paid as an expense of the administration. We are currently awaiting approval from both secured creditors for these costs to be paid.

5 Future strategy

5.1 Future conduct of the administration

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

- Continue work to agree final balances owed by Company's customers for outstanding book debts;
- Paying all outstanding costs of the administration;
- Collecting final trading sales invoices owed;
- Recovery of amounts owed from HMRC in respect of pre-administration VAT owed;
- Consider a VAT bad debt relief claim where possible;
- Agreeing creditor claims and making distributions to the preferential and unsecured creditors;
- Drawing administrators' fees for the time spent dealing with the administration;
- Dealing with all outstanding tax and statutory matters; and
- Closing the case and moving the Company into dissolution.

5.2 Extension of the administration

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

During the period, secured and preferential creditors granted a 12 month extension to the period of the administration.

The administration is currently due to end on 3 November 2021.

5.3 Discharge from liability

Secured and preferential creditors have granted approval that we be discharged from liability in respect of any actions as Joint Administrators, upon filing our final progress report with the Registrar of Companies.

Discharge does not prevent the exercise of the Court's power in relation to any misfeasance action against us.

Should the circumstances of the administration change, we reserve the right to revert to the secured and preferential creditors in order to obtain discharge from liability.

5.4 Future reporting

We will provide a further progress report within one month of 3 November 2020 or earlier if the administration has been completed prior to that time.

Appendix 1 Statutory information

Company information

Company name	Shopfittings Direct Limited also trading as SFD
Date of incorporation	12 June 1998
Company registration number	03580800
Present registered office	One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH

Administration information

Administration appointment	The administration appointment granted in High Court of Justice Business and Property Courts in Birmingham, CR2019-BHM000883
Appointor	Directors
Date of appointment	4 November 2019
Joint Administrators' details	Chris Pole and David Pike
Estimated values of the Net Property and Prescribed Part	Estimated Net Property is £442,000. Estimated Prescribed Part is £73,000. The Prescribed Part has been taken into account when determining the dividend prospects for unsecured creditors (Section 3.3).
Prescribed Part distribution	The Joint Administrators do not intend to apply to Court to obtain an order that the Prescribed Part shall not apply. Accordingly, the Joint Administrators intend to make a distribution to the unsecured creditors.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2)
Current administration expiry date	3 November 2021

Appendix 2 Joint Administrators' receipts and payments account

Shopfittings Direct Limited also trading as SFD - in Administration

Abstract of receipts & payments

Statement of affairs

(£)

From 04/11/2019

to 03/05/2020 (3)

	FIXED CHARGE ASSETS	
2,700,000.00	Book debts	NIL
	Stock	100,000.00
		<u>100,000.00</u>
	FIXED CHARGE COSTS	
	Debt collection costs	(15,728.41)
	Wages, salaries, PAYE & NIC	(1,893.65)
		<u>(4,482.33)</u>
		(22,104.39)
	FIXED CHARGE CREDITORS	
-2,891,822.15	Bibby - invoice discounting facility	NIL
		<u>NIL</u>
	ASSET REALISATIONS	
	Licences	1.00
	Contracts	1.00
35,000.00	Plant & machinery	35,000.00
30,000.00	Furniture & equipment	30,394.00
	Intellectual property rights	3.00
100,000.00	Stock	52,920.38
	Shares and investments	150,743.00
	Goodwill	1.00
172,845.89	Tax refunds (pre-appointment)	172,846.69
581,723.45	VAT refunds (pre-appointment)	337,252.46
	Cash at bank	792.52
	Insurance refund	1,342.60
		<u>781,297.65</u>
	OTHER REALISATIONS	
	Bank interest, gross	1,882.88
	Pre-appointment rates refund	7,043.98
	Trading surplus/(deficit)	125,101.92
	Third party funds	1,314.42
		<u>135,343.20</u>
	COST OF REALISATIONS	
	Transport and logistic costs	(7,275.11)
	Legal fees	(41,115.00)
	Re-direction of mail	(211.00)
	Statutory advertising	(73.00)
	Rates	(3,517.67)
	Wages and salaries	(23,253.41)
	PAYE & NIC	(7,733.38)
	Bank charges	(240.00)
		<u>(83,418.57)</u>
	PREFERENTIAL CREDITORS	
-97,677.34	Employees' arrears of wages and holiday	NIL
		<u>NIL</u>

FLOATING CHARGE CREDITORS		
-436,820.45	Bibby - trade finance facility	NIL
-529,977.12	Conance Limited	NIL
		<u>NIL</u>
UNSECURED CREDITORS		
-4,310,908.88	Trade & expense	NIL
-249,661.83	Employees	NIL
-1,228.30	Directors Loan Account	NIL
-115,202.83	Banks/Institutions	NIL
-3,942,041.34	Connected companies	NIL
-92,469.86	Sales ledger credit balances	NIL
		<u>NIL</u>
DISTRIBUTIONS		
-200	Ordinary shareholders	NIL
		<u>NIL</u>
<u>-9,048,440.76</u>		<u>911,117.89</u>
REPRESENTED BY		
	Floating charge VAT receivable	53,071.92
	Floating charge current	918,683.17
	Fixed charge VAT receivable	3,145.68
	Floating charge VAT payable	(63,782.88)
		<u>911,117.89</u>

Appendix 3 Schedule of expenses

Schedule of expenses (04/11/2019 to 03/05/2020)			
Expenses (£)	Incurred and paid in the period (£)	Incurred in the period not yet paid (£)	Total (£)
Fixed charge costs			
Administrators' fees	0.00	119,515.45	119,515.45
Legal fees	0.00	25,000.00	25,000.00
Debt collection costs	15,728.41	4,947.40	20,675.81
Wages & salaries	6,375.98	0.00	6,375.98
Trading costs			
Direct trading costs	250,363.09	0.00	250,363.09
Holding costs	9,808.99	21,000.00	30,808.99
Transport and logistics	52,763.00	100,000.00	152,763.00
Insurance	1,735.61	2,500.00	4,235.61
Wages & salaries	71,758.27	0.00	71,758.27
Sundry expenses	0.00		0.00
Cost of realisations			
Administrators' fees and disbursements	0.00	491,447.62	491,447.62
Administrators' pre-appointment fees	0.00	33,335.00	33,335.00
Legal fees	41,115.00	8,000.00	49,115.00
Agents' fees	0.00	3,500.00	3,500.00
Statutory costs	284.00	7,500.00	7,784.00
Holding costs	3,517.67	500.00	4,017.67
Wages & salaries	30,986.79	0.00	30,986.79
Other costs	7,515.11	0.00	7,515.11
TOTAL	491,951.92	817,245.47	1,309,197.39

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

Creditors' requests for further information

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

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

Creditors' right to challenge our remuneration and expenses

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

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

The full text of the relevant rules can be provided on request by writing to Rachel Cutts at One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH.

Appendix 4 Joint Administrators' revised fees estimate

Shopfittings Direct Limited - in administration fee estimate					
	Initial estimated hours	Initial estimated costs	Estimated total hours	Estimated total cost (£)	Estimated average hourly rate (£)
Statutory and compliance	102	32,082	129	42,739	331
Cashiering	39	10,099	49	13,422	276
Tax	78	31,255	110	50,287	459
Bankrupt/Director/Member	-	-	-	-	-
General	80	22,103	89	25,110	284
Administration & Planning	299	95,538	376	131,557	350
Trading	224	101,475	263	110,781	421
Realisation of Assets	350	143,252	543	223,866	413
Employees	175	47,267	213	54,793	257
Creditors and claims	282	78,151	385	108,506	282
Committees	-	-	-	-	-
Creditors	458	125,418	599	163,298	273
Directors	13	4,419	97	29,540	306
Investigations	67	27,368	91	40,870	451
Investigations	80	31,786	187	70,410	376
Total	1,410	497,468	1,967	699,912	356

The key areas where our time has changed in comparison to our original estimate are as follows:

Trading

Time spent on trading has exceeded our initial estimate due to delays in payment of sales invoices and increased time finalising trading costs. In addition, the delivery timescales to complete the Primark projects extended resulting in this project taking longer than originally forecast.

Realisation of assets

Time spent on asset realisations has exceeded our original estimate as a result of additional time needed to oversee the settlement and agreement of debtor balances due to poor and inaccurate records held on appointment along with unbilled projects which needed to be finalised and billed following the administrators appointment. This has resulted in significantly increased debtor realisations than originally forecast.

Creditors and employees

Time spent on creditors has exceeded our initial estimate. This has been driven by a higher than expected number of ROT creditors and greater time spent on correspondence with the secured and unsecured creditors. Moreover, more time was spent dealing with employee matters as a result of the sale of business process.

Directors and investigations

Time spent on investigations has exceeded our initial estimate. This is due to additional investigation work required to comply with our statutory obligations.

In the event that additional work is necessary due to a change in the circumstances of the administration we may need to increase our fees estimate and request approval to draw additional remuneration.

Appendix 5 Joint Administrators' revised expenses estimate

Summary of Expenses from appointment				
Estimates (£)	Initial Estimates (£)	Paid to date (£)	Future costs (£)	Total (£)
Fixed charge costs				
Administrators' fees	50,000	-	127,950	127,950
Legal fees and disbursements	35,000	-	25,000	25,000
Debt collection costs	25,712	15,728	4,947	20,676
Wages & salaries	11,578	6,376	-	6,376
Trading costs				
Purchases and subcontractors	-	250,363	-	250,363
Holding costs	30,606	9,809	21,000	30,809
Transport and logistics	4,677	52,763	100,000	152,763
Insurance	-	1,736	2,500	4,236
Wages & salaries	122,730	71,758	-	71,758
Sundry expenses	6,000	-	-	-
Cost of realisations				
Administrators' fees and disbursements	457,322	-	585,145	585,145
Administrators' pre-appointment fees	33,335	-	33,335	33,335
Legal fees and disbursements	50,000	41,115	8,000	49,115
Agents' fees and disbursements	15,000	-	3,500	3,500
Statutory costs	10,284	284	7,500	7,784
Holding costs	-	3,518	500	4,018
Wages & salaries	-	30,987	-	30,987
Other costs	7,500	7,515	-	7,515
TOTAL	859,744	491,952	919,378	1,411,330

The key areas where the estimate has changed is as follows:

Administrators' fees

More detail can be found in our fee estimate attached at Appendix 4.

Purchases and subcontractors

Costs incurred in the trading period have exceeded our estimates due to a number of ransom payments made to subcontractors which were required to deliver the Administrators' contracts.

Transport and logistics

Costs incurred in the trading period have exceeded our estimates due to ransom payments made to logistics providers to ensure release of stock.

Wages and salaries

Overall, costs incurred in respect of wages and salaries have been less than initial estimates. Payments made in the period have been distributed into cost of realisations which has resulted in trading and fixed charge wage costs being less than estimated. This is due to the administrators retaining a number of employees to assist with the sale of business process.

Appendix 6 Joint Administrators' charging and disbursements policy

Joint Administrators' charging policy

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

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

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

<https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/more/29113/page/1/guide-to-administrators-fees/>

If you are unable to access this guide and would like a copy, please contact Rachel Cutts on 0203 0784001.

Hourly rates

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

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

Charge-out rates (£) for: Restructuring		
Grade	From 01 Oct 2019 £/hr	From 01 Jan 2020 £/hr
Partner	655	690
Director	590	620
Senior Manager	535	560
Manager	445	467
Senior Administrator	310	325
Administrator	225	236
Support	140	147

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

Policy for the recovery of disbursements

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

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

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

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

Mileage claims fall into three categories:

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

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

We have incurred the following disbursements from the date of our appointment to 3 May 2020.

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Accommodation	NIL	6,479.69	NIL	NIL	6,479.69
External printing	NIL	186.63	NIL	NIL	186.63
Meals	NIL	2,209.61	NIL	NIL	2,209.61
Mileage	NIL	NIL	NIL	1,533.15	1,533.15
Postage	NIL	349.21	NIL	NIL	349.21
Rates	NIL	29	NIL	NIL	29.00
Sundry	NIL	438.57	NIL	NIL	438.57
Telecommunications	NIL	310.85	NIL	NIL	310.85
Travel	NIL	1,646.32	NIL	NIL	1,646.32
Total	NIL	11,649.88	NIL	1,533.15	13,183.03

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

Category 2 disbursements have been approved in the same manner as our remuneration.

Narrative of work carried out for the period 4 November 2019 to 3 May 2020

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> ■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences; ■ providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment; ■ issuing regular press releases and posting information on a dedicated web page; ■ preparing statutory receipts and payments accounts; ■ arranging bonding and complying with statutory requirements; ■ obtaining approval from secured and preferential creditors of a 12 month extension of the administration; ■ ensuring compliance with all statutory obligations within the relevant timescales.
Strategy documents, checklist and reviews	<ul style="list-style-type: none"> ■ formulating, monitoring and reviewing the administration strategy, including the decision to trade and meetings with internal and external parties to agree the same; ■ briefing of our staff on the administration strategy and matters in relation to various work-streams; ■ regular case management and reviewing of progress, including regular team update meetings and calls; ■ reviewing and authorising junior staff correspondence and other work; ■ dealing with queries arising during the appointment; ■ reviewing matters affecting the outcome of the administration; ■ complying with internal filing and information recording practices, including documenting strategy decisions.
Reports to secured creditors	<ul style="list-style-type: none"> ■ providing written and oral updates to secured creditors regarding the progress of the administration and case strategy.
Cashiering	<ul style="list-style-type: none"> ■ setting up administration bank accounts and dealing with the Company's pre-appointment accounts; ■ preparing and processing vouchers for the payment of post-appointment invoices; ■ creating remittances and sending payments to settle post-appointment invoices; ■ preparing payroll payments for retained staff, dealing with salary related queries and confirming payments with the employee's banks; ■ reviewing and processing employee expense requests; ■ reconciling post-appointment bank accounts to internal systems; ■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.
Tax	<ul style="list-style-type: none"> ■ gathering initial information from the Company's records in relation to the taxation position of the Company; ■ submitting relevant initial notifications to HM Revenue and Customs; ■ reviewing the Company's pre-appointment corporation tax and VAT position; ■ analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations; ■ working initially on tax returns relating to the periods affected by the administration; ■ dealing with post appointment tax compliance.
General	<ul style="list-style-type: none"> ■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9; ■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage.
Trading	<ul style="list-style-type: none"> ■ attending to supplier and customer queries and correspondence; ■ raising, approving and monitoring purchase orders and setting up control systems for trading; ■ negotiating and making direct contact with various suppliers as necessary to provide additional information and undertakings, including agreeing terms and conditions, in order to ensure continued support; ■ securing petty cash on site and monitoring spend; ■ dealing with issues in relation to stock and other assets required for trading; ■ communicating and negotiating with customers regarding ongoing supplies, including agreeing terms and conditions; ■ monitoring stock and stock reconciliations; ■ dealing with hauliers to ensure ongoing services; ■ ensuring ongoing provision of emergency and other essential services to site.
Asset realisations	<ul style="list-style-type: none"> ■ collating information from the Company's records regarding the assets; ■ dealing with issues associated with the sale of stock; ■ reviewing outstanding debtors and management of debt collection strategy; ■ liaising with Company credit control staff and third party debt collection contractor,

	<ul style="list-style-type: none"> Veritas, and communicating with debtors; ■ seeking legal advice in relation to book debt collections; ■ liaising with Bibby and Veritas regarding debtor recoveries.
Property matters	<ul style="list-style-type: none"> ■ reviewing the Company's leasehold properties, including review of leases; ■ communicating with landlords regarding rent, property occupation and other issues; ■ performing land registry searches.
Sale of business	<ul style="list-style-type: none"> ■ planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers; ■ seeking legal advice regarding sale of business, including regarding non-disclosure agreements; ■ collating relevant information and drafting information memorandum in relation to the sale of the Company's business and assets and advertising the business for sale; ■ dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room; ■ managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties; ■ carrying out sale negotiations with interested parties.
Health and safety	<ul style="list-style-type: none"> ■ liaising with internal health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with; ■ liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance.
Open cover insurance	<ul style="list-style-type: none"> ■ arranging ongoing insurance cover for the Company's business and assets; ■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place; ■ assessing the level of insurance premiums.
Employees	<ul style="list-style-type: none"> ■ dealing with queries from employees regarding various matters relating to the administration and their employment; ■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments; ■ holding employee briefing meetings to update employees on progress in the administration and our strategy; ■ administering the Company's payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns; ■ communicating and corresponding with HM Revenue and Customs; ■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office; ■ managing claims from employees; ■ ensuring security of assets held by employees.
Pensions	<ul style="list-style-type: none"> ■ collating information and reviewing the Company's pension schemes; ■ calculating employee pension contributions and review of pre-appointment unpaid contributions; ■ ensuring compliance with our duties to issue statutory notices; ■
Creditors and claims	<ul style="list-style-type: none"> ■ drafting and circulating our proposals; ■ ■ creating and updating the list of unsecured creditors; ■ responding to enquiries from creditors regarding the administration and submission of their claims; ■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records; ■ dealing with suppliers with retention of title claims, including reviewing supporting documentation and arranging and carrying out stock inspection visits; ■ drafting our progress report.
Investigations/ directors	<ul style="list-style-type: none"> ■ reviewing Company and directorship searches and advising the directors of the effect of the administration; ■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies; ■ arranging for the redirection of the Company's mail; ■ reviewing the questionnaires submitted by the Directors of the Company; ■ reviewing pre-appointment transactions; ■ submitting the online director conduct assessment to the relevant authority.

Time costs

Pre-Administration costs (23/10/2019 to 03/11/2019)							
	Hours						
	Partner / Director	Manager	Admin	Support	Total	Time Cost (£)	Average Hourly Rate (£)
Advising directors	20.00	22.00	30.50		72.50	33,025.00	455.52
Appointment documents			1.00		1.00	310.00	310.00
Total	20.00	22.00	31.50	0.00	73.50	33,335.00	453.54

SIP 9 –Time costs analysis (04/11/2019 to 03/05/2020)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Trading			
Cashiering			
General (Cashiering)	22.20	6,015.00	270.95
Reconciliations (& IPS accounting reviews)	1.10	247.50	225.00
Employees			
Correspondence	98.60	25,848.00	262.15
Pensions reviews	4.40	1,181.50	268.52
Tax			
Initial reviews - CT and VAT	7.40	4,366.00	590.00
Post appointment corporation tax	5.90	2,917.50	494.49
Post appointment VAT	10.00	5,900.00	590.00
Trading			
Cash & profit projections & strategy	11.80	5,868.00	497.29
Employee Matters / PAYE	8.60	3,138.50	364.94
Negotiations with customers	53.00	29,350.50	553.78
Negotiations with suppliers / landlords	10.70	5,724.50	535.00
Post trading related matters	1.00	225.00	225.00
Purchases and trading costs	95.45	28,725.60	300.95
Sales	51.15	27,406.00	535.80
Trading Management	3.50	1,872.50	535.00
Administration & planning			
Cashiering			
General (Cashiering)	10.50	3,154.40	300.42
Reconciliations (& IPS accounting reviews)	0.80	260.00	325.00
General			
Books and records	54.75	14,611.25	266.87
Fees and WIP	2.25	1,241.25	551.67
Statutory and compliance			
Advising directors	3.50	1,872.50	535.00
Appointment and related formalities	61.65	15,888.75	257.73
Appointment documents	0.40	56.00	140.00
Bonding & Cover Schedule	0.50	112.50	225.00
Budgets & Estimated outcome statements	28.25	9,753.35	345.25
Checklist & reviews	3.30	2,114.00	640.61

Closure and related formalities	5.10	1,581.00	310.00
Pre-administration checks	0.25	35.00	140.00
Reports to debenture holders	4.00	2,140.00	535.00
Statutory advertising	1.50	802.50	535.00
Strategy documents	10.35	4,935.50	476.86
Tax			
Initial reviews - CT and VAT	2.20	1,364.00	620.00
Post appointment corporation tax	24.80	13,051.00	526.25
Post appointment VAT	17.35	7,798.30	449.47
Creditors			
Creditors and claims			
General correspondence	187.15	41,308.75	220.73
Pre-appointment VAT / PAYE / CT	2.40	566.40	236.00
Secured creditors	12.35	6,950.50	562.79
Statutory reports	46.60	17,905.60	384.24
Employees			
Correspondence	28.82	7,148.62	248.04
DTI redundancy payments service	0.17	40.12	236.00
Pensions reviews	5.80	1,686.90	290.84
Investigation			
Directors			
Correspondence with directors	1.80	586.80	326.00
D form drafting and submission	76.80	22,120.05	288.02
Directors' questionnaire / checklist	3.00	1,713.00	571.00
Statement of affairs	4.50	1,672.50	371.67
Investigations			
Correspondence re investigations	12.50	6,937.50	555.00
Mail redirection	1.15	292.75	254.57
Review of pre-appointment transactions	31.40	17,784.50	566.39
Realisation of assets			
Asset Realisation			
Debtors	286.60	119,515.45	417.01
Insurance	4.50	1,430.25	317.83
Leasehold property	25.00	7,849.20	313.97
Office equipment, fixtures & fittings	4.00	900.00	225.00
Other assets	10.35	4,562.25	440.80
Plant and machinery	1.50	337.50	225.00
Recoveries from Investigations	7.50	2,985.00	398.00
Sale of business	78.55	41,478.00	528.05
Stock and WIP	84.05	29,003.50	345.07
Vehicles	0.50	112.50	225.00
Total in period	1,533.24	564,445.04	368.14
Brought forward time (appointment date to SIP 9 period start date)	0	0	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	1,533.24	564,445.04	
Carry forward time (appointment date to SIP 9 period end date)	1,533.24	564,445.04	

Appendix 7 Glossary

Actons	Actons Solicitors
Bibby	Bibby Financial Services Limited
Company or SFD	Shopfittings Direct Limited - in Administration
Conance	Conance Limited
Elaghmore	Elaghmore I LP
Geodis	Geodis UK Limited
Hemisphere	Hemisphere Freight Services Limited
John Pye / our agents	John Pye & Sons Limited
Joint Administrators/we/our/us	Chris Pole and David Pike
Kesslers	Kesslers International Limited
KPMG	KPMG LLP
R&D	Research and development
Secured creditors	Bibby Financial Services Limited and Conance Limited
SFD Australia	SFD Australia Pty Limited
SIP9	Statement of Insolvency Practice 9
Squires / Squire Patton Boggs / our lawyers	Squire Patton Boggs (UK) LLP
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
Veritas	Veritas Commercial Services Limited

Any references in this progress report to sections, paragraphs and rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules (England and Wales) 2016 respectively.

Appendix 8 Notice: About this report

This report has been prepared by Chris Pole and David Pike, the Joint Administrators of Shopfittings Direct Limited also trading as SFD – in Administration (the 'Company'), solely to comply with their statutory duty to report to creditors under the Insolvency Rules (England and Wales) 2016 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

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

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

Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency Rules (England and Wales) 2016 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this report to any such person.

Christopher Robert Pole and David John Pike are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales.

We are bound by the Insolvency Code of Ethics.

The Officeholders are Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – home.kpmg.com/uk/en/home/misc/privacy-policy-insolvency-court-appointments.html.

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

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