

AM03

Notice of administrator's proposals



Companies House

SATURDAY



A13 *A8B2BLVL* 03/08/2019 #297
COMPANIES HOUSE

1 Company details

Company number 0 4 4 9 5 5 5 7

Company name in full Optima Catering Limited

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Julien

Surname Irving

3 Administrator's address

Building name/number Leonard Curtis

Street Tower 12, 18/22 Bridge Street

Spinningfields

Post town Manchester

County/Region

Postcode M 3 3 B Z

Country

4 Administrator's name ①

Full forename(s) Andrew

Surname Poxon

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number Leonard Curtis

Street Tower 12, 18/22 Bridge Street

Spinningfields

Post town Manchester

County/Region

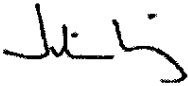
Postcode M 3 3 B Z

Country

② Other administrator

Use this section to tell us about
another administrator.

AM03
Notice of Administrator's Proposals

6		Statement of proposals	
		<input checked="" type="checkbox"/> I attach a copy of the statement of proposals	
7		Sign and date	
Administrator's Signature	Signature X  X		
Signature date	d 3 d 1 m 07 y 20 y 1 y 5		

AM03

Notice of Administrator's Proposals



Presenter information

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

Contact name	Harry Guthrie
Company name	Leonard Curtis
Address	Tower 12, 18/22 Bridge Street
	Spinningfields
	Manchester
Post town	
County/Region	
Postcode	M 3 3 B Z
Country	
DX	
Telephone	0161 831 9999



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



Important information

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



Where to send

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

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



Further information

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

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



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**OPTIMA CATERING LIMITED
(IN ADMINISTRATION)**

Registered Number: 04495557

Court Ref: CR-2019-MAN000455

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

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

Report date: 31 July 2019

Date report deemed to be delivered to creditors: 1 August 2019

Leonard Curtis contact details:

Tower 12, 18/22 Bridge Street, Spinningfields,
Manchester M3 3BZ

Tel: 0161 831 9999 Fax: 0161 831 9090

General email: recovery@leonardcurtis.co.uk

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

Ref: M/38/HGU/O241K/1040

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**TO: THE REGISTRAR OF COMPANIES
ALL CREDITORS
ALL MEMBERS**

1 INTRODUCTION

General information

- 1.1 I refer to the appointment of Andrew Poxon and I as Joint Administrators ("the Joint Administrators") of Optima Catering Limited ("the Company") on 07 June 2019 and now write to present the Joint Administrators' proposals ("the Proposals") (Appendix A) for the Company pursuant to the Insolvency Act 1986 ("the Act").
- 1.2 Para 3 of Schedule B1 to the Act requires the administrators to perform their functions with the objective of:
- a) Rescuing the company as a going concern; or
 - b) Achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration); or
 - c) Realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.3 Para 51(1) of Schedule B1 to the Act ordinarily requires the administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. However, this does not apply where the administrators state that they think:
- a) That the company has sufficient property to enable each creditor of the company to be paid in full; or
 - b) That the company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of a distribution of the prescribed part fund; or
 - c) That neither of the objectives specified in 1.2(a) and 1.2(b) above can be achieved.
- 1.4 I can confirm that in this case the administrators are of the opinion that the Company has insufficient property to enable a distribution to be made to unsecured creditors. A dividend is, however, expected to be paid to secured creditors. As a result, there is no requirement to seek a decision from the Company's general body of creditors as to whether they approve the Proposals.
- 1.5 Creditors whose debts amount to at least 10% of the total debts of the Company may however request the administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. Such a request must be delivered to the administrators within 8 business days of the date on which this report was delivered and comprise the following:
- A statement of the purpose of the proposed decision; and EITHER
 - A statement of the requesting creditor's claim, together with:
 - A list of the creditors concurring with the request and the amount of their respective claims or values; and
 - Confirmation of concurrence from each creditor concurring. OR
 - A statement of the requesting creditor's debt and that that alone is sufficient without the concurrence of other creditors.
- The deemed date of delivery of this report is given on the front page of this report. Please note that security must be given for the costs of convening the requisitioned decision.
- 1.6 In the event that no such request is received, the Proposals will be deemed to have been approved in accordance with Rule 3.38(4) of the Insolvency (England and Wales) Rules 2016 ("the Rules"). Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the expiry of the period for requisitioning a decision referred to in 1.5 above.

2 STATUTORY INFORMATION

- 2.1 The Administration proceedings are under the jurisdiction of the High Court of Justice Business and Property Courts in Manchester - Company & Insolvency List (CHD) under Court reference CR-2019-MAN-000455.
- 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 On 27 June 2019, the Company's registered office was changed from Suite 6 St James Business Centre, Wilderspool Causeway, Warrington, Cheshire WA4 6PS, to Tower 12, 18/22 Bridge Street, Spinningfields, Manchester, M3 3BZ. The registered number is 04495557. The Company traded as its registered name.
- 2.4 The Company operated from leasehold premises at Suite 6 St James Business Centre, Wilderspool Causeway, Warrington, Cheshire WA4 6PS and also operated from over 25 customer sites nationwide.
- 2.5 The Company's director is:

Name	Role	Date Appointed
Julie Lockley	Director	28 January 2006

- 2.6 The Company's shareholding comprises 85 A Ordinary £1 shares and 85 B Ordinary £1 shares and are owned as follows:

Name	Class of Share	No. of Shares	% of Total Owned
Julie Lockley	A Ordinary	85	100
Julie Lockley	B Ordinary	85	100
		170	100%

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

Date of creation	Chargee	Type of charge	Amount secured and assets charged
13 October 2006	National Westminster Bank plc	Debenture	All monies and all assets
23 January 2018	RBS Invoice Finance Limited	Debenture	All monies and all assets
30 May 2019	Bibby Financial Services Limited	Debenture	All monies and all assets

- 2.8 It should be noted that Bibby repaid RBSIF in full on 30 May 2019 following the transfer of the Invoice Finance Facility. As such, RBSIF's charge should be shown as satisfied at Companies House.
- 2.9 The EC Regulation on Insolvency Proceedings 2015 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

- 3.1 The Company was incorporated on 25 July 2002 and commenced to trade shortly following its inception.
- 3.2 The Company latterly traded from leasehold premises at Suite 6 St James Business Centre, Wilderspool Causeway, Warrington, Cheshire WA4 6PS and 25 client sites nationwide. The principal trading activity of the Company as a contract catering business.
- 3.3 The business had been set-up by Brian Lockley, the late-husband of the current sole Director and Shareholder, in 2002 with his business Partner and Financial Director, Philip Pope, who resigned in December 2014. Julie Lockley was appointed a director of the Company in January 2006 but did not have an active day-to-day role in the business until January 2019.

- 3.4 The Company was funded by way of an Invoice Finance Facility provided by RBS Invoice Finance Limited ("RBSIF"), who hold security by way of a Debenture, incorporating Fixed and Floating Charges over all assets, created on 23 January 2018. It should be noted that on 30 May 2019, shortly prior to the Administration, RBSIF were repaid in full by Bibby Financial Services Limited ("Bibby"). Bibby hold security by way of a Debenture, incorporating Fixed and Floating Charges over all assets, created on 30 May 2019.
- 3.5 The Company obtained additional Working Capital from loan arrangements and a credit card with National Westminster Bank Plc ("NatWest"). NatWest hold security in respect of the outstanding loans by way of a Debenture incorporating a Fixed and Floating Charge over all assets created on 13 October 2006. The amount outstanding to NatWest at the date of Administration was £23,328 consisting of £20,149 in respect of two loans, £2,658 in respect of a credit card and £521 in additional charges. Under the powers afforded under the loan agreement and security, NatWest has applied its right of set off against the cash balance held in the Company's account.
- 3.6 In addition, Julie Lockley introduced £50k of funding in January 2019 in an attempt to turnaround the business.
- 3.7 The Company has performed profitably in recent years, however, in the last statutory accounts the Company reported a loss. The turnover and profit/loss position of the Company since 2015 is detailed below:

Year Ended	Turnover	Profit / Loss
31 July 2015	£3.2m	Profit of £48k
31 July 2016	£3.8m	Profit of £76k
31 July 2017	£3.4m	Profit of £69k
31 July 2018	£3.4m	Loss of £32k

- 3.8 The management accounts for the 10 month period ended 31 May 2019, indicate turnover of £2.9m (annualised at £3.5m) and losses of £384k (annualised at £461k).
- 3.9 The Company was trading profitably for a number of years until late 2017, when it experienced an unforeseen event involving alleged employee misconduct from 2016 until January 2019. Ultimately, the staff member was dismissed for gross misconduct.
- 3.10 As a result of the losses currently identified relating to the alleged misconduct, the Company has suffered significant cash flow difficulties and has fallen into arrears with its obligations to HM Revenue & Customs ("HMRC") with approximately £200k overdue. Trade creditors have also significantly increased within recent years and the Company was experiencing moderate creditor pressure.
- 3.11 Following the period of distress and deterioration in the Company's financial position, Julie Lockley was appointed as a Director to the business in January 2019 in order to implement a turnaround plan and undertake a detailed analysis of the Company's affairs and the cause of the loss-making, which included the appointment of a forensic accountant.
- 3.12 In addition to an alleged misappropriation of funds, loss-making sites were contributing to the Company's poor financial position.
- 3.13 The Director of the Company sought advice from Leonard Curtis Recovery ("LCR") on the current financial position of the Company and the options available to it in the circumstances.
- 3.14 It was concluded that the Company was insolvent, pursuant to S123 of The Insolvency Act 1986, as it was unable to pay debts as and when they fell due, evidenced by the HMRC and trade creditor arrears.
- 3.15 It was considered that Administration was the most suitable insolvency procedure for the Company as it would best allow the possibility of selling the business as a going concern. It was considered that a sale, without the need for ongoing trading whilst in Administration, would be preferable to allow maximum value to be realised from the Company assets, particularly Goodwill, Book Debts and Chattel assets and to minimise the professional costs

of the Administration. On 21 May 2019, the Director formally instructed LCR to assist in placing the Company into Administration.

- 3.16 In order to protect the Company's assets from any creditor enforcement action and implement the strategy to place the Company into Administration, the Director filed a Notice of Intention to Appoint an Administrator ("NOI") at High Court of Justice Business and Property Courts- Company & Insolvency List (CHD) on 28 May 2019, which was served on the Company and NatWest and RBSIF, as Qualifying Floating Charge Holders. The NOI proposed to appoint Julien Irving and Andrew Poxon of Leonard Curtis as Joint Administrators.
- 3.17 From 28 May 2019, following the instruction to assist in placing the Company into Administration, the proposed Joint Administrators marketed the business for sale through the LCR website and the external website of Cerberus Asset Management ("CAM"), agents instructed to value the Company's assets. Best and final offers were requested by 12 noon on 4 June 2019.
- 3.18 Following the period of marketing, the proposed Joint Administrators, Julien Irving and Andrew Poxon of LCR, agreed for a sale of the Company's assets to Optima Catering and Facilities Management Limited ("the Purchaser"), a connected party virtue of the common Directorship and Shareholding of Julie Lockley. Further details in respect of the sale are provided at Appendix J.
- 3.19 The Director filed a Notice of Appointment at High Court of Justice Business and Property Courts - Company & Insolvency List (CHD) on 7 June 2019, appointing Julien Irving and Andrew Poxon as Joint Administrators. The sale of the business was completed shortly thereafter.
- 3.20 Julien Irving and Andrew Poxon are licensed by the Institute of Chartered Accountants in England and Wales. In accordance with paragraph 100(2) of Schedule B1 of the Insolvency Act 1986, the functions of the Joint Administrators may be exercised by either both, acting jointly or alone.

4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

- 4.1 The Company's trading results for the years ending 31 July 2018, 31 July 2017 and 31 July 2016 are detailed below:

	Signed Year ended 31 July 2018 £'000	Signed Year ended 31 July 2017 £'000	Signed Year ended 31 July 2016 £'000
Turnover	3,438	3,434	3,826
Gross Profit	2,009	2,119	2,349
Gross Profit %	58%	61%	61%
Administrative expenses	(2,047)	(2,020)	(2,241)
Operating Profit/(Loss)	(38)	99	108
Interest and charges	(5)	(4)	(6)
Profit/(Loss) before tax	(43)	95	102
Taxation	10	(26)	(26)
Profit for the year	(33)	69	76
Dividends	-	(69)	(34)
Retained profit	(33)	-	42

4.2 The balance sheets as at 31 July 2018, 31 July 2017 and 31 July 2016 are detailed below:

	Mgmt 31 July 2018 £'000	Signed 31 July 2017 £'000	Signed 31 July 2016 £'000
Fixed Assets			
Tangible Assets	27	19	38
Current Assets			
Stocks	109	82	93
Debtors	809	546	559
Cash	57	41	92
	975	669	744
Creditors: Amounts Falling due within one year	(988)	(628)	(703)
Net Current Assets/(Liabilities)	(13)	41	41
Total Assets less Current Liabilities	14	60	79
Creditors: Amounts falling due after more than year	(29)	(43)	(65)
Provisions	(5)	(4)	-
Net Assets	(19)	14	14
Represented by			
Called up share capital*	-	-	-
Profit and Loss account	(19)	14	14
Shareholders' Funds	(19)	14	14

*Please note share capital totals £170

Statement of Affairs

4.3 The directors are required to lodge a statement of affairs as at 7 June 2019 which has to be filed with the Registrar of Companies. This document has not yet been received and the Joint Administrators have extended the deadline to receive the document from the Director from 18 June 2019 to 7 August 2019. 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.

4.4 The Director advises that the Statement of Affairs will be ready for submission by the new deadline of 7 August 2019.

Secured Creditors

RBS Invoice Finance Limited ("RBSIF")

4.5 The Company was funded by way of an Invoice Finance Facility provided by RBSIF, who hold security by way of Debenture, incorporating Fixed and Floating Charges over all assets, created on 23 January 2018.

- 4.6 It should be noted that on 30 May 2019, shortly prior to the Administration, RBSIF were repaid in full by Bibby Financial Services Limited ("Bibby"). Whilst RBSIF's charge remains outstanding with the Registrar of Companies, it should be considered as satisfied.

Bibby

- 4.7 As detailed above, Bibby paid RBSIF in full in respect of the Company's indebtedness to RBSIF as at 30 May 2019. The Company granted Bibby security by way of a Debenture, incorporating Fixed and Floating Charges over all assets, created on 30 May 2019.
- 4.8 The outstanding financed debtor ledger at our appointment totalled £319,176 of which £272,079 was approved for funding.
- 4.9 The Company's indebtedness to Bibby on our appointment was £191,823. Further interest and charges are applicable pursuant to the terms of the agreement. Termination charges are estimated to be approximately £15,000.
- 4.10 As at 30 June 2019, debtor collections totalled £51,470 which have been paid to Bibby under their Fixed Charge. Further collections have been received in July, which Bibby are currently reconciling as some of the sums received may be due to the Purchaser. Further details on collections will be provided in future reports.
- 4.11 It is anticipated that debtor collections will be sufficient to repay Bibby in full under its Fixed Charge.

National Westminster Bank plc ("NatWest")

- 4.12 The Company obtained additional Working Capital from loan arrangements and a credit card with NatWest. NatWest hold security in respect of the outstanding loans by way of a Debenture incorporating a Fixed and Floating Charge over all assets created on 13 October 2006.
- 4.13 The amount outstanding to NatWest at the date of Administration was £22,807 consisting of £20,149 in respect of term loans and £2,658 in respect of a credit card. With additional charges of £521, the Company's total indebtedness to NatWest was £23,328.
- 4.14 NatWest applied its right of set-off under its debenture against the Company's credit balance held in its current account and has to date received distributions totaling £20,863. A further distribution of £2,465 from remaining funds held in the Company's bank account will be made in due course, resulting NatWest being paid in full.

Prescribed Part

- 4.15 The Insolvency Act 1986 provides that, where a company has created a floating charge after 15 September 2003, the administrator must make a *prescribed part* of the company's net property available to the unsecured creditors and not distribute it the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims.
- 4.16 The method of calculating the prescribed part and additional notes as regards its application are detailed in the notes at Appendix B.
- 4.17 Based upon the information currently available, it is estimated that a Prescribed Part Fund will not be required as we anticipate the Secured Creditors to be repaid in full during the Administration from asset realisations subject to their Fixed Charge security.

Preferential Claims

- 4.18 The only categories of claims which have preferential status are those of employees in respect of unpaid wages (up to £800) and accrued but unpaid holiday pay and certain pension contributions.

- 4.19 Immediately following the Joint Administrators appointment, a sale of the Company's business and assets concluded to a connected company, Optima Catering and Facilities Management Limited ("the Purchaser"). As part of that sale, 79 employees of the Company were transferred to the Purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). Further details on the sale to the Purchaser is contained at Section 5 below.
- 4.20 6 of the contracts held by the Company over its 25 sites were not purchased, the Joint Administrators have made 25 employees that worked at these sites redundant following our appointment. These employees will have preferential claims for Arrears of Pay, Holiday Pay and Payment in Lieu of Notice.
- 4.21 Furthermore, it has been brought to our attention that there may be pension contributions that have been deducted from pay but not paid to the pension scheme. The Joint Administrators await further information from the pension scheme provider and the directors. If there are outstanding pension contributions, the Joint Administrators shall submit a claim to the Redundancy Payment Service ("RPS").
- 4.22 The Joint Administrators have instructed Evolve IS ("EIS") to assist the employees with making their claims. All of the employees concerned had less than two years' service and will be unable to claim Redundancy Pay. Claims will be limited Arrears of Pay, Holiday Pay, some Notice Pay and some outstanding pension contributions.
- 4.23 EIS estimate that preferential claims will total £10,182 in respect of Arrears of Pay and Holiday Pay.
- 4.24 According to the Company's books and records, there are arrears of employees' pension contributions totalling £3,857, which will rank as a preferential claim. The Joint Administrators have instructed EIS to prepare and submit a claim to the RPS for these arrears. In addition a claim will be submitted to the RPS for arrears of employer's contributions totalling £2,893 which will rank as an unsecured claim.
- 4.25 It is anticipated that there will be insufficient funds to enable a distribution to preferential creditors.

Unsecured Claims

- 4.26 At present, it is considered unlikely that there will be sufficient funds available to enable any form of distribution to unsecured creditors. This statement is being made in accordance with paragraph 52(1) (b) of Schedule B1 to the Act. Creditors should however continue to submit details of their claims using the proof of debt form attached at Appendix I. These claims will be collated and passed to any subsequently appointed Liquidator, should the position change.

Receipts and Payments

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

5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT

Sale of Business

- 5.1 Full details of the marketing undertaken and the subsequent business sale were circulated to creditors in the Joint Administrators Initial Letter to Creditors on 13 June 2019 pursuant to SIP 16. A copy of which can be found at Appendix J.
- 5.2 Prior to and upon appointment, the Joint 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 allowed the following:
- Maximise asset realisations- enhanced realisations for the Company's physical assets compared to ex-situ realisations most likely achievable on a cessation of trade. A pre-packaged sale allowed for business continuity and minimal disruption in trading which may result in enhanced debtor collections;

- Preservation of Intangible Assets – Typically, a pre-packaged sale allowed for a sale of Goodwill, Intellectual Property and other intangible assets, which may not have been achieved if the Company ceased to trade. It was critical in maximising realisations particularly 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 Goodwill;
- Mitigation of employee claims and preservation of employment for staff – the staff pertaining to the Company's discontinued underperforming customer sites were made redundant on the date of appointment. However, the sale would allow for the transfer of employees to any purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPER"). The transfer of employment to the purchasing Company, ensured that those staff had continuity of employment rights.

Claims were mitigated from these 79 members of staff that would have ordinarily arisen on the cessation of trade and/or redundancy for Arrears of Pay, accrued but unpaid Holiday Pay, Pay in Lieu of Notice ("PILON") and Redundancy Pay.

- Mitigation of claims from Finance Companies – the Purchaser would be able to novate some or all of the finance agreements therefore mitigating unsecured claims. On cessation of trade, the vehicles would have been required to be returned to the finance creditors, which would likely have resulted in additional unsecured claims for the remaining period under the agreements.

5.3 A sale of the Company's business and assets was completed on 15 May 2019 to a connected company, Optima Catering Facilities Management Limited (CRN: 11993664) ("the Purchaser"). The Purchaser is a connected party pursuant to Sections 249 and 435 of the Insolvency Act 1986 (as amended) ("the Act"), by virtue of the common Directorship and Shareholding of Julie Lockley.

5.4 The Purchaser agreed to pay £55,000 to acquire the following assets:

	£
ASSETS SPECIFICALLY PLEDGED	
Goodwill, Business Intellectual Property and Business Name	5,000
ASSETS NOT SPECIFICALLY PLEDGED	
Plant & Machinery	30,000
Stock	19,998
Sellers records	1
Customer contracts	1
TOTAL	<u>55,000</u>

5.5 The gross consideration of £55,000 is payable as follows:

Date	£	
On Completion	30,000.00	Received in full
On or before 28 June 2019	2,777.78	Received in full
On or before 31 July 2019	2,777.78	
On or before 30 August 2019	2,777.78	
On or before 30 September 2019	2,777.78	
On before 31 October 2019	2,777.78	
On before 29 November 2019	2,777.78	
On before 31 December 2019	2,777.78	
On before 31 January 2020	2,777.77	
On before 28 February 2020	2,777.77	
	<u>55,000.00</u>	

- 5.6 We can confirm that the amounts that have become due to date have been received.
- 5.7 As part of the Sale and Purchase Agreement, the Purchaser granted the Company (acting by its Administrators) a Fixed and Floating Charge Debenture as security over its assets which has been limited to the value of outstanding deferred consideration. The director of the Purchaser has also provided personal guarantees.
- 5.8 The Administration and subsequent sale has resulted in the transfer of 79 employees under TUPE regulations.
- 5.9 Bibby are funding the Purchaser going forward by way of an Invoice Finance Facility.
- 5.10 Following the pre-packaged sale of the Company's business and assets, the Joint Administrators sent a letter to creditors on 13 June 2019 to provide further information on the sale pursuant to the requirements of Statement of Insolvency Practice 16. A copy of the information provided is attached at Appendix J. The Joint Administrators did not circulate their proposals simultaneously with the initial notification whilst assets which were not been included within the sale were appraised, in particular the overdrawn Directors Loan Account. The Joint Administrators also received confirmation from the Bibby of the estimate of Termination fees to be applied to the Invoice Finance facility provided to the Company as the application of fees and charges potentially impacts on the availability of any surplus funds from the Debtor Ledger that could otherwise be available for distribution.

Book Debts

- 5.11 As detailed above, RBSIF's debt was paid for in full by Bibby prior to the Joint Administrators' appointment.
- 5.12 At the date of the Administration, the Company had a gross debtor ledger of £319,176 of which £272,709 had been approved for funding. Funds in use with Bibby totalled £191,823 (excluding interest and charges). Termination charges are estimated to be approximately £15,000.
- 5.13 As the Book Debt Ledger is subject to an assignment in favour of Bibby under its Fixed Charge security, Bibby has advised that it will undertake to collect the Ledger in Administration. Given the small amount of perceived equity in the Ledger and with no offer received to acquire the Company's interest in the Ledger, there was no merit in obtaining a valuation of the equity position.
- 5.14 As at 30 June 2019, debtor collections totalled £51,470 which have been paid to Bibby under their Fixed Charge. Further collections have been received in July, which Bibby are currently reconciling as some of the sums received may be due to the Purchaser. Further details on collections will be provided in future reports.
- 5.15 The Sale and Purchase Agreement provides that the Purchaser will, on behalf of the Company (as its agent), use all reasonable endeavours to collect the book debts. Once Bibby's indebtedness has been discharged in full, the Purchaser will be entitled to a collection fee equivalent to 30% of any surplus collections.
- 5.16 An update on collections and the final level of any surplus that may be available to the Administration estate, after the application of charges applicable by Bibby, will be provided in my next report to creditors.

Director's Loan Account

- 5.17 The book value of the director's loan account as at 31 July 2018 was £140,139. We have requested an updated reconciliation from the Director and have recently received a breakdown detailing that £95,803 is due to the Company.
- 5.18 We are looking to investigate this position further and will instruct Cerberus Receivables Management ("CRM"), debt collection specialists, to review the position of the account to establish the likely realisations from this asset. Once established, the Joint Administrators will seek repayment from the Director.

Cash at Bank

- 5.19 As at the date of appointment, the Company's bank account held a credit balance of £40,065.
- 5.20 Under the powers afforded to it under its security, NatWest has set off the known Company indebtedness of £20,863 against the Company's current account credit balance and transferred £37,022 to the Administration bank account (of which £19,202 relates to cash at bank). The remaining funds held will be used to settle the remaining credit card balance of £2,465.

Post Appointment Receipts

- 5.21 Funds totalling £9,505, relating to pre-appointment sales have been received into the Company's current account after the date of Administration. All of these funds have been transferred to the Administration bank account.
- 5.22 The Joint Administrators are currently in discussions with the Company's PDQ machine provider to ascertain if there are any funds being held that are due to the Administration and an update will be provided in the first progress report to creditors.

Receipts Due to Purchaser

- 5.22 Following the sale of the Company's business and assets, receipts from transactions processed through PDQ machines have been deposited in to the Company's current account and transferred to the Administration account to be paid to the Purchaser.
- 5.23 To date, the Joint Administrators have paid £31,335 relating to these receipts to the Purchaser. The Joint Administrators have requested that the current account be closed so that no further funds due to the Purchaser are received.

Cash in Hand

- 5.24 On appointment, the Company held petty cash balances across its 25 sites. Representatives of LCR attended a number of sites and collected £759, which was subsequently deposited into the Administration bank account. The Joint Administrators anticipate a further £700 in receipts from petty cash held at two of the customer sites.
- 5.25 Further petty cash balances were deposited into the Company's pre appointment bank account and are included in the post appointment receipts transferred to the Administration bank account.

Books and Records

- 5.26 A letter was sent to the Company on 3 June 2019 requesting the collection of the Company's books and records. The records have not yet been collected, however, the Joint Administrators are in discussions to organise the collection/transfer of records as soon as possible.

Leasehold Property

- 5.27 The Company traded from leasehold premises at Suite 6 St James Business Centre, Wilderspool Causeway, Warrington, Cheshire WA4 6PS. Following their appointment, the Joint Administrators have written to the landlord to advise of the Administration and that the Company left the premises immediately on 7 June 2019.
- 5.28 The Joint Administrators will complete a surrender of the lease, if requested, in due course.

Terminal Loss Relief

- 5.29 After reviewing the Company's most recent accounts, the Joint Administrators consider that there may be a claim for Terminal Loss Relief for the benefit of the Administration estate.
- 5.30 The Joint Administrators will instruct tax advisers to review the availability of any tax reliefs to the Administration and consider the viability of any claims in light of the level of HMRC's unsecured claim in the Administration.

Professional Advisors and Subcontractors Used

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

Name of Professional Advisor	Service Provided	Basis of Fees
Trowers & Hamlins LLP ("Trowers")	Legal advice	Time Costs
Cerberus Asset Management ("CAM")	Asset valuation advice	Fixed Fee of £5,000
Evolve IS	Handling of employee claims	Fixed Fee of £3,075
Cerberus Receivables Management ("CRM")	Debt collection advice	Time Costs

CAM

- 5.32 CAM has substantial experience in managing assets sales and has specific sector product knowledge of the types of assets operated by the Company. CAM also has a long standing history of assisting insolvency practices with business and asset sales. They are supported by a team of RICS registered professionals who also specialise in security and removal and disposal. CAM were instructed to assess and value the Company's tangible assets, in addition to collecting and storing the Company's records.

Trowers

- 5.33 Trowers was instructed to assist with the appointment of the Joint Administrators, the drafting of the Sale and Purchase Agreement and also drafting the supplemental sale documents. The Joint Administrators instructed Trowers due to their expertise in this area and knowledge of pre-packaged sales of businesses in Administration.

Evolve

- 5.34 Evolve provides Employment Rights Act services to the Insolvency Sector. The Joint Administrators instructed Evolve to assist in handling the relevant employees' claims to the Redundancy Payments Office including pension arrears assistance. This work has been sub-contracted out by the Joint Administrators as the extensive specialist knowledge Evolve have acquired over many years has allowed them to put effective systems in place to ensure claims are dealt with as quickly as possible.

CRM

- 5.35 CRM provides specialist advice and solutions in recovery and realisation of debt for insolvency practitioners, asset based lenders and small to medium sized enterprises. CRM were instructed due to their expertise in assisting insolvency practitioners with the collection of debts.

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

6 ACHIEVING THE PURPOSE OF ADMINISTRATION

- 6.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:
- (a) rescuing the Company as a going concern, or (if this cannot be achieved);
 - (b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration), or (if (a) and (b) cannot be achieved);
 - (c) realising property in order to make a distribution to one or more secured or preferential creditors.
- 6.2 In this instance, it is not possible to achieve objective (a) given the extent of the Company's historic liabilities.
- 6.3 It is considered that objective (b) will be achievable as realisations are greater than those anticipated had the company had been wound up. In addition the transfer of 79 staff has mitigated any claims that may arise on insolvency. The Purchaser may be able to novate some or all of the finance agreements therefore mitigating unsecured claims and claims from the Landlord may also be mitigated as a result of the negotiations to with the Purchaser to assign the lease.
- 6.4 In the event that objective (b) is not achievable it is considered that objective (c) will be achieved as Bibby will receive payment in full under their Fixed Charge following the collection of the Debtors. NatWest will be repaid in full from the balance at bank held under their Fixed Charge.
- 6.5 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.

7 JOINT ADMINISTRATORS' PROPOSALS AND EXIT ROUTE

- 7.1 The Joint Administrators' Proposals for achieving the objective of Administration are attached at Appendix A.
- 7.2 Ordinarily the Joint Administrators would seek a decision from the Company's creditors as to whether they approve the Proposals. However, in this case, as there is little likelihood of a dividend being available for unsecured creditors, there is no requirement to seek such a decision from creditors.
- 7.3 Creditors whose debts amount to at least 10% of the total debts of the Company may however request the administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. Such a request must be delivered to the administrators within 8 business days of the date on which this report was delivered. The deemed date of delivery of this report is given on the front page of this report. Please note that security must be given for the costs of convening the requisitioned decision.
- 7.4 If such a decision is requisitioned, creditors will again be invited to consider the appointment of a creditors' committee and to vote on the Joint Administrators' Proposals as set out at Appendix A.
- 7.5 In the event that no such request is received, the Proposals will be deemed to have been approved in accordance with Rule 3.38(4) of the Insolvency (England and Wales) Rules 2016 ("the Rules"). Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the expiry of the period for requisitioning a decision referred to in 1.5 above.
- 7.6 Once approved, the affairs of the Company will be managed in accordance with the Proposals and financed out of asset realisations.
- 7.7 Once the Administration has been finalised, and if there are insufficient funds available to allow a distribution to unsecured creditors, the Joint Administrators will file a Notice with the Registrar of Companies that the Company

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 twelve months with the consent of each Secured Creditor of the Company.
- 8.3 We believe that an extension to the Administration will be unlikely in this case, subject to the realisation of the director's loan account and deferred consideration due.

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

Charged by	Services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Leonard Curtis Recovery	Carried out an assessment of the financial position with a view to establishing the appropriate insolvency procedure, providing insolvency advice to the Director and Company on the available options, liaising with the secured creditors with regards the strategy, marketing the Company and liaising with interested parties, negotiating and agreeing the sale of business and assets and dealing with all appointment formalities.	29,294.00	-	n/a	29,294.00
Cerberus Asset Management	Valuation of physical assets	3,500.00	-	n/a	3,500.00
Warburton & Freeman	Valuation of Goodwill	2,000.00	-	n/a	2,000.00

Trowers & Hamlins LLP	Preparing and executing the required sales and appointment documentation	13,600.00	-	n/a	13,600.00
	Total	£48,394.00	-		£48,394.00

9.3 Enclosed at Appendix D is an analysis of the Joint Administrators' pre-administration costs. The analysis shows that total pre-administration time costs of £29,294 have been incurred which represents 73.6 hours at a rate of £398.02 per hour.

9.4 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 Creditor to this resolution.

Work Undertaken by Leonard Curtis

9.5 In the period prior to Administration, Leonard Curtis provided insolvency advice to the Company and carried out an assessment of its financial position with a view to establishing the appropriate insolvency procedure for the Company.

9.6 The Joint Administrators evaluated the Company's financial position and advised that the Company was insolvent as it was unable to pay its liabilities as and when they fell due.

9.7 Subsequently it was advised that Administration was the most suitable form of insolvency procedure and the Joint Administrators assisted with formulating an administration strategy.

9.8 The work undertaken included but was not limited to:

- Advising the Company on which insolvency process would be most appropriate;
- Dealing with all formalities in relation to the appointment of Administrators;
- Attending meetings with the management of the business;
- Liaising with the director and secured creditors with regards to the strategy;
- Obtaining the Company's relevant financial information;
- Marketing of the business and dealing with interested parties;
- Negotiating the sale of the business;
- Drafting the SIP16 letter sent to creditors following our appointment;
- Liaising with Trowers in respect of preparing and reviewing the sale documentation and appointment formalities; and
- Liaising with Secured creditors with regard to obtaining Deeds of Release.

Work Undertaken by CAM

9.9 CAM were instructed to provide a valuation of all the Company's physical assets and to market the business and assets. The work carried out included:

- Marketing of the business and assets;
- Liaising with management to obtain details of Company owned assets;
- Attending the Company premises to prepare an inventory of assets held; and
- Asset valuation and recommendation of sale.

Work undertaken by Trowers

9.10 Following the decision to place the Company into administration, costs were incurred by Trowers in dealing with the formalities associated with placing the Company into administration, which included:

- Drafting the NOI and filing of the same in the High Court of Justice Business and Property Courts in Manchester. Serving the NOI on the Company and Bibby;
- Checking if any winding up petitions had been presented in relation to the Company.
- Drafting the appointment documentation and filing of the same in the High Court of Justice Business and Property Courts in Manchester;
- Preparing and executing the required sales documentation; and
- Providing general legal advice in respect of the sale of the Company's business and assets.

Work undertaken by Warburton & Freeman

9.11 *Independent accountants, Warburton & Freeman were instructed to assist in valuing the Goodwill of the Company.*

- Reviewing the Company's statutory and management accounts;
- Assessing the appropriate method for valuing goodwill for the sale of the business and assets; and
- Applying the most appropriate method of valuing goodwill and drafting a valuation report for LCR.

10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

General

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

Approval by appropriate body

10.2 The Joint Administrators think that the Company has insufficient property to enable a distribution to be made to unsecured creditors. In such circumstances, responsibility for approving the basis of the Joint Administrators' remuneration lies with the Creditors' Committee (if there is one); or if none (or the Committee does not make the requisite determination): each secured creditor of the Company; or where the Joint Administrators intend to make a distribution to preferential creditors: each secured creditor of the Company and a decision of the preferential creditors.

10.3 In the absence of a Creditors' Committee being established in this case, approval will be sought from the Secured Creditors and the outcome will be reported to all creditors in due course.

Information to be given to creditors

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

The Fees Estimate

10.5 The Joint Administrators' Fees Estimate for the whole of the Administration is set out at Appendix E. It includes the following:

- Details of the work that the Joint Administrators and their staff propose to undertake;
- The hourly rate or rates that the Joint Administrators and their staff propose to use; and
- The time that the Joint Administrators anticipate that each part of the work will take.

Details of the Joint Administrators' time costs to 30 June 2019 have also been included for comparison purposes. In summary, time costs of £31,967 have been incurred to 30 June 2019 which represents 94.3 hours at an average rate of £338.99 per hour.

- 10.6 The total amount of time costs as set out in the Fees Estimate is £122,185.50. Once approved by the appropriate body of creditors, the remuneration drawn by the Joint Administrators must not exceed this total amount without prior approval. It should be noted that in some instances payment of these costs will be limited to the amount of realisations available in the administration.
- 10.7 The Fees Estimate is based upon information currently available to the Joint Administrators. Based upon this information, the Joint Administrators do not anticipate that the Fees Estimate will be exceeded. However should information come to light during the course of the administration which means that the Joint Administrators will be required to undertake work not envisaged at the time that the Fees Estimate was provided, it may be necessary for the Joint Administrators to revert to Secured Creditors for further approval.
- 10.8 Details of the firm's charge-out rates and policy regarding the recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix H.
- 10.9 Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded using the following link:

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

If you would prefer this to be sent to you in hard copy please email recovery@leonardcurtis.co.uk or contact Harry Guthrie of this office on 0161 831 9999.

Statement of Likely Expenses

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

Further Updates

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

11 ESTIMATED OUTCOME FOR CREDITORS

- 11.1 In order to assist the various classes of creditors in assessing the quantum of any dividend which may or may not be payable to them, we have produced an Estimated Outcome Statement. This is attached at Appendix G.
- 11.2 The Estimated Outcome Statement assumes the following:
- a) That asset realisations are in line with those estimated at Appendix B;

- b) That the Joint Administrators' fees estimate (as detailed at Appendix E) is approved and is not exceeded; and
- c) That the expenses of the administration are as set out in the Statement of Likely Expenses at Appendix F and are not exceeded.

11.3 In summary:

- **Secured creditors** – it is anticipated that the Secured Creditors will be paid in full.
- **Preferential Creditors** – Preferential claims relate to Arrears of Pay and unpaid Holiday Pay in respect of staff that were made redundant and arrears of employee pension contributions for all former employees. We do not anticipate funds to be available to enable a distribution to Preferential Creditors.
- **Unsecured Creditors** – it is not anticipated that there will be sufficient funds in order to enable a distribution to the Unsecured Creditors.

12 RELEASE OF ADMINISTRATORS FROM LIABILITY

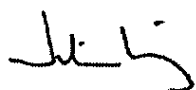
- 12.1 As soon as all outstanding matters in the Administration have been attended to it is anticipated that we will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically to dissolution.
- 12.2 The appointment of the Joint Administrators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

13 CONCLUSION

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

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

for and on behalf of
OPTIMA CATERING LIMITED



JULIEN IRVING
JOINT ADMINISTRATOR

Julien Irving is authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants in England and Wales under office holder number 13092 and Andrew Poxon is authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants in England and Wales under office holder number 8620

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

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

It is proposed that:

1. The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration.
2. If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company.
3. If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation. It is further proposed that Julien Irving and/or Andrew 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 Julien Irving and/or Andrew 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 7 JUNE 2019

	Notes	Book value £	In Administration £
Asset Specifically Pledged			
Book debts	1	319,176	245,438
less: Bibby	1	(206,823)	(206,823)
Surplus as regards Bibby		<u>112,353</u>	<u>38,615</u>
Fixed Charge Assets			
Goodwill and Intellectual Property Rights	2	Nil	5,000
Cash at Bank	3	40,065	40,065
NatWest	4	(23,328)	(23,328)
Total Surplus as regards Fixed Charge holders		<u>16,737</u>	<u>21,737</u>
Assets not specifically pledged			
Surplus from fixed charge holder		129,090	60,352
Plant & Machinery	5	57,178	30,000
Stock	6	91,844	19,998
Sellers Records	7	-	1
Customer contracts	8	-	1
Directors Loan Account	9	95,803	Unknown
Sales Receipts	10	9,506	9,506
Cash in Hand	11	1,459	1,459
		<u>384,850</u>	<u>121,317</u>
Preferential creditors	12	(14,039)	(14,039)
Net property available for prescribed part		<u>370,811</u>	<u>107,278</u>
Prescribed part calculation	13	<u>n/a</u>	<u>n/a</u>
Available for unsecured creditors		<u>370,811</u>	<u>107,278</u>
Unsecured creditors			
H M Revenue & Customs - VAT	14	(313,663)	(313,663)
H M Revenue & Customs - PAYE	14	(96,744)	(96,744)
Trade and expense creditors	15	(661,402)	(661,402)
Employee Unsecured Claims	16	(32,522)	(32,522)
Total Value of Unsecured Creditors		<u>(1,104,331)</u>	<u>(1,104,331)</u>
Estimated deficiency as per unsecured creditors		<u>(733,520)</u>	<u>(997,053)</u>

NOTES TO THE ESTIMATED FINANCIAL POSITION

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

1. Book Debts

As advised previously, the Company's indebtedness to RBSIF in respect of an Invoice Discount Facility was paid by Bibby prior to the Joint Administrators appointment and should be considered as satisfied.

At the date of the Administration, the Company had a gross debtor ledger of £319,176 of which £272,709 had been approved for funding. Funds in use with Bibby totalled £191,823 (excluding interest and charges). Termination charges are estimated to be approximately £15,000.

A bad debt provision of 10% of the approved ledger for funding has been applied to the estimated to realise figure.

2. Goodwill and Intellectual Property

No value was specifically attributed to goodwill or intellectual property in the Company's accounts.

The Joint Administrators instructed FW to value the Company's goodwill on an income based approach, which takes into consideration the Company's recent profits. FW value the goodwill at nil on this basis and, given that no value would have ordinarily been paid for the goodwill, it was recommended that the offer of £5,000 attributed to goodwill be accepted.

3. Cash at Bank

The Company operated a current account with NatWest, which held a credit balance of £40,065 on the date of appointment.

4. NatWest

NatWest holds security by way of fixed and floating charges over all of the Company's assets in relation to term loans and a Company credit card.

As at the date of appointment, the Company's indebtedness to NatWest totalled £23,328 comprising £20,149 relating to the term loans, £2,658 relating to the credit card and £521 in charges.

5. Plant & Machinery

The Company's last set of accounts to 30 July 2018 attributes a value of £57,178 to the plant and machinery of the Company, consisting of kitchen equipment. CAM attributed a high value of £28,000 and a low value of £5,000 to these assets. The Purchaser attributed a value of £30,000 its offer to these assets which was recommended for acceptance by CAM as this fell within the scope of its valuation.

6. Stock

The Company's last set of accounts to 30 July 2018 attributes a value of £91,844 to Office Furniture and Equipment of the Company, made up of desktop computers, server equipment and desks and chairs.

CAM attributed a high value of £45,000 and a low value of £9,000 to these assets. The Purchaser attributed a value of £19,998 its offer to these assets which was recommended for acceptance by CAM as this fell within the scope of its valuation.

7. Seller Records

No value was specifically attributed to seller within the Company's last accounts to 30 July 2018. The Joint Administrators did not obtain a formal valuation as assets of this nature have nominal value in the sale of business and assets. The Purchaser paid £1 for the seller records. Should a sale have not been completed to the Purchaser, then we do not expect that any value would have been achieved in respect of the seller records.

8. Customer Contracts

The Company held 25 customer contracts on the date of appointment. A formal valuation was not obtained for these contracts as, from experience in this sector, such assets only hold nominal value in a sale of business and assets in Administration.

The value achieved for the customer contracts was after a period of marketing, where no formal offers were received from any party other than the Purchaser. The value has been determined on the open market and any value attributable to these assets is reflected in the overall value achieved for the goodwill and intellectual property. Should a sale have not been completed to the Purchaser, then we do not expect that any value would have been achieved in respect of the customer contracts.

9. Directors Loan Account

The book value of the director's loan account as at 31 July 2018 was £140,139. We have requested an updated reconciliation from the Director and have recently received a breakdown detailing that £95,803 is due to the Company.

We are looking to investigate this position further and will instruct Cerberus Receivables Management ("CRM"), debt collection specialists, to review the position of the account to establish the likely realisations from this asset. Once established, the Joint Administrators will seek repayment from the Director.

10. Post Appointment Receipts

Receipts totalling £9,506 were received into the Company's current account following the Joint Administrators' appointment. These receipts relate to deposits of petty cash from the date of appointment and sales made prior to the Administration.

11. Cash in Hand

On the date of appointment, petty cash held at each of the Company's sites was collected by the Joint Administrators and former employees of the Company. Cash collected by former employees was deposited into the Company's current account and is therefore included in the post appointment receipts detailed above that have since been transferred to the Administration bank account. It is estimated that cash collected by the Joint Administrators to be deposited into the Administration bank account will total £1,459.

12. Preferential Creditors

Preferential claims relate to claims for Arrears of Pay and Holiday Pay for those employees made redundant and Pension Contributions for all employees in respect of outstanding employee contributions. The figure provided is an estimate of claims from EIS and should not be considered as agreed.

EIS estimate that preferential claims relating to Arrears of Pay and Holiday will total £10,182.

In addition, the Company's records detail that pension contributions in the sum of £3,857 in respect of employee contributions for May 2019 are outstanding.

13. 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 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.

As it is anticipated that the secured creditors will be paid in full under its fixed charge, there is no requirement to calculate a prescribed part.

14. HMRC

This figure has been taken from the Company's books and records. This claim should not to be regarded as an agreed amount.

15. Trade and Expense Creditors

This figure has been taken from the Company's books and records. This claim should not to be regarded as an agreed amount.

16. Employee Unsecured Claims

Employees have made claims to the Redundancy Payment Service for statutory redundancy pay and payment in lieu of notice. These claims rank as unsecured claims in the Administration and are estimated by EIS to be £29,629 and should not be regarded as an agreed amount.

In addition, the Company records detail that pension contributions in respect of employer contributions in the sum of £2,893 for May 2019 are outstanding. This should not be regarded as an agreed amount.

APPENDIX B (CONTINUED)

CREDITORS LIST FOR ESTIMATED FINANCIAL POSITION

Creditor	Address	Amount
Wire Regeneration Limited	St James Business Centre, Wilderspool Causeway, Warrington, WA4 6PS	0.00
Active Staff	1 Winchester Street, Andover, Hampshire, SP10 2EA	78.43
Adecco UK Ltd	Unit 3010 The Pavilions, The Crescent, Solihull Parkway, B37 7YE	101.82
Arthur David Food with Service Limited	Hillside Farm, Sutton Wick, Bishop Sutton, BS39 5XR	5,267.88
Atlantic Resource (UK) Limited	c/o Atradius Collections, 3 Harbour Drive, Cardiff Bay, CF10 4WZ	0.00
Berkeley Scott Ltd	First Floor, Sherbourne House, 119-121 Cannon Street, EC4N 5AT	5,801.26
Blue Arrow Ltd	800 The Boulevard, Capability Green, Luton, LU1 3BA	3,622.81
Border Vending NW Ltd	4 Willow Court, Warrington, WA2 8UF	2,400.15
Brakes Bros Ltd	PO Box 222, Ashford, Kent, TN24 8ZL	358,162.96
BT Telecommunications PLC	81 Newgate Street, London, EC1A 7AJ	0.00
Caterware	Caterware House, Welbeck Ave, Blackpool, FY4 4ES	152.68
CocaCola Enterprises	1A Wimpole St, Marylebone, London, W1G 0EA	0.00
Coffee1652	1 Ketterer Court, Jackson Street, St Helens, WA9 3AH	32,386.02
Collins Fresh Produce Ltd	6 Cirrus Park, Moulton Park, Northampton, NN3 6UR	2,739.14
Coultons Bread Limited	Unit G5/G6 Liver Ind Estate, Long Lane, Liverpool, L9 7ES	0.00
Easiyo Products (UK) Ltd	Unit 1, Parker Centre, Mansfield Road, DE21 4SZ	1,897.83
EE Ltd	Trident Place, Mosquito Way, Hatfield, AL10 9BW	1,400.00
Fire Protection Services	2 Hathaway Drive, Bolton, Lancashire, BL1 7RY	200.00
Freshfayre	Unit 10, Severn Way, Hunslet Industrial Estate, LS10 1BY	20,856.25
Fuel Card Services	Alexandra House, Lawnswood Business Park, Leeds, LS16 6QY	0.00
G4S Cash Solutions	Carlton House, Carlton Road, Worksop, S81 7QF	0.00
Garth Bakery Ltd	Pontcynon Industrial Estate, Abercynon, Mountain Ash, CF45 4EP	434.67
Ioma Clothing Co Ltd	Woodend Avenue, Speke, Liverpool, L24 9WF	1,842.51
John Dwyer Bakery Ltd	10-11 Prospect Park, Valley Drive, Rugby, CV21 1TF	0.00
Joseph Morris Butchers Ltd	Walcote Road, South Kilworth, Lutterworth, LE17 6EG	0.00

Optima Catering Limited - In Administration

Kia Contract Hire	Oakwood Drive, Emersons Green, Bristol, BS16 7LB	2,475.59
King Commercial Hygiene	862A Wilmslow Road, Didsbury, Manchester, M20 5QP	3,697.55
Kingdom Coffee International Ltd	1 Bridgewater Close, Reading, Berkshire, RG30 1JT	692.76
Limber Jobs Limited	34 St Nicholas St, Bristol, BS1 1TG	152.20
Loomis UK Ltd	1 Alder Court, Rennie Hogg Road, Nottingham, NG2 1RX	6,572.24
Mars Drinks UK Ltd	Armstrong Road, Basingstoke, Hampshire, RG24 8NU	0.00
MCFT Commercial Kitchen Maintenance	82 and 85 Westacott Business Centre, Maidenhead, Berkshire, SL6 3RT	0.00
Mercedes Benz Financial Services Ltd	Tongwell, Milton Keynes, MK15 8BA	5,440.82
Michael Donnan & Co	Office 25, Oaktree Court Business Centre, Mill Lane, CH64 8TP	8,853.00
Mobberley Cakes Ltd	Units 1, Centre 21, Manchester Road, WA1 4AW	7,000.30
Newhall Janitorial Ltd	Holden Road, Leckwith Industrial Estate, Cardiff, CF11 8BS	726.47
Nisbets	Fourth Way, Avonmouth, Bristol, BS11 8TB	8,921.48
North West Catering Engineers Ltd	Fernhills Business Centre, Todd Street, Bury, BL9 5BJ	781.99
North West Vending Ltd / Coffee 1652	Refreshment House, 7 Ketterer Court, Jackson Street, WA9 3AH	19,076.19
Olleco	Unit 6, Monckton Road, Trading Estate, WF2 7AL	305.50
Retail Answers Ltd	Surrey House, 196 Barnett Wood Lane, Ashted, KT21 2LW	1,456.00
Ribble Farm Fayre	Shay Lane, Longridge, Preston, PR3 3BT	0.00
Scobie Vending Service Limited	Gothic House, 3 The Green, Richmond, TW9 1PL	1,332.90
Shorrock Trichem Ltd	Charters Industrial Estate, Atherton, Manchester, M46 9SD	15,637.11
Starbucks Coffee Company (UK) Limited	Chiswick Park Building, 4 566 Chiswick High Road, London, W4 5YE	1,952.80
Strawberry Catering Ltd	Stawberry House, New Smithfield, Market Whitworth, M11 2WJ	24,487.80
The Kitchen Equipment Company Ltd	Kitchequip, Canal View, New Lane, L40 8JX	91,278.53
The Secretary of State for BEIS	Redundancy Payment Service, Cannon House, Birmingham, B2 2LX	0.00
Threshold Catering Supplies Ltd	Unit 2, The Sidings, Station Road, LS20 8BX	8,537.11
Tiffin Sandwiches	Tiffin House, 20 Commondale Way, Euroway Trading Estate, BD4 6SF	11,045.07
Tower Employment Services	17-19 Park Street, Lytham, Lancashire, FY8 5LU	1,164.24
UCC Coffee Uk Ltd	2 Bradbourne Drive, Tilbrook, Milton Keynes, MK7 8AT	355.20
Upton Group Ltd	Vending House, The Vivars, Selby, YO8 8BE	451.03
Warners Fish Merchants Ltd	Raymond House, Decoy Bank, North Lakeside, DN4 5JR	150.00

Optima Catering Limited - In Administration

World Pay	25 Walbrook, London, EC4N 8AF	1,513.76
HM Revenue & Customs	Durrington Bridge House, Barrington Road , Worthing , BN12 4SE	410,407.00
Bibby Financial Services Limited	Suite D, Laser House, Waterfront Quay, Salford Quays, Manchester, M40 3XW	206,823.00
National Westminster Bank plc	4th Floor, 1 Hardman Boulevard, Spinningfields, Manchester, M3 3AQ	23,328.13
RBS Invoice Finance Limited	250 Bishopsgate, London , EC2M 4AA	0.00
104 Employees with a total preferential debt of £14,038.97		14,038.97
104 Employees with a total unsecured debt of £32,521.74		32,521.74
Total		1,348,520.89

Note:

Bibby Financial Services Limited holds security by way of a debenture incorporating a Fixed and Floating Charge over all assets created on 30 May 2019

National Westminster Bank plc holds security by way of a debenture incorporating a Fixed and Floating Charge over all assets created on 13 October 2006

RBS Invoice Finance Limited holds security by way of a debenture incorporating a Fixed and Floating Charge over all assets created on 23 January 2018

**SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS FROM
7 JUNE 2019 TO 31 JULY 2019**

	Per Estimated Financial Position £	Received by Joint Administrators £	Received to 30/06/2019 by Bibby £	Cumulative £
RECEIPTS				
Assets Specifically Pledged				
Goodwill and Intellectual Property	5,000.00	2,979.80	-	2,979.80
Book Debts	245,438.00	-	51,469.56	51,469.56
Assets not Specifically Pledged				
Plant & Machinery	30,000.00	17,878.79	-	17,878.79
Stock	19,998.00	11,918.00	-	11,918.00
Sellers records	1.00	0.60	-	0.60
Customer Contracts	1.00	0.59	-	0.59
Sales Receipts Post Appointment	9,505.53	9,505.53	-	9,505.53
Receipts due to Purchaser	-	31,334.98	-	31,334.98
Cash in Hand	1,159.02	759.02	-	759.02
Cash at Bank	40,065.04	37,022.27	-	37,022.27
Director's loan account	Unknown	-	-	-

Optima Catering Limited - In Administration

	351,167.59	111,399.58	51,469.56	162,869.14
PAYMENTS				
Funds due to Purchaser		(31,334.98)	-	(31,334.94)
Bank Charges		(7.50)	-	(7.50)
DISTRIBUTIONS				
Secured Creditor - NatWest		(20,862.78)	-	(20,862.78)
Secured Creditor – Bibby		-	(50,629.65)	(50,629.65)
BALANCE IN HAND		59,194.32	831.91	60,026.23

Note: The balance held by Bibby is in the respect of VAT, which is reclaimable in the Administration.

APPENDIX D

SUMMARY OF JOINT ADMINISTRATORS PRE-ADMINISTRATION COSTS

	Total		Average
	Units No	Cost £	hourly rate £
Strategy and purpose evaluation	520	21,956.00	422.23
Preparation of documents	181	5,805.50	320.75
Chargeholder	30	1,350.00	450.00
Court related issues	5	182.50	365.00
	736	29,294.00	398.02

DETAILED ANALYSIS OF PRE-ADMINISTRATION COSTS

Strategy & Purpose Evaluation

Significant time has been spent by all members of the case administration team, including senior members of Leonard Curtis in formalising the strategy for the Administration. The time recorded to this category includes:

- Meeting initially with the director to ascertain all pertinent issues;
- Establishing a case plan for dealing with the Company and the proposed Administration;
- Collecting the information provided by the Company to assist in identifying the best courses of action and assessing the Company's asset position;
- Attending a number of meetings with the Company's director to progress the proposed Administration;
- Reviewing cash flow forecasts;
- Providing details of the strategy for the Administration to the director;
- Providing updates to the secured creditors;
- Conducting marketing activities for the Company;
- Liaising with interested parties with regards to the offer received;
- Liaising with the Purchaser following the acceptance of its offer;
- Instructing and liaising with agents with regards to the proposed administration;
- Liaising with Trowers with regards to the proposed administration; and
- Reviewing the terms of the Sale and Purchase Agreement.

Preparation of Documents

Time incurred in relation to this category of work has involved the following:

- Drafting a letter of engagement and ethical / conflict review paper work for review;
- Overseeing the preparation of the Notice of Intention to Appoint an Administrator and its filing;
- Printing off and reviewing the SPA and arranging for the signing of the documents;
- Drafting and updating the Estimated Outcome Statement, as appropriate;
- Setting up of the case file and completion of the pre-appointment requirements;
- Verifying the directors' and shareholders' identity in compliance with money laundering obligations; and
- Drafting the SIP16 letter sent to creditors following our appointment.

Chargeholder

Time has been recorded under this category in relation to the following:

- Liaising with the secured creditors with regards to the Administration;
- Providing updates to the secured creditor in respect of the marketing activities; and
- Liaising with the secured creditors and providing an update in relation to the progression of the sale of business and Administration appointment.

Court Related Issues

- Time has been spent in relation to the appointment documents being filed in court.

APPENDIX E

JOINT ADMINISTRATORS' FEES ESTIMATE INCORPORATING TIME INCURRED TO 30 JUNE 2019

	FEES ESTIMATE			INCURRED TO 30 JUNE 2019		
	Total			Total		
	Units	Cost £	Average hourly rate £	Units	Cost £	Average hourly rate £
Statutory & Review	No			No		
	517	15,471.00	299.25	45	1,982.50	440.56
Receipts & Payments	121	3,152.50	260.54	4	125.00	312.50
Insurance, Bonding and Pensions	95	2,940.00	309.47	21	567.00	270.00
Assets	664	20,540.00	309.34	117	4,599.00	393.08
Liabilities	1,103	34,743.50	314.99	434	14,979.50	345.15
Landlords	83	3,034.00	365.54	-	-	-
Debenture Holder	57	1,843.50	323.42	10	450.00	450.00
General Administration	287	8,265.00	287.98	20	805.00	402.50
Appointment	138	3,955.50	286.63	138	3,790.00	274.64
Planning & Strategy	199	6,599.50	331.63	35	1,575.00	450.00
Post Appointment Creditors Decisions	375	10,962.50	292.33	119	3,094.00	260.00
Investigations	355	10,678.50	300.80	-	-	-
	3,994	122,185.50	305.92	943	31,967.00	338.99

APPENDIX E (CONTINUED)

JOINT ADMINISTRATORS' FEES ESTIMATE

DETAILS OF WORK PROPOSED TO BE UNDERTAKEN

Statutory and Review

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

- Case management reviews. These will be carried out periodically throughout the life of the case. In the early stages of the case this will involve weekly team meetings to discuss and agree case strategy and a month 1 review by the firm's Compliance team to ensure that all statutory and best practice matters have been dealt with appropriately. As the case progresses we will as a minimum carry out three monthly and six monthly reviews to ensure that the case is progressing as planned. It is anticipated that there will be an initial month one review by compliance and two additional reviews by the Joint Administrator and his staff;
- Allocation of staff, management of staff, case resourcing and budgeting;
- Time recorded in this category may include a degree of case planning - This is likely to involve a number of internal meetings in order to ensure that the purpose of the Administration is being achieved and that the actions taken by the Joint Administrators are in accordance with the duty to act in the interest of the Company, its creditors and stakeholders;
- Review of time costs data to ensure accurate posting of time and to ensure compliance with Statement of Insolvency Practice 9;
- Review of work carried out by more junior members of staff to ensure quality of work and adherence to standards, legislation and best practice;
- The team is required under the Company Directors' Disqualification Act 1986 to review the Company's records and consider information provided by creditors on the conduct all directors involved in the Company during the three years leading up to the insolvency. This will result in the preparation and submission of statutory returns or reports on all directors to the Insolvency Service. Evidence of unfit conduct can result in directors being disqualified for periods of up to 15 years;
- Review of directors' sworn statement of affairs and filing of document at Companies House in accordance with statutory requirements; and
- Completion of case closing procedures at the end of the case.

To 30 June 2019, time has been spent conducting case reviews and reviewing work undertaken by junior staff members.

Receipts and Payments

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

- Opening of case bank account;
- Management of case bank account to ensure compliance with relevant risk management procedures;
- Preparation of periodic receipts and payments accounts for inclusion in statutory reports. In total there will be three periodic receipts and payments reports prepared for inclusion in this report and also two progress reports.
- Timely completion of all post appointment tax and VAT returns;
- Preparation and review of a number of periodic Estimated Outcome Statements ("EOS"), which will be used to monitor the progress of asset realisations and the administration generally; and
- Managing estate expenses.

To 30 June 2019, time has been spent opening the Administration bank account, monitoring the account for receipts and completing the relevant allocation of receipts to the Administration bank account. Time has also been spent preparing an EOS.

Insurance, Bonding and Pensions

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

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

To 30 June 2019 time has been spent circulating the S.120 and S.22 insolvency notices to the relevant parties, liaising with the Director with regards to any outstanding pension contributions as at the date of appointment in preparation of submitting a claim to the Redundancy Payment Service and completing the relevant paperwork to submit a bonding calculation.

Assets

- The majority of the Company's assets were sold immediately prior to the Joint Administrators' appointment. As such, time will be taken to investigate the availability of any other assets to achieve value for the Administration estate, which include (but is not limited to) instructing agents to assess the availability of the refund of non-domestic rates and instructing accountants to review any possible tax reliefs available to the Administration estate.
- Completing the sale of the business and assets to the Purchaser.
- Time will also be spent monitoring deferred consideration payments.
- Liaising with the Company's pre-appointment bankers to request the freezing of the Company's bank account and transfer of the Company's credit balance held in those accounts.
- Liaising with the Director to reconcile post-appointment receipts into the Company's current account due to the Administration estate.
- Identification and return of third party assets – time has been spent liaising with ADL Automotive in respect of seven vehicles subject to finance.

- Liaising with the Director with regards to any claims from creditors in respect of Retention of Title over Company assets – to date one claim has been received and has been dealt with.
- Liaising with the Director in respect of the outstanding director loan account reconciliation to ascertain the balance and the amount due to the Administration estate. Time will be spent pursuing this asset.
- Liaising with the Company's PDQ terminal providers and other parties regarding deposits due to the Administration and the Purchaser.

To 30 June 2019, time has been spent liaising with the Director in respect of the outstanding director loan account reconciliation, requesting the credit balance held in the Company's pre-appointment bank account, reconciling post-Administration receipts with the Purchaser to ascertain those due to the Administration, dealing with third party assets, liaising with Bibby regarding debtor collections, collecting petty cash and reviewing the ROT claim of one creditor.

Liabilities

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

Statutory

- Processing of claims from the Company's creditors – All claims received from the Company's 84 unsecured creditors will be logged. Claims are not being formally agreed at this stage as they will be agreed by a subsequently appointed liquidator should a dividend be payable to unsecured creditors;
- Processing of claims from the Company's employees – On our appointment, the Company employed 104 staff. I can advise that 25 staff were made redundant upon our appointment and time has been spent attending sites to make the relevant redundancies. Time has been spent liaising with the relevant employees to provide support in completing the relevant form in order to submit a claim to the Redundancy Payments Office. Time has also been spent liaising with Evolve who are instructed to submit the relevant forms;
- Preparation, review and submission of pre-appointment tax and VAT returns – the Finance Manager was retained by the Joint Administrators to complete the final accounts and finalise the pre-appointment tax returns;
- Preparation and submission of periodic progress reports to creditors – It is anticipated that the administration will last for the standard 12 months, as such in addition to this report, there will be two progress reports which will be prepared during the lifetime of the case; and
- Preparation and submission of the Joint Administrators Initial Letter to creditors pursuant to SIP16.

Non-statutory

- Dealing with enquiries from the Company's creditors – this will include dealing with creditors general queries by post, telephone and email; and
- Dealing with enquiries from the Company's employees – this will include dealing with creditors general queries by post, telephone and email.

To 30 June 2019, time has been spent dealing with enquiries from 25 members of staff that were made redundant upon our appointment and time has been spent attending sites to make the relevant redundancies. Time has also been spent liaising with Evolve with regards to the submission of the relevant claims to the RPO. Significant time has been spent finalising, reviewing and submitting the Joint Administrators Initial Letter to creditors pursuant to SIP16. Time has also been spent adding details of the creditors from the Company's books and records to our system. Time

has been spent logging any claims received. Further time has been spent dealing with enquiries from the Company's creditors and employees by telephone and email.

Landlords

- Sending initial correspondence to the landlord advising of the Administration and vacating the property; and
- Ongoing correspondence with the landlord in relation to any other property related matters.

Debenture Holder

- Corresponding with the debenture holders in relation to the Administration;
- Liaising with NatWest in respect of the off-setting of the Company's credit balance against the Company's indebtedness to NatWest; and
- Providing regular updates to Bibby.

To 30 June 2019, time has been spent keeping Bibby apprised of actions following our appointment and progression of the Administration.

General Administration

This category of work does not result in a direct financial benefit for creditors; however it is necessary for these tasks to be completed in order to ensure the smooth and efficient progression of the administration:

- General planning matters;
- Setting up and maintaining the Administrators' records;
- Arranging collection and storage of company records; and
- Dealing with general correspondence and communicating with directors and shareholders.

To 30 June 2019, time has been spent liaising with director with regards to information requested and internal meetings to discuss the progression of the Administration.

Appointment

There are certain tasks which the Joint Administrators have a statutory obligation to undertake during the administration process. Other tasks are completed in order to ensure the administration is progressed to the benefit of all creditors and stakeholders. Actions completed to date are both statutory and non-statutory and include the following:

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

To 30 June 2019, the Joint Administrators have circulated all the appointment notices to the Company's creditors, advisors, landlord and all other relevant parties.

Planning & Strategy

- Monitoring the Administration to ensure the strategy and purpose can be achieved.

Post Appointment Creditors' Decisions

Agreeing and reporting on our proposals and fee basis is a statutory requirement. Work will include:

- Preparation of Joint Administrators' Proposals for achieving a statutory purpose of the administration;

- Preparation of Fees Estimate and Statement of Expenses in accordance with Insolvency (Amendment) Rules 2015;
- Convening a decision by correspondence to agree Fees Estimate with appropriate body of creditors; and
- Reporting on outcome of voting.

To 30 June 2019, time has been spent drafting the Joint Administrators Proposals, fee estimate and statement of expenses.

Investigations

- Collecting and reviewing the Company's records; and
- Conducting initial investigations into the Company's affairs/records to identify the possibility of further realisations. Statutory Investigations will include determining if any of the following have occurred:
 - Transactions at an Undervalue;
 - Preferences;
 - Transactions putting assets beyond the reach of creditors
 - Mifefasance or breach of any fiduciary duty
 - Wrongful trading
 - Undue retention of Crown monies

APPENDIX F

JOINT ADMINISTRATORS' STATEMENT OF LIKELY EXPENSES

Standard Expenses

Type	Description	Amount £
AML Checks	Electronic client verification	5.00
Bond Fee	Insurance bond	260.00
Document Hosting	Hosting of documents for creditors	70.00
Software Licence Fee	Case management system licence fee	87.00
Statutory Advertising	Advertising	83.02
Storage Costs	Storage of books and records	500.00
Post redirection	Post redirection service with Royal Mail	211.00
	Total standard expenses	1,216.02

Case Specific Expenses

Type	Description	Amount £
Agents' Fees	Costs of collection of books and records	500.00
Staff Mileage	Category 2 disbursement requiring specific creditor / committee approval	200.00
Accountancy fees	Assistance with Tax Work	5,000.00
Professional Fees	Assistance with processing employees' claims with the RPS.	1,345.00
Pension Fees	Costs of dealing with the pension scheme	1,730.00
Legal Fees	Cost of appointed solicitors	3,000.00
Debt Collection Fees	Assistance with collection of the DLA	5,000.00
Debt Collection fees*	Assistance with the collection of book debts	11,643.00
	Total case specific expenses	28,418.00

*The sale and purchase agreement provides that the Purchaser will, on behalf of the Company (as his agent), use all reasonable endeavours to collect the book debts. Once the Company's indebtedness to Bibby has been discharged in full, there will be a collection fee equivalent to 30% of the book debt surplus. For illustrative purposes, the fee advised above is based on the surplus estimate from the Estimated Financial Position at Appendix B. The final fee will be calculated once book debt collections are deemed completed and the surplus is calculated.

APPENDIX G

ESTIMATED OUTCOME STATEMENT

	Secured Creditor- Bibby £'000	Secured Creditor- NatWest £'000	Preferential £'000	Unsecured £'000
Amount estimated available to class of creditor	245	40	Nil	Nil
Amount due to creditor per Appendix B	(207)	(23)	(14)	(1,104)
Estimated dividend rate (as a %)	100%	100%	Nil	Nil

LEONARD CURTIS POLICY REGARDING FEES, EXPENSES AND DISBURSEMENTS

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

Staff Allocation and Charge Out Rates

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

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

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

6 Jan 2014 onwards	Standard £	Complex £
Director	450	562
Senior Manager	410	512
Manager 1	365	456
Manager 2	320	400
Administrator 1	260	325
Administrator 2	230	287
Administrator 3	210	262
Administrator 4	150	187
Support	0	0

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

Subcontractors

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

Professional Advisors

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

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

Expenses

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

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

Type	Description	Amount
AML checks	Electronic client verification in compliance with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017	£5.00 plus VAT per individual

Optima Catering Limited - In Administration

Bond / Bordereau fee	Insurance bond to protect the insolvent entity against and losses suffered as a result of the fraud or dishonesty of the IP	£10.00 to £1,200.00 dependent on value of assets within case		
Company searches	Extraction of company information from Companies House	£1.00 per document unless document can be accessed via the free service		
Document hosting	Hosting of documents for creditors/shareholders. Cost per upload.	Type	First 100	Every addtl 10
		ADM	£14.00	£1.40
		CVL	£7.00	£0.70
		MVL	£7.00	£0.70
		CPL	£7.00	£0.70
		CVA	£10.00	£1.00
		BKY	£10.00	£1.00
		IVA	£10 p.a. or £25 for life of case	
Post re-direction	Redirection of post from Company's premises to office-holders' address	0-3 months £204.00 3-6 months £303.00 6-12 months £490.00		
Software Licence fee	Payable to software provider for use of case management system	£87.00 plus VAT per case		
Statutory advertising	Advertising of appointment, notice of meetings etc. - London Gazette - Other	£85.95 plus VAT per advert Dependent upon advert and publication		
Storage costs	Costs of storage of case books and records	£5.07 plus VAT per box per annum plus handling charges		

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

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

Disbursements

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

- a) Category 1 disbursements: These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses (excl. mileage), and equivalent costs reimbursed to the office holder or his or her staff. Category 1 disbursements may be drawn without prior approval.
- b) Category 2 disbursements: These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage. In the event of charging for category 2 disbursements the following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

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

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

Proof of Debt – General Form

Relevant date: 7 June 2019

Name of Company in Administration:

Optima Catering Limited

Company registered number:

04495557

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

2. Correspondence address of creditor (including email address)

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

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

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

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

7. Details of any reservation of title claimed in respect of goods supplied to which the debt relates

8. Details of any document by reference to which the debt relates

9. Signature of creditor (or person authorised to act on the creditor's behalf)

10. Date of signing:

11. Address of person signing (if different from 2 above)

12. Name in BLOCK LETTERS

13. Position with, or relation to, creditor

Notes:

1. There is no need to attach them now but the office-holder may ask you to produce any document or other evidence which is considered necessary to substantiate the whole or any part of the claim, as may the chairman or convenor of any qualifying decision procedure.
2. This form can be authenticated for submission by email by entering your name in block capitals and sending the form as an attachment from an email address which clearly identifies you or has been previously notified to the office-holder. If completing on behalf of the company, please state your relationship to the company.

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

Please ask for : Harry Guthrie
Our ref : M/38/HGU/O241K/1040
Your ref :



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

13 June 2019

**TO ALL CREDITORS
TO ALL REDUNDANT EMPLOYEES
TO THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES**

Dear Sir(s)/Madam

**OPTIMA CATERING LIMITED - IN ADMINISTRATION ("THE COMPANY")
HIGH COURT OF JUSTICE BUSINESS AND PROPERTY COURTS IN MANCHESTER - COMPANY & INSOLVENCY
LIST (CHD) NO. CR-2019-MAN-000455
COMPANY NUMBER: 04495557**

I write to advise you that Andrew Poxon and I were appointed as Joint Administrators of the Company on 7 June 2019. Attached is formal Notice of our Appointment.

You are receiving this notice because the Company's records show that you are a creditor of the Company. The Company's creditors will fall into one of the following categories:

- Secured creditors – a creditor who has the benefit of a security interest over some or all of the assets of the Company (e.g. banks, factoring providers);
- Preferential creditors – creditors who have a preferential right to payment out of the Company's assets once realised (e.g. employees in respect of arrears of pay and holiday pay, subject to certain limits); and
- Unsecured creditors – a creditor other than a preferential creditor that does not have the benefit of any security interests in the assets of the Company (e.g. ordinary trade suppliers; employees (to the extent that their claims are not preferential).

In our role as Joint Administrators, we are obliged to perform our functions and responsibilities in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, we have a duty not to unnecessarily harm the interests of creditors as a whole.

Where a sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an Administrator and the Administrator effects the sale immediately on, or shortly after, appointment this is known as a pre-packaged sale or "pre-pack".

It is in the nature of a pre-packaged sale in an Administration that unsecured creditors are not given the opportunity to consider the sale of the business or assets before it takes place. It is important, therefore, that you are provided with a detailed explanation and justification of why a pre-packaged sale was undertaken, so that you can be satisfied that we have acted, where necessary, with due regard for your interests.

Leonard Curtis Recovery Limited
Company Number 4200476 (England) Reg Office: Tower 12, 18/22 Bridge Street, Spinningfields, Manchester, M3 3BZ
All Leonard Curtis Recovery Limited Insolvency Practitioners, with the exception of Stuart Robb, are licensed in the UK by the ICAEW. Stuart Robb is licensed in the UK by ICAS

www.leonardcurtis.co.uk

Tower 12
18/22 Bridge Street
Spinningfields
Manchester M3 3BZ

Tel: 0161 831 9999
Fax: 0161 831 9090

Please ask for : Harry Guthrie
Our ref : M/38/HGU/W707K/1040
Your ref :



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

8 April 2019

**TO ALL CREDITORS
TO ALL EMPLOYEES
TO THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES**

Dear Sir(s)/Madam

**W.S. SLATER & CO. LTD - IN ADMINISTRATION ("THE COMPANY")
HIGH COURT OF JUSTICE BUSINESS AND PROPERTY COURTS IN MANCHESTER - COMPANY & INSOLVENCY
LIST (CHD) NO. CR2019MAN000222
COMPANY NUMBER: 00533563**

I write to advise you that Julien Irving and I were appointed as Joint Administrators of the Company on 2 April 2019. Attached is formal Notice of our Appointment.

You are receiving this notice because the Company's records show that you are a creditor of the Company. The Company's creditors will fall into one of the following categories:

- Secured creditors – a creditor who has the benefit of a security interest over some or all of the assets of the Company (e.g. banks, factoring providers);
- Preferential creditors – creditors who have a preferential right to payment out of the Company's assets once realised (e.g. employees in respect of arrears of pay and holiday pay, subject to certain limits); and
- Unsecured creditors – a creditor other than a preferential creditor that does not have the benefit of any security interests in the assets of the Company (e.g. ordinary trade suppliers; employees (to the extent that their claims are not preferential)).

In our role as Joint Administrators, we are obliged to perform our functions and responsibilities in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, we have a duty not to unnecessarily harm the interests of creditors as a whole.

Where a sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an Administrator and the Administrator effects the sale immediately on, or shortly after, appointment this is known as a pre-packaged sale or "pre-pack".

It is in the nature of a pre-packaged sale in an Administration that unsecured creditors are not given the opportunity to consider the sale of the business or assets before it takes place. It is important, therefore, that you are provided with a detailed explanation and justification of why a pre-packaged sale was undertaken, so that you can be satisfied that we have acted, where necessary, with due regard for your interests.

In this case, a sale of the Company's business and assets was completed on 2 April 2019 to a connected company, Handsworth Fudge Co. Limited ("the Purchaser"). Set out at Appendix A is a summary of the circumstances and information relevant to this sale that we are required to disclose. The Purchaser is a connected party pursuant to Sections 249 and 435 of the Insolvency Act 1986 (as amended) ("the Act"), by virtue of the common directorship and shareholding of Mrs Elaine

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Tower 12
18/22 Bridge Street
Spinningfields
Manchester M3 3BZ

www.leonardcurtis.co.uk

**Tel: 0161 831 9999
Fax: 0161 831 9090**

McGrath. The Purchaser is also a connected party by virtue of Mr Paul Slater, who is a Shareholder of the Company and a Director of the Purchaser.

With regard to orders placed by the Company prior to Administration but not yet delivered, suppliers should obtain confirmation from the Purchaser that the goods or services are still required and, if so, an order may be placed with the purchasing company. It should be noted that goods sold and delivered by the Company since Administration commenced must be paid for in full and cannot be set off against any claims against the Company.

You will appreciate that, as a result of the Administration, your previous account with the Company is frozen and neither the Administrators nor the Purchaser are in a position to deal with claims of unsecured creditors. Nevertheless, we should be grateful if you would let us have a detailed account of the amount owing to you as at the date of Administration. Your account, and any future correspondence in connection with the Company, should be sent to our address. Please remember to provide your full name, address, telephone number and email address for our records. If you are claiming title to goods supplied by you, please let us have full details, including your conditions of sale. If you believe you have a claim to goods it is imperative that you contact us as soon as possible and, if necessary, arrange a date to identify the goods in question. Failure to do so may prejudice your claim if any goods to which you claim title have been sold. We will not be liable in the event that goods are sold prior to notice of any valid retention of title claim being received.

Under the provisions of Paragraph 43 of Schedule B1 to the Insolvency Act 1986 ("the Act") no steps may be taken by any creditor to enforce any security over the Company's property or to repossess goods in the Company's possession under any hire purchase agreement (which includes conditional sale agreements, chattel asset leasing agreements and retention of title agreements) without the consent of the Joint Administrators or leave of the Court.

Also no other proceedings and no execution or other legal process may be commenced or continued, and no distress may be levied against the Company or its property except with the consent of the Joint Administrators or leave of the Court.

Where a pre-packaged sale has been undertaken, the Administrators should circulate their Proposals as soon as practicable after appointment, and where possible with this notification. In this case, the Joint Administrators are not distributing their Proposals for the Administration whilst a valuation is obtained of the Freehold Property owned by the Company. Realisation from the Freehold Property may impact on the outcome for creditors and as such the Joint Administrators do not consider it appropriate to distribute their proposals until the position has been confirmed.

We are currently in the process of formulating our proposals and these along with details of a decision procedure for their approval will be sent to creditors as soon as practicable. At that time, the Joint Administrators will be seeking, from the appropriate body of creditors, approval of the basis upon which their remuneration is to be calculated. A Creditor's guide to Administrators' fees (Version 4 issued April 2017), which sets out the rights of creditors in this respect, is available from our office free of charge or may be downloaded from:

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

You are also encouraged to visit the following website, which provides a step by step guide designed to help creditors navigate through an insolvency process:

www.creditorinsolvencyguide.co.uk.

If you have any information regarding the conduct of the directors which you feel should be brought to our attention, any concerns regarding the way in which the Company's business has been conducted or information on potential recoveries or any particular matters which you consider require investigation, please send full details to this office at the address given below. This request forms part of our statutory investigation procedures and does not necessarily imply any criticism of the directors.

Data Protection

Finally, when submitting details of your claim in the administration, you may disclose personal data to us. The processing of personal data is regulated in the UK by the General Data Protection Regulation EU 2016/679 as supplemented by the Data Protection Act 2018, together with other laws which relate to privacy and electronic communications. We act as Data Controller in respect of personal data we obtain in relation to this administration and are therefore responsible for complying with Data Protection Law in respect of any personal data we process. Our privacy notice, which is attached to this letter at Appendix B, explains how we process your personal data. Terms used in this clause bear the same meanings as are ascribed to them in Data Protection Law.

Insolvency practitioners at Leonard Curtis are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment.

We remind you that the Joint Administrators are agents of the Company and contract without personal liability.

Yours faithfully
For and on behalf of
W.S. SLATER & CO. LTD



ANDREW POXON
JOINT ADMINISTRATOR

Julien Irving and Andrew Poxon are authorised to act as Insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales under office holder numbers 13092 and 8620, respectively

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.

Enc

Para 46 of Sch B1 IA86 and Rule 3.27 Insolvency (England and Wales)
Rules 2016

The Insolvency Act 1986

**Notice of administrator's
appointment**

Name of Company

W.S. SLATER & CO. LTD

Company number

00533563

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

Court case number

CR-2019-MAN-000222

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

We (a)

Julien Irving & Andrew Poxon of


Leonard Curtis, Tower 12, 18/22 Bridge Street, Spinningfields, Manchester M3 3BZ

give notice that we were appointed as administrators of the above company on:

(b) Insert date

(b) 2 April 2019

Signed



Dated 8 April 2019

Joint Administrator(s) (IP No(s)) 13092 / 8620

**W.S. SLATER & CO. LTD ("the Company")
(IN ADMINISTRATION)**

**INFORMATION REGARDING THE PRE-PACKAGED SALE OF THE BUSINESS AND ASSETS OF
W.S. SLATER & CO. LTD**

1 INITIAL INTRODUCTION

- 1.1 The Company was initially introduced to Leonard Curtis Recovery Limited ("LC"), a trading division of Leonard Curtis Business Solutions Group ("LCBSG"), on 18 June 2018 by RBS Invoice Finance Limited ("RBSIF"), the principal funder to the business at that time and Secured Creditor. An initial meeting between the Company and LC took place at the Company's trading premises at 25 Woodpark Road, Blackpool, FY1 6QS ("the Trading Premises") on 19 June 2018.
- 1.2 At the initial meeting, the Directors advised that the Company had suffered a period of trading losses which had resulted in significant cash flow and creditor pressure. Further meetings took place between the Company and LC in the period from 15 August 2018 to 2 October 2018. The purpose of these meetings was to monitor the Company's financial position and the creditor pressure.
- 1.3 On 2 October 2018, the Directors advised that the Company had received increased pressure for payment from HM Revenue & Customs ("HMRC") which may lead to Winding up Proceedings ("WUP") in respect of tax liabilities totalling c£265k. LC was subsequently instructed on 4 October 2018 to assist the Company in entering into a Company Voluntary Arrangement ("CVA"). Further meetings took place between LC and the Company during the period from 23 October 2018 and 8 February 2019. The purpose of these meetings was to progress the Company's CVA Proposal. During this period process, the Company was successful in refinancing its Invoice Finance Facility with RBSIF to Bibby Financial Services Limited ("Bibby").
- 1.4 A CVA Proposal was distributed to the Company's creditors on 14 February 2019. Martin Maloney and Andrew Poxon of LC acted as Joint Nominees and were the proposed Supervisors of the CVA. The Company's creditors rejected the proposed CVA and further advice was sought from LC. The options available to the Company, given its circumstances, were provided to the Directors at a meeting on 4 March 2019. This resulted in LC being formally instructed to assist the Directors with placing the Company into Administration on 5 March 2019. The terms of the engagement were issued and agreed by the Company on that date and a strategy was agreed to conduct an Accelerated Merger and Acquisition ("AMA") process prior to the Company being placed into Administration with a view to agreeing a sale of the business and its assets.
- 1.5 We do not believe that there are any significant personal or professional relationships between the Company or its directors and LC, which would affect our ability to deal with this matter objectively. We consider the instruction of the Directors to assist the Company with its attempt to enter into a CVA with its creditors to be part of the same instruction to LC to assist the Company in resolving its financial difficulties and we confirm that we carried out the appropriate conflict review prior to accepting the appointment. For the avoidance of doubt, LC were not paid by the Company for the work they carried out in relation to the CVA Proposal.

2 PRE-APPOINTMENT CONSIDERATIONS

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

- 2.1 Following our instruction, we wrote formally to the Directors of the Company informing them that our role before any formal appointment would involve providing the following services:
 - i) 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.
- 2.2 We made it clear that these services were to be given for the benefit of the creditors of the Company and that our role was not to advise the Directors in their personal capacity. We recommended that they seek their own independent advice if they were uncertain on any matter, particularly if they had expressed, or were likely to express, an interest in purchasing the Company's business and trading assets. We also wrote to all interested parties who we believed to be connected to the Company advising them of the IP's obligations under Statement of Insolvency Practice 16 ("SIP 16") regarding the marketing of the business and assets of the Company and of their ability to make a submission, or submissions, to the Pre-Pack Pool.
- 2.3 Finally, we explained that initially an IP acts as professional adviser to the Company with responsibilities only to it and its directors. At this stage of the process the IP will assist the directors in making the right decision about what is the correct option for them to pursue in the best interests of creditors having regard to the Company's circumstances. In this case, we advised the Directors that the Company was insolvent and that steps be taken to place it into Administration.
- 2.4 Once the Company has been placed into Administration, the IP becomes Administrator with different functions and responsibilities. The Administrator is obliged to perform his functions and responsibilities in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, he has a duty not to unnecessarily harm the interests of creditors as a whole.

3 BACKGROUND INFORMATION

- 3.1 The Company was incorporated on 21 May 1954 and commenced to trade shortly following its inception. The registered number of the Company is 00533563.
- 3.2 The principal trading activity of the Company was the manufacture and sale of cocoa and chocolate confectionery.
- 3.3 The Directors and Secretary of the Company are as follows:

Name	Role	Appointed
Margaret Mary Slater	Secretary	28 September 1998
Elaine Marie McGrath	Managing Director	27 May 1996
Christopher Peter Thomas Slater	Director	27 May 1996

- 3.4 The Company's shareholding comprises 1,200 Ordinary £1 Shares which are owned as follows:

Name	Class of Share	No. of Shares	% of Total Owned
Christopher Peter Thomas Slater	Ordinary £1	335	28
Margaret Mary Slater	Ordinary £1	310	26
Elaine Marie McGrath	Ordinary £1	335	28
Paul Hubert Slater	Ordinary £1	220	18
		<u>1,200</u>	<u>100</u>

- 3.5 The business was initially capitalised through the introduction of funds by its Shareholders. Throughout the lifespan of the business the Company relied on various loans and had granted security to a number of different funders. At the date of the Administration, the Company had outstanding charges registered against it by Bibby Financial Services Limited, RBSIF and National Westminster Bank plc ("NatWest").
- 3.6 Bibby benefits from a Debenture incorporating Fixed and Floating Charges over all of the Company's assets. The Debenture was created on 23 January 2019 and registered on 24 January 2019. The Company operated an Invoice Finance Facility with Bibby pursuant to a Debt Purchase Agreement. The Invoice Finance Facility was the principal source of funding to the business. At the date of the Administration, the Company had a gross debtor ledger of £27,475 of which £26,669 had been approved for funding. Funds in use with Bibby totalled £22,037 (excluding interest and charges).
- 3.7 RBSIF holds a Debenture incorporating Fixed and Floating Charges over all of the Company's assets. The Debenture was created on 31 August 2011 and registered on 2 September 2011. The Company previously operated an Invoice Finance Facility with RBSIF prior to the facility being refinanced with Bibby. Whilst RBSIF's security is shown as outstanding at Companies House, it is understood that there was no outstanding indebtedness to RBSIF at the date of the Administration and the Charge should be marked as satisfied.
- 3.8 NatWest benefits from a Legal Mortgage incorporating a Fixed Charge which was created on 6 July 2011 and registered on 7 July 2012. The Legal Mortgage secures all legal interest the Company holds in the property situated at 20 Wood Park Road, Blackpool (title number LA414736). The Company operated two accounts with NatWest. A current account used in the normal course of trading held a credit balance of £36.87 at the date of Administration. The Loan Account (relating to the outstanding Mortgage) had a debit balance of £51,017.69. We understand that NatWest is understood to have a right to set-off any credit balance against monies owed at the date of the Administration.
- 3.9 The Company traded from two Freehold properties, and one Leasehold property in Blackpool. The Freehold Properties owned by the Company operated as a separate division and the Company from these premises manufactured hard sweets, principally rock candy. From its Leasehold Property, the Company manufactured chocolate and fudge confectionary.
- 3.10 The Company had historically traded profitably but started to suffer a decline in recent years due to less demand as competition increased with cheaper substitutes flooding the U.K market from China. The Directors attribute the failure of the Company to a drop in demand which impacted upon turnover. This led to cash flow problems which was exacerbated by a trend of falling increasing losses which is reflected in the Company's recent financial performance as detailed below:

<u>PROFIT & LOSS ACCOUNTS</u>	Year Ended 31 Oct 2017	Year Ended 31 Oct 2016
	£	£
Turnover	700,195	785,515
Cost of Sales	(564,036)	(578,627)
Gross Profit	136,159	206,888
Gross Profit %	19.4%	26.3%
Distribution Costs	(30,094)	(31,953)
Administrative Expenses	(193,573)	(177,790)
Operating Profit / (Loss)	(87,508)	(2,855)
Interest Payable & Similar Charges	(5,057)	(11,787)
Profit / (Loss) before Tax	(92,565)	(14,642)
Taxation	-	-
Profit / (Loss) for the Year	(92,565)	(14,642)
Profit and Loss Reserves b/fwd.	(66,641)	(51,999)
	(159,206)	(66,641)
Dividends	-	-
Profit and Loss Reserves c/fwd.	(159,206)	(66,641)

- 3.11 As detailed above, turnover had fallen from c£785k in 2016 to £700k in 2017. The business was labour intensive and had few options to reduce its overhead costs. In attempt to turn the business around, the Directors focussed on growing the fudge business, however the growth achieved was insufficient to prevent further losses being incurred.
- 3.12 The cash flow issues stemming from the trading losses resulted in the Company falling behind its obligations to HMRC and Trade Creditors. The Company reviewed its financial position and considered restructuring options at a meeting with LC on 19 June 2018.
- 3.13 On 2 October 2018, the Directors advised that the Company had received increased pressure for payment from HMRC which may lead to WUP in respect of tax liabilities totalling c£265k. After consideration of the Company's financial position and further advice from LC, it was concluded that the Company was insolvent in accordance with Section 123 of the Act in so far as 'the Company could not pay its debts as and when they fell due' and without an injection of working capital to repay the HMRC liability, there was no alternative than to consider a formal insolvency process.
- 3.14 The Directors ultimately concluded that they would propose a CVA to the Company's creditors. This was on the basis that the Company would restructure and discontinue its rock trade. The Company proposed to reduce its cost base and enable the sale of the Company's assets that related to this part of the business. This would have enabled the business to trade on at breakeven / a small profit. The Directors considered that the CVA would preserve the Company and its business and seek to maximise the realisable value of the Company's assets to maximise the potential return to creditors, which would likely not be achievable if the Company was placed into insolvent Liquidation at that point.
- 3.15 The CVA was rejected by the creditors. Without the CVA, the Company had to consider an alternative insolvency procedure and the Directors sought further advice from LC. On 5 March 2019, following that advice, the Directors instructed LC to assist in placing the Company into Administration and conduct an AMA process ahead of any proposed appointment to identify potential buyers for the business and its assets.
- 3.16 The Directors filed a Notice of Intention to Appoint an Administrator ("NOI") at the High Court of Justice Business and Property Courts in Manchester ("the Court") on 6 March 2019 and this was served on the Company and each secured creditor. The NOI proposed to appoint Julien Irving and Andrew Poxon of LC as Joint Administrators. The filing of the NOI created an interim moratorium in favour of the Company whilst it was in force.
- 3.17 In order to protect the Company's assets whilst a sale of the business and assets was finalised a further NOI was filed on 21 March 2019.
- 3.18 A Notice of Appointment of Administrators ("NOA") was filed on 2 April 2019 at the Court and the pre-packaged sale of the business and assets completed shortly after the filing of the NOA.
- 3.19 Andrew Poxon and Julien Irving are licensed by the Institute of Chartered Accountants in England and Wales. In accordance with paragraph 100(2) of Schedule B1 of the Insolvency Act 1986, the functions of the Joint Administrators may be exercised by either both, acting jointly or alone.

4 ALTERNATIVE COURSES OF ACTION CONSIDERED BY THE ADMINISTRATOR

- 4.1 The following courses of alternative action were considered with Management prior to our appointment and the pre-packaged sale:

Do Nothing

- 4.2 We advised the Directors that they could choose to do nothing and allow HMRC or another creditor to take enforcement action or commence WUP. We advised that this course of action was likely to result in the Company trading whilst insolvent and would be a breach of the Directors' fiduciary duties. The implications of trading whilst insolvent and the potential actions against the Directors by any subsequently appointed Administrator or Liquidator

were explained. LC advised the Directors that they had an overriding duty to protect the Company's assets and to minimise the Company's liabilities to its creditors and members generally. Doing nothing would risk asset values diminishing and the creditor position being made worse. The Directors agreed that doing nothing was not an option and discounted this option.

Sale of Shares by Management

- 4.3 Given the distressed position of the business, a sale of its Shares by the Directors was not considered to be viable for the following reasons:
- The Company was subject to increased creditor pressure and was at risk of being wound up following threats made by HMRC; and
 - Any prospective purchaser of the Shares would have to inject significant Capital into the business at the outset to satisfy the Company's indebtedness to its creditors.
- 4.4 The Company was considered to represent a high risk investment with little prospect of receiving a return for any investment made due to the funds required to alleviate the creditor position. It was considered extremely unlikely that a Share Sale would have completed and this process was therefore discounted.

Company Voluntary Arrangement ("CVA")

- 4.5 A CVA is a formal procedure which enables a company to agree with its creditors a composition in satisfaction of its debts or a scheme of arrangement of its affairs which can determine how its debts should be paid and in what proportions. An Arrangement typically lasts over a period of 5 years where the Company proposes payments out of its future earnings and the entity remains the same and under the control of its directors. It requires the approval of 75% or more in value of the Company's creditors voting on the resolution to approve the arrangement.
- 4.6 A CVA works by preserving the business which in turn would allow the continuation of trading and enable the Company to make voluntary contributions for the benefit of creditors. It acts as a mechanism to allow the Company to make significant changes in its operations which would allow it to trade profitably in the future. If a CVA is validly approved, it binds all of the Company's creditors who were entitled to vote (whether or not they so voted) or would have been so entitled had they received notice of the decision procedure.
- 4.7 As detailed at 3.14 and 3.15 above, the Directors engaged LC to assist in the preparation of a CVA Proposal to the Company's creditors. Following the circulation of the CVA proposals to creditors, the CVA was rejected by the creditors at a virtual meeting on 6 March 2019.

Administrative Receivership

- 4.8 NatWest and Bibby each hold Fixed and Floating Charge Debentures which post-date the introduction of the Enterprise Act 2002 on 15 September 2003. There was no ability by any of the Secured Creditors to appoint an Administrative Receiver in respect of the Company.

Creditors Voluntary Liquidation ("CVL")

- 4.9 CVL is generally an option where the business has no future and the Company would cease to trade.
- 4.10 Prior to the commencement of a liquidation, there would be no protection for the Company; the Company would therefore have been susceptible to recovery actions commenced by its creditors. Additionally, trading would cease and all employees would be made redundant. A duly appointed Liquidator would then take steps to recover any chattel assets held by the Company and these would be sold by auction at a forced sale value.
- 4.10 A sale of the business and assets as a going concern would not be achievable in a CVL scenario and would not lead to better realisations. Independent agents, Auctus Limited t/a Charles Taylor and Cerberus Asset Management ("CAM"), who were instructed to value the Company's physical assets, advised that the value achievable for the

physical assets would be impacted in the event of any cessation of trade as these would likely be sold at auction at a forced sale value. In the event of the cessation of trade, it was unlikely that any value would be achieved in respect of the Goodwill of the Company.

- 4.11 Closure of the business may have impacted on realisations from the Company's Book Debt Ledger. There would have been no customer continuity, which in our experience, may have resulted in disputes and reasons for non-payment. This may have considerably reduced collections and increased costs of the debt collection process.
- 4.12 In addition, on cessation of trade, the Leasehold Property would be returned to the Landlords and would give rise to unsecured claims in relation to the remaining Lease periods, Dilapidations and clearance costs.
- 4.13 Furthermore, employee claims for unpaid wages, accrued holiday pay, pay in lieu of notice and redundancy pay would have also crystallised by ceasing to trade.
- 4.14 It was considered that a CVL process would not be appropriate as the cessation of the business was likely to impact negatively upon the realisable value of the Company's assets as there would be no continuity of the business. The realisable value of the Company's chattel assets would also have impacted negatively as they would likely be sold at auction on a piecemeal basis.

Compulsory Liquidation

- 4.15 We advised the Directors that the making of an order by the Court which placed the Company into Compulsory Liquidation was likely to result in the immediate cessation of trade and employee redundancies, resulting in increased preferential and unsecured claims and therefore worsening the position for the creditors generally.
- 4.16 A Compulsory Liquidation would most likely result in the sale of the physical assets at auction. Consequently, costs would be incurred insuring, removing and storing assets. A sale at auction would typically attract lower realisable values. Increased costs and lower asset values in Compulsory Liquidation would lead to a reduction in recoveries for creditors.
- 4.17 Any asset realisations in a Compulsory Liquidation would also be subject to Insolvency Service fees therefore further reducing overall recoveries.
- 4.18 Based upon the information available it was considered that a Compulsory Liquidation process would not be appropriate as the business had ongoing viability if a purchaser could be found. As such, it was considered that a Compulsory Liquidation would not be in the best interests of the Company's creditors.

Administration

- 4.19 In light of the rejection of the CVA, this was considered the most appropriate option for creditors as a whole.
- 4.20 An Administration is a formal insolvency process and is used to maximise the value of the Company's assets and to facilitate a transfer of the trade/business by way of a sale of the business and assets. Administration is generally a process to 'restructure' a business which has suffered from an unexpected bad debt or has encountered a period of trading losses which can be rectified following this type of restructure.
- 4.21 The Directors, a secured creditor (as holder of a Qualifying Floating Charge), or the Company itself could appoint an Administrator. The objectives of Administration are as follows:
 - a) Rescuing the Company as a going concern; or
 - b) Achieving a better result for the Company's creditors as a whole than would be likely achieved if the Company be wound up (without first being in administration); or
 - c) Realising property to make a distribution to one or more secured or preferential creditors.

- 4.22 It was considered that a sale of the remaining business and assets in Administration would achieve one of these objectives by:
- Enhancing realisations from the Company's tangible assets;
 - Achieving optimum recovery from the Company's debtor ledger as a result of continuity of trade;
 - A value could be obtained for the Company's Goodwill; and
 - The transfer of 13 employees under Transfer of Undertaking (Protection of Employment) Regulations 2016 ("TUPE") would mitigate employee statutory notice and redundancy claims.
- 4.23 Based upon the information available it was considered likely that either the second or third objectives of the Administration could be achieved as a distribution could be made to Unsecured Creditors (dependant on the value achieved for the Freehold Property owned by the Company) or a distribution could be made to one or more of the Secured Creditors of the Company from a sale of the assets subject to their Fixed Charge Security.
- 4.24 The strategy prior to the Administration was to focus on achieving a pre-packaged sale of the Company's business and assets immediately, or shortly following, the Administration as this would provide the best opportunity to enhance asset realisations due to the continuity of the business. LC was instructed to assist the Company in attempting to find a purchaser for the business through an AMA process. An AMA process seeks to identify likely buyers within a short period of time, such that the Goodwill of the business is preserved as far as possible, asset realisations are maximised and staff are transferred to a buyer under the relevant legislation following a sale of the business.
- 4.25 It was considered that an AMA process in this matter would comprise the following:
- Preparation and broadcasting of a marketing flyer;
 - Preparation of an information pack to be forwarded to parties expressing an interest in acquiring the remaining business and assets;
 - Valuation of the business and assets to be undertaken by an independent agents;
 - Obtaining signed non-disclosure agreements from interested parties and allowing time for interested parties to consider the information pack;
 - To receive indicative offers by a deadline; and
 - To review offers received and progress negotiations.
- 4.26 The proposed Administrators would also undertake a web based marketing process of the business and assets to ensure that Statement of Insolvency Practice 16 ("SIP 16") protocol was followed and maximum value was achieved for the assets.
- 4.27 It would be anticipated that the sale of the business and assets would be sold on a pre-pack basis which would mean that the Sale and Purchase agreement ("SPA") was agreed prior to the Administration and the sale would be completed simultaneously on the appointment of the Administrator. A sale on this basis would also mitigate the costs and risks associated with ongoing trade in Administration.
- 4.28 In the event a Going Concern sale could not be achieved then the Joint Administrators would be required to cease trading immediately following their appointment and conduct an orderly wind down of the Company's affairs.

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

Secured Creditors

- 4.29 LC contacted NatWest, RBSIF and Bibby in regard to the Company's financial position and presented a strategy for the Administration. Throughout discussions with the Purchaser it was necessary to engage with NatWest and Bibby in relation to their security and the outstanding debt. Correspondence with NatWest and Bibby during the AMA process consisted of the disclosure of the strategy for the Administration and details of the transaction involving the sale of the Company's business and assets. Following confirmation from RBSIF that no debt was outstanding under its security, no further discussions were held.
- 4.30 Bibby and RBSIF each held Qualifying Floating Charges pursuant to a Debenture both were served with the NOI and the NOA.

Trade and Expense Creditors

- 4.31 It was considered that due to the increasing creditor pressure, consultation with the General Body of Creditors was not appropriate. It was considered that to do so could result in enforcement action. This was likely to have had an adverse impact on the likelihood of a going concern sale being achieved which may have put the Company's assets at risk.

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

- 4.32 Trading the business in an Administration followed by a sale of the business was considered, although this was not considered to be the optimal process for the following reasons:
- A period of uncertainty whilst trading in Administration would be likely to lead to a loss of customers which would erode any value in the Goodwill of the business;
 - Trading the business would not have guaranteed an improved offer for the assets and may, conversely, have devalued the Company's Goodwill;
 - There was no certainty of an alternative credible buyer being found given that marketing of the business had already been undertaken;
 - There was limited Working Capital available to fund ongoing trading;
 - The Joint Administrators did not consider that trading the Company would result in an increase in realisations sufficient enough to outweigh the costs associated with trading and the anticipated losses which were likely to be incurred; and
 - Given the nature of the business it was considered that to trade whilst in Administration would require substantial funding, and any losses incurred in Administration could worsen the position for all stakeholders. Therefore trading the Company in Administration was not appropriate.
- 4.33 Given all of the above, it was concluded that trading the business whilst in Administration was not a viable option and it was considered that a pre-packaged sale would allow for maximum value to be obtained for the benefit of creditors.

Details of requests made to potential funders to fund Working Capital requirements

- 4.34 Bibby continued to support the Company whilst negotiations for the sale of the business and continued to advance funds to meet critical supplier payments and wages, where necessary.

- 4.35 The Directors and Shareholders were not in a position to invest further funds to provide additional Working Capital to the Company in its current form. Furthermore, no third party investor could be identified.

Details of registered charges and dates of creation

- 4.36 According to the information registered at Companies House, the following Charges are currently outstanding:

Date of creation	Charge Holder	Type of charge	Amount secured and assets charged
21 August 2011	RBS Invoice Finance Limited	Debenture, incorporating Fixed and Floating Charges	All assets
6 July 2012	National Westminster Bank plc	Legal Mortgage	All legal interest in 20 Wood Park Road, Blackpool t/no LA414736 by way of Fixed Charge any other interest in the property, all rents receivable from any Lease, all Goodwill, the proceeds of any insurance, all Fixtures and Fittings not forming part of the property, all Plant and Machinery, all Furniture Equipment Tools and other goods kept at the property.
23 January 2019	Bibby Financial Services Limited	Debenture, incorporating Fixed and Floating Charges	All assets

- 4.37 Please note that following the completion of the refinancing of the Invoice Finance Facility from RBSIF to Bibby, no funds were owed to RBSIF. The Security held by RBSIF and shown as outstanding at the date of the Administration should be regarded as satisfied.

Details of any acquisition of business assets from an insolvency practitioner

- 4.38 We can 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.

5 MARKETING OF THE BUSINESS AND ASSETS

- 5.1 A marketing campaign was commenced by LC on 8 March 2019. The marketing campaign aimed to broadcast the opportunity to acquire the business and its trading assets to the open market. It was considered that to expose the opportunity to the open market would determine the best achievable price of the assets.

- 5.2 Marketing of the Company included:

Broadcasting the Opportunity on the Internet

- 5.3 A confidential advertisement was broadcast on the following two websites:

1. www.leonardcurtis.co.uk - the website of the proposed Joint Administrators.
2. www.charlestaylor.co.uk - the website of Charles Taylor Auctioneers and CAM, an independent auctioneer and valuation agent.

- 5.4 The advertisement went live on 8 March 2019 across the two websites and included details of the nature of the business, locations, staffing levels, turnover, assets available for sale and a closing date for offers being 12 noon on 19 March 2019. Please note that the advert remained on the above websites until the completion of the sale.

5.5 During the period from 8 March 2019 to 19 March 2019, CAM advised that their website received 3,717 views of which 2,875 were unique to individual users. The Business for Sale page of the CAM website received 560 views, of which 317 were unique to individual users. Views of the specific advert for the Company on CAM's website received 39 views, of which 36 were unique to individual users.

5.6 In addition to 5.5 above, during March 2019, the Business for Sale section of LC's website received 1,746 hits.

Rationale for Marketing Strategy

5.7 When determining the strategy for marketing the business and assets of the Company for sale the following was considered:

- CAM has sector specific knowledge and experience in managing similar asset sales and is supported by a team of individuals certified by, and registered with RICS.
- CAM has a nationwide presence and a significant and longstanding history of assisting Insolvency Practitioners with business and asset sales.
- Charles Taylor is a Manchester based auctioneer and valuation agent with a history of carrying out both asset only sales and business and asset sales in conjunction with both company directors and Insolvency Practitioners.
- LC is a leading national business solutions practice which has an established history of providing business acquisition opportunities to the open market.
- CAM, Charles Taylor and LC frequently market business and asset sales through their websites. In addition, the interested party database maintained by LC has been compiled over the course of many years carrying out similar transactions and, consequently, contains a wide range of interested parties and intermediaries with a history of pursuing and completing similar acquisitions.

5.8 CAM recommended the marketing strategy after due consideration of the circumstances of the Company.

5.9 By advertising the business and assets in the manner set out above, the proposed Joint Administrators anticipated the greatest level of exposure to potential interested parties without incurring costs that would be disproportionate to the estimated value of assets involved.

Length of Marketing Period

5.10 The length of the marketing period was determined by the following factors:

- Risk of winding up proceedings being commenced by HMRC;
- Risk of creditor enforcement action from other creditors;
- Lack of alternative offers and interest; and
- Cash reserves / support from the Secured Creditor.

5.11 The period over which the business was marketed for sale was proportionate to the Company's financial position having due regard to the interests of creditors.

Outcome of Marketing

5.12 The marketing campaign resulted in one expression of interest from a connected party.

5.13 No expressions of interest were received from any other party. We confirm that we are satisfied with the adequacy and independence of the marketing undertaken.

Negotiations

- 5.14 The Director, Elaine McGrath and Shareholder, Paul Slater, expressed an interest in acquiring the business and assets. Following the commencement of the AMA process on 8 March 2019, LC commenced negotiations in relation to the purchase of the business and assets of the Company.

Offers

- 5.15 The marketing campaign resulted in one formal offer totalling £32,750 which was received on 20 March 2019 from a connected company, Handsworth Fudge Co. Limited (CRN: 11881586) ("the Purchaser"). The Purchaser is a connected party pursuant to Sections 249 and 435 of the Insolvency Act 1986 (as amended) ("the Act"), by virtue of the common directorship and shareholding of Mrs Elaine McGrath. The Purchaser is also a connected party by virtue of Mr Paul Slater, who is a Shareholder of the Company and a Director of the Purchaser.
- 5.16 For the avoidance of doubt, no other offer was received from any other party.
- 5.17 The offer received from the Purchaser was in excess of the valuations received for the assets and was accepted on 20 March 2019 on the recommendation of independent agents, CAM.
- 5.18 We confirm that, in our opinion, we consider that the marketing undertaken conformed with the marketing essentials set out in the Appendix to SIP16.
- 5.19 The marketing strategy adopted ensured the greatest level of exposure to potentially interested parties whilst maintaining costs at a level consistent with the estimated realisable value of the assets on offer. This strategy also ensured that the identity of the Company remained confidential pending a sale to preserve any potential value held in the business and / or assets, and specifically Goodwill.
- 5.20 We are not aware of any marketing of the business and / or assets of the Company being carried out by the Company prior to our instruction.

6 VALUATION OF THE BUSINESS AND ASSETS

Details of valuers / advisors

CAM

- 6.1 Independent RICS registered agents, CAM were initially instructed on 4 January 2019 to inspect and value the physical assets (excluding the Freehold Property) of the Company. CAM updated its valuation on 19 March 2019 further a request from the proposed Administrators on 7 March 2019.
- 6.2 CAM was asked to prepare an indicative valuation report setting out the Company's remaining business and assets. In addition, CAM was asked to assist the proposed Joint Administrators in determining the method of disposal that was likely to be in the best interests of creditors as a whole.
- 6.3 CAM were made aware that a pre-packaged sale of the Company's business and assets was contemplated, and as such the marketing essentials detailed in SIP16 must be complied with in this matter.
- 6.4 In accepting the instructions, CAM confirmed their independence to act in this matter and have confirmed they hold the requisite level of professional indemnity insurance. Furthermore, we have been advised that the agents conducting the valuations have the appropriate level of experience, skill and competence to conduct the valuations

The valuations obtained of the business or the underlying assets

Category of asset	Note	Book value Note 1) £	High value (Note 2) £	Low value (note 3) £	Value achieved (note 4) £
ASSETS SPECIFICALLY PLEDGED					
Freehold property 1	A	Not Disclosed	-	-	Excluded
Freehold property 2	A	Not Disclosed	-	-	Excluded
Goodwill, Business Intellectual Property and Sellers Records	B	-	-	-	1,002
Book Debt Equity	C	5,438	-	-	Excluded
ASSETS NOT SPECIFICALLY PLEDGED					
Plant & Machinery (including Motor Vehicles)	D	19,700	46,200	22,700	28,000
Stock and WIP	E	8,100	-	-	3,498
Office Furniture & Equipment	F	3,200	330	140	250
Cash at Bank	G	-	-	-	Excluded
TOTAL		36,438	46,530	22,840	32,750

NOTES

1. Book Value

6.5 The Book Value figures for the Plant and Machinery and Office Furniture & Equipment have been taken from the Company's last set of statutory accounts for the year ended 31 October 2017. Please note that no provision was made in these accounts for Goodwill, Business Intellectual Property and Sellers Records. The book value of the Company's debtors have been taken from information provided by Bibby and the Cash at Bank information has been provided by NatWest. The Stock and WIP figures have been taken from information provided by the Company and CAM.

6.6 Please note that the potential values of the Freehold Property owned by the Company are not available at the date of this report.

1 High Value

6.7 Also referred to as "market value in-situ". This assumes that all assets are sold together as a whole, in their existing location, as part of a sale as a going concern, and that there is sufficient time and resources available to fully market the business for sale.

2 Low Value

6.8 Also referred to as "market value ex-situ without appropriate marketing". This assumes that assets are removed from their current location for piecemeal disposal, after cessation of trading. This basis assumes that assets are sold quickly and without adequate marketing being possible.

4. Market Value

6.9 Market value is defined as "the estimated amount for which an asset should exchange (at the valuation date) between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

6.10 CAM and CRM advised that a sale of the business as a going concern would, in the circumstances of this case, result in the best possible outcome for the Company's creditors and therefore provided the "High Value" noted above.

If a going concern sale was not achievable CAM confirmed that the "Low Value" given above was a reasonable expectation of what could be achieved given sufficient time.

- 6.11 Valuations have been provided on the above basis in order to benchmark offers and compare potential outcomes.

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

A Freehold Property

- 6.12 The Company owns two Freehold Property's situated at 20 and 30 Woodpark Road, Blackpool FY4 1HS. As detailed earlier in this report, one Property is subject to a Legal Mortgage in favour of NatWest. For the avoidance of doubt, this category of asset has not been included in the sale to the Purchaser. Realisation from the Freehold Property may impact on the outcome for creditors and as such the Joint Administrators do not consider it appropriate to distribute their proposals until the position has been confirmed.
- 6.13 The Purchaser does not require the Freehold Property for the purpose of ongoing trade and will continue to trade from the Leasehold Property previously occupied by the Company. The Leasehold Property is owned by a connected party. Immediately following the appointment of the Administrators, steps were taken to obtain open cover insurance over each Freehold Property with Eddisons Insurance Services Limited.
- 6.14 The Joint Administrators are currently in the process of instructing an independent agent local to the Blackpool area, JPA Surveyors to value, secure and commence the marketing of each Property. The value of the Freehold Property owned by the Company has not been disclosed in this report as this may prejudice any future sale.
- 6.15 An update on the progress made in regard to selling the Property's will be provided in our Report and Statement of Proposals.

B Goodwill, Business Intellectual Property and Sellers Records (together "Goodwill")

- 6.16 The Company latest filed accounts do not attribute any value to this category of asset.
- 6.17 Given the distressed position of the business, it was considered that any value attributable to this asset of the business would be minimal, if any at all.
- 6.18 A valuation of this category of asset was not considered necessary for the following reasons:
- The Purchaser was the only party to make an offer for the business. The offer included a value of £1,002 for the Goodwill;
 - This category of asset was likely to be more valuable to a connected party;
 - Despite a period of marketing there were no other expressions of interests from any unconnected parties and no party other than the Purchaser made an offer for the business;
 - The cost of obtaining a valuation of this category of asset was estimated at £2,500 plus VAT. As no competing offer was received and there was no value previously attributed to this category of asset, the benefit of obtaining a valuation was considered to be disproportionate to any costs.
- 6.19 In light of the above, the Purchaser's offer of £1,002 was accepted.
- 6.20 Acceptance was on the basis that a value had been extracted from this category of asset which would have been unlikely had a sale not been effected to the Purchaser and the Company had entered into liquidation or ceased to trade.

C Book Debts

- 6.21 As detailed above, RBSIF provided an Invoice Finance Facility to the Company. On 23 January 2019, a refinance of the Invoice Finance Facility was completed which resulted in the Company's indebtedness to RBSIF being repaid in full by Bibby. The Company entered into a new Invoice Finance Facility Agreement with Bibby for which security, by way of a Debenture containing Fixed and Floating Charges, was granted to Bibby.
- 6.22 At the date of the Administration, the Company had a gross debtor ledger of £27,475 of which £26,669 had been approved for funding. Funds in use with Bibby totalled £22,037 (excluding interest and charges).
- 6.23 As the Book Debt Ledger is subject to an assignment in favour of Bibby under its Fixed Charge security, Bibby has advised that it will undertake to collect the Ledger in Administration. Given the small amount of perceived equity in the Ledger and with no offer received to acquire the Company's interest in the Ledger, there was no merit in obtaining a valuation of the equity position.
- 6.24 An update on collections and prospect of any surplus that will be available to the Administration estate will be provided in my Report and Statement of Proposals.

D Plant & Machinery (including Motor Vehicles)

- 6.25 The Company's last set of accounts to 31 October 2017 attribute a value of £19,700 to the Plant and Machinery (including Motor Vehicles) of the Company.
- 6.26 CAM attended site to assess the value of these assets on the basis of an open market in-situ basis (high) and a forced sale basis (low). Valuations on this basis provide an estimated outcome in a pre-packaged in-situ sale and a distressed forced sale basis respectively.
- 6.27 The Plant and Machinery was held across three sites and was equipment used in the manufacture of rock candy and confectionary. CAM advised that a single Motor Vehicle was owned by the Company which was a van registered in 2004.
- 6.28 CAM attributed a high value of £46,200 and a low value of £22,700 to these assets.
- 6.29 The Purchaser attributed a value of £28,000 in its offer to these assets which was recommended for acceptance by CAM as this fell within the scope of its valuation.

E Stock and Work-in-Progress ("WIP")

- 6.30 The Company's last accounts to 31 October 2017 attributed a value of £205,204 to Stock and WIP.
- 6.31 CAM attended site to assess the Stock and WIP position and advised that there was no significant quantity of Stock held by the business. Given its financial position, the Company had utilised any Stock that it had in maintaining supply to its customers and at the date of CAM's review operated on a 'just in time' basis. The book value of the remaining Stock held was estimated at approximately £8,100. This included some small quantities of raw materials, wholesale goods, and manufactured stock. The vast majority of the remaining stock was made up of packaging related to the 'rock' side of the business.
- 6.32 Once the Stock had been produced this was distributed to customers and converted to invoicing. CAM advised that there was only a nominal amount of WIP
- 6.32 The Purchaser made an offer of £3,498 to the Company's Stock and WIP which was duly recommended for acceptance by CAM as it did not attribute any realisable value to this category of asset in its valuation.

F Office Furniture & Equipment

- 6.33 The Company's last set of accounts to 31 October 2017 attribute a value of £3,200 to Office Furniture and Equipment of the Company, made up of desktop computers, server equipment and desks and chairs.
- 6.35 CAM attributed a high value of £330 and a low value of £140 to these assets.
- 6.36 The Purchaser attributed a value of £250 its offer to these assets which was recommended for acceptance by CAM as this fell within the scope of its valuation.

G Cash at Bank

- 6.37 As detailed above, the Company operated two accounts with NatWest. A current account used in the normal held a credit balance of £36.87 at the date of Administration. The Loan Account (being the outstanding mortgage) had a debit balance of £51,017.69. NatWest is understood to have a right to set-off any credit balance against monies owed at the date of the Administration. As such, it is anticipated that there will be no realisation from this category of asset in the Administration.

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.

- 6.38 A formal valuation was not obtained for the Freehold Property, Goodwill and Book Debts.
- 6.39 No offer was made in regard to the Freehold Property by the Purchaser which was excluded from the SPA. A prolonged marketing period will enhance realisations of the Property and it is proposed that the Property be sold in the Administration. As such, a formal valuation was not obtained prior to the Administration.
- 6.40 The reasons for not obtaining a valuation of the Goodwill and Book Debts are set out above at 6.18 and 6.23 respectively

7 THE TRANSACTION

- 7.1 A sale of the Company's business and assets was completed on 2 April 2019 to a connected company, Handsworth Fudge Co. Limited ("the Purchaser"). The Purchaser is a connected party pursuant to Sections 249 and 435 of the Insolvency Act 1986 (as amended) ("the Act"), by virtue of the common directorship and shareholding of Mrs Elaine McGrath. The Purchaser is also a connected party by virtue of Mr Paul Slater, who is a Shareholder of the Company and a Director of the Purchaser.
- 7.2 The consideration to the sale of assets of £32,750 was apportioned as follows:

	£
ASSETS SPECIFICALLY PLEDGED	
Goodwill, Business Intellectual Property and Sellers Records	1,002
ASSETS NOT SPECIFICALLY PLEDGED	
Plant & Machinery (including Motor Vehicles)	28,000
Stock and WIP	3,498
Office Furniture & Equipment	250
TOTAL	<u>32,750</u>

7.3 The gross consideration of £32,750 is payable as follows:

Date	£
On Completion	15,000.00
On or before 2 May 2019	4,437.50
On or before 2 June 2019	4,437.50
On or before 2 July 2019	4,437.50
On or before 2 August 2019	4,437.50
	<u>32,750.00</u>

7.4 We can confirm that the amount payable on completion of £15,000 has been received and is currently being held to the Joint Administrators order by Napthens Limited and this amount will be transferred to the Joint Administrators in due course.

7.5 There are no buy-back arrangement or similar conditions attached to the contract of sale.

7.6 As part of the Sale and Purchase Agreement, the Purchaser has granted the Company (Acting by its Administrators) a Fixed and Floating Charge Debenture as security over its assets which has been limited to the value of outstanding deferred consideration. The Joint Administrators have also obtained a Personal Guarantees from Elaine McGrath and Paul Slater.

7.7 Please note that Elaine McGrath and Paul Slater are understood to have also provided Personal Guarantees to NatWest, Bibby and RBSIF and both will be involved with the management of the Purchaser.

7.8 The Administration has resulted in the transfer of 13 employees under TUPE regulations.

7.9 Bibby are funding the Purchaser going forward by way of an Invoice Finance Facility.

7.10 The sale is not part of a wider transaction and no clauses are included as part of the agreement.

7.11 There are no other terms or conditions of the contract that could material affect the asset consideration.

7.12 The Joint Administrators are satisfied that this report includes sufficient information to satisfy their disclosure requirements under Statement of Insolvency Practice 13.

8 PRE-PACK POOL AND REQUEST FOR VIABILITY STATEMENTS

8.1 Prior to our appointment, the Shareholders and Directors via a connected party (the Purchaser) expressed an interest in purchasing the Company's business and assets.

8.2 We can confirm that a Director of the Company, and the Purchaser, were advised in writing on 20 March 2019 about options available concerning an approach to be made to the pre-pack pool.

8.3 We can confirm that the pre-pack pool was not approached by the Purchaser of the business and assets.

8.4 In addition to the above, a request was made to the Purchaser on 20 March 2019 to prepare a viability statement stating how the purchasing entity would survive for at least 12 months from the date of the proposed acquisition.

8.5 No viability statement was provided.

9 STATUTORY PURPOSE OF ADMINISTRATION

9.1 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.

9.2 In this instance, it is not possible to achieve objective (a) given the extent of the Company's historic liabilities.

9.3 Whilst a sale of the business and assets has in the circumstances maximised asset realisations and the mitigation of costs has enhanced the position of unsecured creditors, a distribution to unsecured creditors is likely to be dependent on the realisation of the Freehold Property and the values obtained for these assets. Subject to receiving the valuation of the Freehold Property, we anticipate a distribution will be made to Unsecured Creditors and Objective (b) to be achieved.

9.4 We consider that Objective (c) is achievable in this matter for the following reasons:

- The Company's Goodwill and Freehold Property is subject to Fixed Charge Security held by NatWest. The pre-packaged sale of the business and assets has maximised the value of the Company's Goodwill and realisations from this assets will be available to NatWest, together with the realisations from the Freehold Property. In the event of the Company's cessation of trade, a sale of the Goodwill would have been unlikely and a realisation from this category of asset would not have been available to distribute to NatWest.
- Continuity of trade should enhance collectability of the Sales Ledger enabling Bibby to collect out under its Fixed Charge over the Sales Ledger.

9.5 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.

PRIVACY NOTICE**LEONARD CURTIS
PRIVACY NOTICE FOR CREDITORS****Information we collect and hold about you**

By requesting details of your claim in this insolvency, we may collect Personal Data from you, particularly if you are a consumer creditor, a sole trader or are lodging a claim in your personal capacity.

Personal Data is information relating to a living individual. Whenever Personal Data is processed, collected, recorded, stored or disposed of it must be done within the terms of the General Data Protection Regulation ("the GDPR"). Examples of Personal Data include but may not be limited to your name, address, telephone number and email contact details.

If you do not provide us with the information we require, this may adversely affect our ability to deal with your claim, but we would ask you not to submit more Personal Data than we request from you.

Legal justification for processing your Personal Data

The processing of your Personal Data by us is necessary to enable us to comply with legal obligations under the Insolvency Act 1986 and associated legislation which we are subject to as Insolvency Practitioners.

How we use your information

All information you supply to us is required to enable us to comply with our duties under the Insolvency Act 1986 and associated legislation. It will be used to enable us to assess the extent of the insolvent entity's liabilities, to allow you to vote on any decision procedures, to enable us to communicate with you, to process your claim and to pay any dividends which may be due to you from the insolvent estate.

Who we share your information with

We may be required to share some of your Personal Data with other creditors. The data which will be shared with other creditors will be limited to that specifically required to be disclosed under insolvency legislation.

We may share some of your information with our Data Processors. Data Processors include solicitors, accountants and employment law specialists who assist us with our duties where required. We will only share your information with our Data Processors if we require their specialist advice. All of our Data Processors are subject to written contracts with us to ensure that your Personal Data is processed only in accordance with the GDPR.

How long will we hold your Personal Data for?

We will need to hold your Personal Data for a period of time after the insolvency has been concluded. This is to enable us to deal with any queries which might arise. Our Records Management Policy requires us to destroy our physical files 6 years after closure of the case. Electronic data files will be removed from our Case Management System 6 years after conclusion of the case but may be held on our server for a longer period of time but with restricted access.

Your rights in respect of your Personal Data

You have the right to request access to your Personal Data and to require it to be corrected or erased. You also have the right to request a restriction in the way we process your Personal Data or to object to its processing. You should be aware however that we may not be able to comply with your request if this would affect our ability to comply with our legal obligations.

You have the right to Data Portability. This is a right to have the Personal Data we hold about you to be provided to you in a commonly used and machine-readable format so that you can transfer that Data to another organisation in a way that is not too onerous to upload the Data.

Your right to complain

You have the right to be confident that we are handling your Personal Data responsibly and in line with good practice. If you have a concern about the way we are handling your Personal Data you should contact our Privacy Manager in the first instance.

If you are unable to resolve your concerns with us, you have the right to complain to the Information Commissioners' Office. The Information Commissioner can be contacted at Wycliffe House, Water Lane, Wilmslow, Cheshire SK6 5AF or on 0303 123 1113.

Contacting us

If you have any questions relating to the processing of your Personal Data, please write to our Privacy Manager at Leonard Curtis, 5th Floor, Grove House, 248A Marylebone Road, London NW1 6BB Alternatively our Privacy Manager can be contacted by telephone on 0207 535 7000 or by email: privacy@leonardcurtis.co.uk.

Data Controller: LEONARD CURTIS