

# AM10

## Notice of administrator's progress report



Companies House

FRIDAY



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A33

29/09/2017

#253

COMPANIES HOUSE

### 1 Company details

Company number 5 1 3 3 6 2 2

Company name in full 4Children (Direct) Limited

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

### 2 Administrator's name

Full forename(s) Adam Henry

Surname Stephens

### 3 Administrator's address

Building name/number 25 Moorgate

Street London

Post town EC2R 6AY

County/Region

Postcode

Country

### 4 Administrator's name ①

Full forename(s) Finbarr Thomas

Surname O'Connell

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

### 5 Administrator's address ②

Building name/number 25 Moorgate

Street London

Post town EC2R 6AY

County/Region

Postcode

Country

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

## Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**  
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ①  
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**  
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**  
Please complete in typescript or in bold black capitals.  
  
All fields are mandatory unless specified or indicated by \*

### 1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

① You can use this continuation page with the following forms:  
- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7  
- CVA1, CVA3, CVA4  
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25  
- REC1, REC2, REC3  
- LIQ2, LIQ3, LIQ05, LIQ13, LIQ14, WU07, WU15  
- COM1, COM2, COM3, COM4  
- NDISC

### 2 Insolvency practitioner's name

Full forename(s)	Andrew Stephen
Surname	McGill

### 3 Insolvency practitioner's address

Building name/number	3rd Floor
Street	9 Colmore Row
Post town	Birmingham
County/Region	
Postcode	B 3 2 B J
Country	

AM10

Notice of administrator's progress report

**6** Period of progress report

From date	<sup>d</sup> 2	<sup>d</sup> 8	<sup>m</sup> 0	<sup>m</sup> 2	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 1	<sup>y</sup> 7
To date	<sup>d</sup> 3	<sup>d</sup> 0	<sup>m</sup> 0	<sup>m</sup> 8	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 1	<sup>y</sup> 7

**7** Progress report

☒ I attach a copy of the progress report

**8** Sign and date

Administrator's  
signature

Signature

X



X

Signature date

<sup>d</sup> 2	<sup>d</sup> 7	<sup>m</sup> 0	<sup>m</sup> 9	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 1	<sup>y</sup> 7
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# AM10

## Notice of administrator's progress report



### 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	Andrew Stephen McGill
Company name	Smith & Williamson LLP
Address	25 Moorgate
	London
Post town	EC2R 6AY
County/Region	
Postcode	
Country	
DX	
Telephone	020 7131 4000



### Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



### Important information

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



### 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](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto: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](http://www.gov.uk/companieshouse)



# 4Children (Direct) Limited (in administration)

Joint administrators' progress report for the period from 28 February 2017 to 30 August 2017

25 September 2017



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# 1. Glossary

Abbreviation	Description
the Company	4Children (Direct) Limited
the administrators/joint administrators	Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephan McGill
the Charity Group	4Children, 4Children (Trading) Limited, 4Children (Direct) Limited, 4Children (Gloucestershire) Limited, 4Children (Plymouth) Limited, 4Children (Worcestershire) Limited - All in Administration
SIP	Statement of Insolvency Practice (England & Wales)
IA86	Insolvency Act 1986 If preceded by S this denotes a section number
Sch B1	Schedule B1 to the Insolvency Act 1986 If preceded by P this denotes a paragraph number
IR16	Insolvency Rules 2016 If preceded by R this denotes a rule number
SOA	Statement of Affairs
QFCH	Qualifying Floating Charge Holder - a secured creditor who has the power to appoint an administrator
FSE	FSE Social Impact Accelerator Limited
S&WFS	Smith & Williamson Financial Services Limited
HSBC	HSBC Bank plc

## 2. Introduction

This report provides an update on the progress in the administration of the Company for the six month period ended 30 August 2017. It should be read in conjunction with any previous reports. By way of reminder, we, Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephen McGill of Smith & Williamson LLP, 25 Moorgate, London EC2R 6AY, were appointed administrators of the Company on 31 August 2016. The administration has been extended by the consent of the creditors until 31 August 2018.

Statutory information in respect of the Company and the administration is set out at Appendix I.

## 3. Progress of the administration

Attached at Appendix II is our receipts and payments account for the period from 28 February 2017 to 30 August 2017. This account includes cumulative figures for the period from 31 August 2016 to 30 August 2017.

The receipts and payments account also includes a comparison with the directors' SOA values.

### 3.1 Sale of the business and assets

As creditors will recall, a pre-packaged sale ("pre-pack") of a majority of the Charity's business and assets was completed on 31 August 2016, to another Charity, being Action For Children. The remainder of services were taken back in-house by the relevant local authority or transferred (at the local authority's request) to another provider. Full details of this transfer were provided in the joint administrators' proposals which can be found on the website.

### 3.2 Furniture & Equipment

As creditors will recall from my previous report dated 30 March 2017, the prepack sale consideration encompassed the whole Charity Group (i.e not just the Company), and the proceeds received totally £53,520, were in respect of all six companies in the Charity Group. As highlighted above, the majority of the consideration received was in respect of plant and equipment. The accounting records of the Company, or any of the Companies within the Charity Group, in respect of these assets are insufficient to allow an obvious allocation of monies between the six Companies. It would not be commercially logical to undertake a full audit to allocate the precise split, and an equitable split amongst the six legal entities within the Charity Group will be undertaken based on existing asset register information.

Please note that the consideration is held with the administrators' solicitors, Russell Cooke LLP, who assisted with the pre-pack sale of the business.

### 3.3 Book Debts

We do not consider there will be any material further realisations from the Company's debtor book.

However the joint administrators are currently reviewing the book debt position of the Company, particularly the nursery debtors, therefore the figure recorded in the receipts & payments account (Appendix II) is subject to change. We hope to be able to provide a more substantial report on the collection process in our next report.

### 3.4 Bank Interest Gross

A sum of £145.77 was received in respect of bank interest gross.



### 3.5 Administration strategy

There has been no change in the administration strategy outlined in the joint administrators' proposals.

## 4. Investigations

Under the Company Directors Disqualification Act 1986 we have a duty to make a submission to the Secretary of State for Business, Energy & Industrial Strategy on the conduct of all those persons who were directors at the date the Company entered administration or who held office at any time during the three years immediately preceding the administration.

We have complied with our duty in this regard. As all submissions are strictly confidential we are unable to disclose their content.

Shortly after appointment, we made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors as a response to our request to complete an investigation questionnaire. Our investigations have not revealed any issues requiring a further report.

## 5. Pre-administration costs

The pre-administration costs were reported in the administrators' proposals dated 2 September 2016. The table below summarises the entire quantum of professional fees. None were paid directly by the Company, but were instead paid for by 4Children.

Charged by/service(s) provided	Total amount charged £	Amount paid £	Who made payment	Amount unpaid £
Smith & Williamson LLP- Time Costs	150,473.50	97,999	4Children	52,474.50
Smith & Williamson LLP - Disbursements	2,894.52	725.02	4Children	2,169.50
Russell-Cooke LLP - Legal Advice	108,310.26	73,950.26	4Children	34,360.00
Sanderson Weatherall LLP - Chattel Agents	24,000.00	Nil		24,000.00
Total	285,678.28	172,674.28	-	113,004.00

Smith and Williamson LLP's pre-appointment time costs total £150,473.50 plus VAT. Of this amount, £97,999 plus VAT was paid by the Charity Group prior to our appointment, with £52,474.50 remaining outstanding.

Russell-Cooke's costs were reported in the proposals as £108,310.26, of this amount, £73,950.26 was paid and £34,360 remains outstanding.

We are currently in discussion with FSE, being the sole secured creditor, to which there is an outstanding balance due and the preferential creditors for approval of the outstanding costs.

In addition to the above, we are also reviewing these costs and the allocation across the Charity Group.

## 6. Administrators' remuneration

As outlined in my previous progress report, no remuneration has been drawn to date. This is because the joint administrators are currently in discussion with the secured creditor and preferential creditors for approval of a resolution on our fees and costs.

The administrators' time costs are:

Period	Total hours hrs	Total costs £	Average hourly rate £/hr	Fees drawn £
31 August 2016 - 27 February 2017	485.60	112,951.12	232.60	NIL
28 February 2017 30 August 2017	104.40	23,540.75	225.49	NIL
Total	590.00	136,491.87	231.34	NIL

Attached as Appendix III, is a time analysis which provides details of the activity costs incurred by staff grade during the period of this report in respect of the costs fixed by reference to time properly spent by the administrators and their staff in attending to matters arising in the administration. Details of work carried out in the period are also included in the body of this report.

Since the joint administrators are seeking approval for their basis of remuneration, a time costs estimate for the whole period of the administration is attached at appendix VI.

This details the estimated fees according to the grade of staff, expected number of hours to perform specific tasks, some of which are required by legislation and some of which are specific to this case. Also shown is the average hourly rate.

Attached as Appendix III, is a time analysis which provides details of the activity costs incurred by staff grade during the period of this report in respect of the costs by reference to time properly spent by the administrators and their staff in attending to matters arising in the administration. Details of work carried out in the period are also included in the body of this report.

Also attached as Appendix IV, is a cumulative time analysis for the period from 31 August 2016 to 30 August 2017 which provides details of the administrators' time costs since appointment.

Since the joint administrators are seeking approval for their basis of remuneration, a time costs estimate for from 31 August 2017 to 30 August 2018 is attached at appendix VI. This details the estimated fees according to the grade of staff, expected number of hours to perform specific tasks, some of which are required by legislation and some of which are specific to this case. Also shown is the average hourly rate.

The joint administrators' time costs to date are £136,492 as above, and we estimate that our total time costs for the period 31 August 2016 to 30 August 2018 will be £180,000, which includes the sum of £136,492 already incurred.

The joint administrators are in the process of agreeing the basis of their fees with the secured and preferential creditors. This estimate provides a breakdown of all the time the joint administrators estimate to incur however our fees will be significantly discounted.

Please note that this estimate is based on present information and may change due to unforeseen circumstances arising. In the event that the fees estimate is likely to be exceeded, the joint administrators will need to provide an update and seek approval from the appropriate creditors before drawing any additional

sums. Fee estimates may be given up to a certain milestone or for a designated period if it is not possible to provide an accurate estimate at any given point.

The joint administrators anticipate the future costs to be in the region of £44,000.

On a general note, creditors should be aware that some of the work is required by statute and may not necessarily provide any financial benefit to creditors. Examples would include dealing with former employees' claims through the Redundancy Payments Service and investigating the former officers of the company as required by the Company Directors' Disqualification Act 1986.

A detailed narrative explanation of these costs can be found in the "Outstanding matters" section of this report.

A copy of "A Creditor's Guide to Administrator's Fees", as produced by the ICAEW, is available free on request or can be downloaded from their website as follows:

<http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

Details of Smith & Williamson LLP's charge out rates and policies in relation to the use of staff are provided at Appendix V.

## 6.1 S&WFS

S&WFS, a company associated with Smith & Williamson LLP, has dealt with the Company's pension affairs. Payments to parties in which joint administrators or their firm have an interest must be disclosed to, and approved by, creditors in a similar way as approval of the joint administrators' remuneration. S&WFS have been assisting the joint administrators will reconciling the Company's records in order to submit a claim for unpaid contributions to the Redundancy Payments Office.

In this case, the joint administrators are seeking approval for the basis of S&WFS as follows:

- By reference to the time properly spent by the S&WFS staff and their staff in attending to matters arising in the administration. As we will be seeking approval to draw fees on this basis, a fees and costs estimate is attached at Appendix VI. This details the estimated fees according to the grade of staff, expected number of hours to perform specific tasks, some of which are mandatory, irrespective of the company, and some of which are specific to this case, and the average hourly rate.

The secured and the preferential creditors will be requested to approve S&WFS' remuneration on a time costs basis. S&WFS' time costs to 30 August 2017 are £1,460.25. This represents 6.45 hours at an average rate of £226.40.

Details of S&WFS' charge out rates are included at Appendix V.

# 7. Administration expenses

## 7.1 Subcontractors

We have utilised the services of the following subcontractors during the current period:

Provider/Service(s)	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £

Provider/Service(s)	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £
ERA Solutions (Employee claims processing)	Rate per employee claim or hourly rate agreed	2,245.00	2,245.00	NIL
Legal Recoveries & Collections Limited *	Commission basis	241.84	241.84	NIL

\*Legal Recoveries & Collections provided the Company with external debt factoring services. The services have been cancelled; however there are debtors who are on court order and are required to settle outstanding amounts owed to the Company by way of payment plan on a regular basis.

## 7.2 Professional advisers

On this assignment we have used professional advisers.

Name of professional adviser/Service(s)	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £
Russell Cooke LLP - Legal advice re employees issue, extension and leasehold issues	Hourly rate and disbursements	5,137.00	1,720.00	3,417.00

The table above summarises the quantum of professional fees. None were paid directly by the Company, but were instead paid for by 4Children.

The joint administrators' are reviewing these costs and the allocation across the Charity Group.

## 7.3 Administrators' disbursements

We have not paid and/or incurred any disbursements in the current period.

## 7.4 Category 2 disbursements

No Category 2 disbursements have been incurred and/or paid in the current period.

## 7.5 Other expenses

A sum of £6,384 was received post appointment and related to services provided by the new providers, therefore these were refunded to the respective party.

## 7.6 Policies regarding use of third parties and disbursement recovery

Appendix V provides details of Smith & Williamson LLP's policies in relation to the use of subcontractors and professional advisers, and the recovery of disbursements.

# 8. Estimated outcome for creditors

The estimated outcome for each class of creditors is set out below.

## 8.1 Secured creditors

FSE holds a fixed and floating charge over the Company's assets. It also has a series of cross guarantees over almost all of the other Charity Group's assets. At the date of the administration the indebtedness was £500k. In the period covered by this report, no payments have been made to the secured creditor. Future payments to FSE will be dependent on realisations made by each entity within the Charity Group.

## 8.2 Prescribed Part

The Company granted a floating charge to FSE on 9 October 2014. Accordingly, we are required to create a Prescribed Part fund out of the Company's net floating charge property for unsecured creditors.

At present we are unable to provide an estimate on the value of the Company's net floating charge property. The value of the unsecured creditors' Prescribed Part fund will therefore only be made available once the joint administrators have reviewed and reconciled the book debt position as mentioned in section 3.3. The final outcome in regards to this can only be determined once all asset realisations have been made. If there is a Prescribed Part distribution available for unsecured creditors, this will be distributed by the joint administrators in the administration.

## 8.3 Preferential creditors

We set out below a summary of preferential claims received:

Preferential creditor	SOA claims £	Claims received £
Department for Business, Energy & Industrial Strategy (Interim claim received)	NIL	3,443.85

The joint administrators' continue to review the preferential creditors' position.

## 8.4 Unsecured creditors

We have received unsecured claims totalling £817,868.51 from 57 creditors. Total claims as per the directors' SOA were £334,623.

The only amount likely to be available for distribution to unsecured creditors is the prescribed part. However, as detailed in section 8.2, at present it is uncertain whether there will be sufficient funds to enable a prescribed part distribution.

## 9. Outstanding matters

The joint administrators estimate that their future time costs will be in the region of £44,000. The secured creditor and the preferential creditors will be requested to approve our fees on a time cost basis.

- Conclusion of outstanding pension matters.
- Ensure all matters in regard to the sale of the business have been concluded.
- Filing corporation tax returns and obtaining tax clearance in respect of the administration period.
- Paying all costs and expenses of the administration once any required approval has been obtained.
- Adjudicating the preferential creditors' claims
- Agreeing the claim of and making payment to the floating charge holder.
- Potentially declaring a distribution to the unsecured creditors through the prescribed part rule.
- Closure of the administration, including preparing and issuing the final report.

Please note that this estimate is based on present information and may change due to unforeseen circumstances arising. In the event that the fees estimate is likely to be exceeded, the joint administrators will need to provide an update and seek approval from the creditors before drawing any additional sums. Fee estimates may be given up to a certain milestone or for a designated period if it is not possible to provide an accurate estimate at any given point.

On a general note, creditors should be aware that some of the work is required by statute and may not necessarily provide any financial benefit to creditors. Examples would include dealing with former employees' claims through the Redundancy Payments Service and investigating the former officers of the company as required by the Company Directors' Disqualification Act 1986.

## 10. Ending the administration

As detailed in the joint administrators' proposals, the joint administrators will use their discretion to exit the administration by way of one of the following means:

- i) If having realised the assets of the Company, the joint administrators think that a distribution will be made to the unsecured creditors other than by virtue of the Prescribed Part, they may file a notice with the Registrar of Companies which will have the effect of bringing the appointment of the joint administrators to an end and will move the Company automatically into CVL in order that the distribution can be made, but only if they consider that the associated incremental costs of a CVL are justified. In these circumstances, it is proposed that the joint administrators will become the joint liquidators of the CVL. The acts of the joint liquidators may be undertaken by either or both of them.

Creditors have the right to nominate alternative liquidators of their choice. To do this, creditors must make their nomination in writing to the joint administrators prior to these proposals being approved. Where this occurs, the joint administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the joint administrators will automatically become the joint liquidators of the Company in the subsequent CVL. We anticipate this will be the likely exit route.

- ii) If the joint administrators have, with the permission of the court, made a distribution to unsecured creditors in addition to any Prescribed Part distribution, or they think that the Company otherwise has no property which might permit a distribution to its unsecured creditors, subject to there being a need for further investigations as described below, they will file a notice, together with their final progress report, at court and with the Registrar of Companies for the dissolution of the Company. The joint administrators will send copies of these documents to the Company and its creditors. The joint administrators' appointment will end following the registration of the notice by the Registrar of Companies.
- iii) Administrators have the power to bring claims against former officers of the company in respect of transactions that may have caused or exacerbated a company's insolvency. Claims with a good

prospect of success may indeed be pursued by administrators but there may be cases where it would be more appropriate if a liquidator brought the claim or where the timeframe would not be long enough, given the maximum extension period available to administrators. The proposed exit route would, in these cases, be liquidation.

## 11. Creditors' rights

Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors or otherwise with the court's permission) may request in writing that the administrators provide further information about their remuneration or expenses which have been itemised in this report.

Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors or otherwise with the court's permission) may within 8 weeks of receipt of this report make an application to court on the grounds that, in all the circumstances, the basis fixed for the administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred (including any paid) by the administrators, as set out in this report, are excessive.

The above rights apply only to matters which have not been disclosed in previous reports.

On a general note, if you have any comments or concerns in connection with our conduct, please contact Adam Henry Stephens or Finbarr Thomas O'Connell in the first instance. If the matter is not resolved to your satisfaction, you may contact our Head of Legal by writing to 25 Moorgate, London EC2R 6AY or by telephone on 020 7131 4000.

Thereafter, if you wish to take the matter further you may contact the Insolvency Services directly via Insolvency Complaints Gateway. They can be contacted by email, telephone or letter as follows:

- i) Email: [ip.complaints@insolvency.gsi.gov.uk](mailto:ip.complaints@insolvency.gsi.gov.uk)
- ii) Telephone number: +44 300 678 0015
- iii) Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA.

## 12. Next report

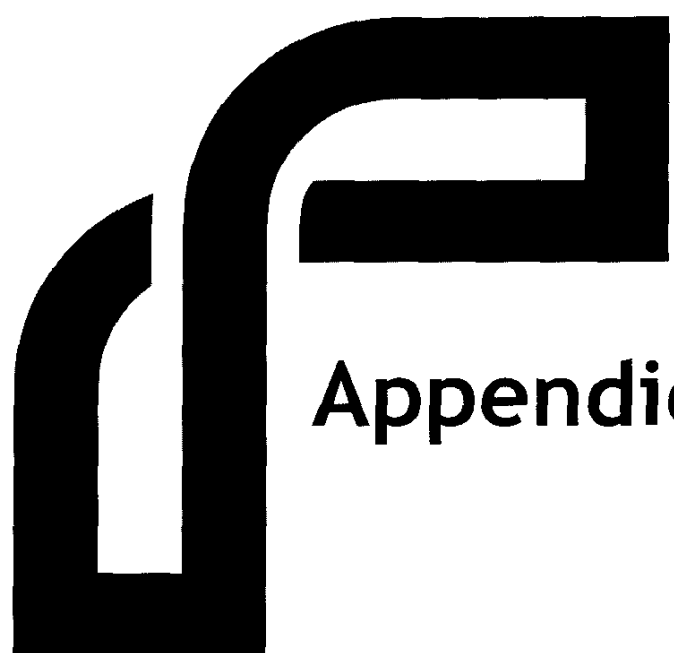
Overall, we thank creditors for their involvement and support to date. We are required to provide a further report on the progress of the administration within one month of the end of the next six month period of the administration unless we have concluded matters prior to this, in which case we will write to all creditors with our final report.



Andrew Stephen McGill

Joint Administrator

Date: 25 September 2017



# Appendices



# I Statutory information

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Relevant Court	High Court of Justice, Chancery Division, Companies Court
Court Reference	5193 of 2016
Trading Addresses	City Reach, 5 Greenwich View Place, Isle of Dogs, London, E14 9NN
Registered Office	25 Moorgate, London EC2R 6AY (Formerly City Reach, 5 Greenwich View Place, Isle of Dogs, London, E14 9NN)
Registered Number	5133622
Joint Administrators	<p>Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephen McGill all of 25 Moorgate, London, EC2R 6AY</p> <p>(IP No(s) 9748, 7931 and 9350)</p> <p>In accordance with P100 (2) Sch B1 1A 86 a statement has been made authorising the Joint Administrators to act jointly and severally.</p>
Date of Appointment	31 August 2016
Extension	The administration was extended until 31 August 2018 by the consent of the creditors.
Appointor	Directors

## II Receipts and payments account

Receipts and payments account to 30 August 2017

Statement of Affairs £		From 28/02/2017 To 30/08/2017 £	From 31/08/2016 To 30/08/2017 £
	ASSET REALISATIONS		
30,000.00	Furniture & Equipment	NIL	1,250.00
35,000.00	Book Debts*	7,478.56	81,276.04
92,297.00	Cash at Bank*	NIL	250,327.35
	Utilities Refund	NIL	546.65
	Bank Interest Gross	145.77	348.47
		<u>7,624.33</u>	<u>333,748.51</u>
	COST OF REALISATIONS		
	Refunds of Payments Received in Error	6,384.68	6,384.68
	Duress Payments	241.84	581.63
	Agents/Valuers Fees	2,245.00	3,745.00
	Statutory Advertising	NIL	140.59
		<u>(8,871.52)</u>	<u>(10,851.90)</u>
	FLOATING CHARGE CREDITORS		
	Floating Charge Creditor	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	UNSECURED CREDITORS		
	Trade & Expense Creditors	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
		<u>(1,247.19)</u>	<u>322,896.61</u>

\*The book debt and cash at bank figures are subject to reconciliation.

### Notes and further information required by SIP 7

- The administrators' remuneration has not yet been approved.
- We have not yet sought approval of or drawn any other costs that would require the same approval as our remuneration.
- No payments have been made to us from outside the estate.
- Information concerning our remuneration and disbursements incurred is provided in the body of the report.
- The book debt and cash at bank figures are subject to reconciliation
- Information concerning the ability to challenge remuneration and expenses of the administration is provided in our report.
- All bank accounts are interest bearing.
- There are no foreign currency holdings.

# III Time analysis for the period

From 28 February 2017 to 30 August 2017

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Administration and planning</b>								
Statutory returns, reports & meetings	0.90	0.00	5.25	12.90	0.00	19.05	4,416.25	231.82
Initial post-appointment notification letters, including creditors	0.00	0.00	0.00	0.00	1.00	1.00	85.00	85.00
Cashiering general, including bonding	0.00	0.00	0.05	2.80	5.40	8.25	1,837.25	222.70
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary)	0.45	0.00	2.40	3.30	0.15	6.30	1,470.50	233.41
Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related)	0.00	0.00	0.25	0.40	0.00	0.65	138.75	213.46
Filing, file and information management	0.00	0.00	1.05	0.00	0.00	1.05	249.75	237.86
Correspondence with joint liquidator	0.20	0.00	0.00	0.00	0.00	0.20	87.00	435.00
Filing - Administration and planning	0.10	0.00	0.10	1.35	0.00	1.55	327.00	210.97
Other	0.00	0.00	0.00	16.50	0.00	16.50	3,300.00	200.00
<b>Realisation of assets</b>								
Debtors not financed (includes reassigned debtors)	0.25	0.00	6.70	7.40	0.00	14.35	3,197.50	222.82
Other chattel assets	0.00	0.00	0.20	0.20	0.00	0.40	90.00	225.00
Cash at Bank	0.00	0.00	1.00	0.00	0.00	1.00	235.00	235.00
Sale of business-post completion matters	0.00	0.00	1.05	0.00	0.00	1.05	252.75	240.71
<b>Creditors</b>								
Floating charge creditors	1.00	0.00	2.10	0.00	0.00	3.10	941.50	303.71
RPO and ERA claims & tribunals	0.00	0.00	2.80	0.00	0.00	2.80	658.00	235.00
Employees & pension (other) (Incl Jobcentre/CSA etc)	0.50	0.00	7.10	5.00	0.00	12.60	2,980.25	236.53
Crown (not RPO etc)	0.00	0.00	0.25	0.00	0.00	0.25	58.75	235.00
Unsecured creditors	0.00	0.00	9.45	4.60	0.00	14.05	3,165.50	225.30
Filing- creditors	0.00	0.00	0.00	0.25	0.00	0.25	50.00	200.00
<b>Total</b>	<b>3.40</b>	<b>0.00</b>	<b>39.75</b>	<b>54.70</b>	<b>6.55</b>	<b>104.40</b>	<b>£23,540.75</b>	<b>£225.49</b>

## Explanation of major work activities undertaken

### Administration and Planning

This section of the analysis encompasses the cost of the office holders and their staff in complying with their statutory obligations, internal compliance requirements, and all tax matters.

This work includes the following:

- Preparing the documentation and dealing with the formalities of appointment.
- Statutory notifications and advertising.
- Protection of company's assets and records (including electronic).
- Dealing with routine correspondence.
- Dealing with agents on general matters, not relating to the sale of assets or correspondence with advisers on investigation matters.
- Maintaining physical case files and electronics case details on IPS (case management software).
- Case reviews (including 6 month reviews).
- Case bordereau and reviews.
- Case planning; administration; and general case progression, including adjustments in appointment strategy.
- Preparing reports to stakeholders.
- Maintaining and managing the appointment's cash book and bank accounts.
- Ensuring statutory lodgements and tax lodgements obligations are met.
- Submitting VAT returns and Corporation Tax returns (when due).
- Dealing client identification and internal Smith & Williamson LLP compliance requirements.

### Realisation of assets

This section is in relation to the realisation of the Company's assets, which is explained in detail through the contents of our report. The work generally includes the following:

- Book debt collection. Significant time was incurred reviewing the Company's books and records, reconciling the debtors and corresponding at length with a number of parties in regard to sums owed.
- Dealing with certain VAT and tax matters relating to the sales process. This includes sourcing certain records (which may not be available at the time of any sale).
- Dealing with business rates and prepayments
- Ensuring all matters in regard to the sale are dealt with including leases and matters of concern for Action for Children. Local Authority transfers have been broadly concluded without equivalent challenges.

### Creditors

Work under this section includes extensive correspondence and other contact with the creditors of the Company regarding sale, continued services and amounts owing. The work includes the following:

- Dealing with creditor correspondence via email and telephone.
- Preparing reports to charge holders.
- Maintaining creditors' information on our insolvency database.
- Maintaining employee claims and liaising with Job Centre, Redundancy Payments Services etc.
- Dealing with potential trust.
- Dealing with pension positions and third party.

# IV Cumulative time analysis

From 31 August 2016 to 30 August 2017

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Administration and planning</b>								
Statutory returns, reports & meetings	5.30	0.00	16.25	14.25	0.10	35.90	9,701.25	270.23
Initial post-appointment notification letters, including creditors	0.80	0.00	5.50	0.45	1.00	7.75	2,100.50	271.03
Cashiering general, including bonding	0.00	0.00	0.55	5.30	11.30	17.15	3,704.75	216.02
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary)	1.05	0.00	10.40	11.25	0.15	22.85	4,904.18	214.62
Post appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related)	0.00	0.00	0.50	0.50	0.00	1.00	217.50	217.50
Protection of company records (incl electronic)	0.60	0.00	2.65	0.00	0.00	3.25	966.25	297.31
Travelling	0.00	0.00	1.75	0.00	0.00	1.75	498.75	285.00
Filing, file and information management	0.00	0.00	3.20	0.00	0.00	3.20	805.00	251.56
Agents and advisers, general	0.00	0.00	1.65	0.00	0.00	1.65	387.75	235.00
Correspondence with joint liquidator	0.20	0.00	0.00	0.00	0.00	0.20	87.00	435.00
Filing Administration and planning	0.10	0.00	0.45	5.55	0.00	6.10	1,249.25	204.80
Other	0.00	0.00	12.75	27.15	0.00	39.90	9,065.75	227.21
<b>Investigations</b>								
Directors' correspondence & conduct questionnaires	1.00	0.00	2.25	0.00	0.00	3.25	493.95	151.98
Creditor & shareholder complaints	0.00	0.00	0.35	0.00	0.00	0.35	82.25	235.00
Statutory books and accounting records review	0.00	0.00	1.10	0.00	0.00	1.10	82.33	74.85
Investigation of legal claims	0.00	0.00	0.40	0.00	0.00	0.40	94.00	235.00
SIP2 and SIP4 obligations (inc CDDA86 forms)	1.20	0.00	1.60	4.50	0.00	7.30	1,798.00	246.30
Enquiries of advisers	0.00	0.00	0.85	0.00	0.00	0.85	199.75	235.00
<b>Realisation of assets</b>								
Debtors not financed (includes reassigned debtors)	7.15	0.00	76.20	115.20	0.00	198.55	44,728.53	225.28
Other chattel assets	0.80	0.00	2.10	0.20	0.00	3.10	942.00	303.87
Financed assets (only if equity otherwise creditors, incl HP and leasing)	0.00	0.00	1.25	0.00	0.00	1.25	293.75	235.00
Sale of business as a whole, including liaison with legal advisers agents etc	1.20	0.00	0.35	0.00	0.00	1.55	604.25	389.84
Cash at Bank	2.95	0.00	2.35	0.00	0.00	5.30	1,860.50	351.04
Sale of business post completion matters	1.60	0.00	5.20	0.00	0.00	6.80	1,924.00	282.94
Other	0.00	0.00	7.50	0.00	0.00	7.50	2,122.50	283.00
<b>Trading</b>								
Trading on decision and day 1-3 operations	0.00	0.00	9.65	2.00	0.00	11.65	3,150.25	270.41
Shutdown or handover	2.40	0.00	0.00	0.00	0.00	2.40	1,044.00	435.00
<b>Creditors</b>								
Fixed charge creditors	0.40	0.00	0.00	0.00	0.00	0.40	174.00	435.00
Floating charge creditors	4.70	0.00	5.20	0.00	0.00	9.90	3,279.50	331.26
HP & lease creditors	0.00	0.00	7.50	0.00	0.00	7.50	2,112.50	281.67
RPO and ERA claims & tribunals	0.00	0.00	5.45	3.45	0.00	8.90	1,989.50	223.54
Employees & pension (other) (incl Jobcentre/CSA etc)	2.30	0.00	16.40	15.25	0.00	33.95	8,320.03	245.07
Crown (not RPO etc)	0.00	0.00	0.25	0.00	0.00	0.25	58.75	235.00
Unsecured creditors	0.60	0.00	27.95	32.80	0.10	61.45	14,096.30	229.39
ROT Claims	0.00	0.00	1.45	0.50	0.00	1.95	370.80	190.15
Filing creditors	0.00	0.00	0.00	3.40	0.00	3.40	680.00	200.00
Director/manager review, approval and signing	0.00	0.00	0.50	0.00	0.00	0.50	142.50	285.00
Other	0.00	0.00	0.00	0.25	0.00	0.25	40.00	160.00
<b>Forensics</b>								
Forensics	0.00	0.00	7.50	62.00	0.00	69.50	12,120.00	174.39
<b>Total</b>	<b>34.35</b>	<b>0.00</b>	<b>239.00</b>	<b>304.00</b>	<b>12.65</b>	<b>590.00</b>	<b>£136,491.87</b>	<b>£231.34</b>

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Pre-Appointment</b>								
AML, Conflict & ethics checks, engagement letters	0.00	0.00	0.00	0.35	0.35	0.70	152.25	217.50
Appointment formalities	0.40	0.00	0.00	0.00	0.00	0.40	174.00	435.00
Pre-pack sale of business	1.20	0.00	0.00	0.00	0.00	1.20	522.00	435.00
Creditors' (inc EE's) queries	0.00	0.00	0.00	1.50	0.00	1.50	262.50	175.00
Job planning	0.90	0.00	0.00	0.00	0.00	0.90	391.50	435.00
Other	0.00	0.00	0.00	0.00	0.30	0.30	70.50	235.00
<b>Total</b>	<b>2.50</b>	<b>0.00</b>	<b>0.00</b>	<b>1.85</b>	<b>0.65</b>	<b>5.00</b>	<b>£1,572.75</b>	<b>£314.55</b>

Breakdown of time spent by Smith & Williamson Financial Services employees

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Smith &amp; Williamson Financial Services</b>								
SWFS Employee Benefits Consultancy	3.50	0.00	0.00	2.95	0.00	6.45	1,460.25	226.40
<b>Total</b>	<b>3.50</b>	<b>0.00</b>	<b>0.00</b>	<b>2.95</b>	<b>0.00</b>	<b>6.45</b>	<b>£1,460.25</b>	<b>£226.40</b>

# V Staffing, charging, subcontractor and adviser policies and charge out rates

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## Introduction

Detailed below are:

- Smith & Williamson LLP's policies in relation to:
  - Staff allocation and the use of subcontractors
  - Professional advisers
  - Disbursement recovery
- Smith & Williamson LLP's and S&WFS' current charge out rates

## Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a partner and a partner or director or associate director as joint office holders, a manager, and an administrator or assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. The charge out rate schedule below provides details of all grades of staff and their experience level.

We may use subcontractors to perform work which might ordinarily be carried out by us and our staff where it is cost effective to do so and/or where the specific expertise offered by the subcontractor is required.

Details of any subcontractors' services utilised in the period covered by this report are set out in the body of this report.

## Use of professional advisers

We select professional advisers such as agents and solicitors on the basis of balancing a number of factors including:

- The industry and/or practice area expertise required to perform the required work.
- The complexity and nature of the assignment.
- The availability of resources to meet the critical deadlines in the case.
- The charge out rates or fee structures that would be applicable to the assignment.
- The extent to which we believe that the advisers in question can add value to the assignment.

## S&WFS

S&WEBC is a pensions consultancy firm which specialises in providing advice to Insolvency Practitioners on their appointment in relation to all aspects of pensions. It is a division of S&WFS, a company associated with Smith & Williamson LLP.

S&WEBC may be engaged to deal with the Company's pension affairs. Payments to parties in which the administrators or their firm have an interest must be disclosed to, and approved by, creditors. Fees for their services are accrued on a time costs basis. Consequently, details of the charge out rates for S&WEBC are provided to creditors.

## Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.

Since 7 July 2012 Smith & Williamson LLP's policy is to recover only one type of Category 2 disbursement, namely business mileage at HMRC's approved mileage rates at the relevant time. Current mileage rates are 45p per mile plus 5p per passenger per mile. Prior to 7 July 2012 approval may have been obtained to recover other types of Category 2 disbursements.

Details of any Category 2 disbursements incurred and/or recovered in the period covered by this report are set out in the body of this report.

## Charge out rates

The rates applicable to this appointment are set out below. Changes to the charge out rates during the period of this report were applied with effect from 1 July 2017.

Smith & Williamson LLP Restructuring & Recovery Services Charge out rates	London office £/hr		Regional offices £/hr	
	From 1/7/16	From 1/7/17	From 1/7/16	From 1/7/17
Partner / Director (from 1 January 2016)	435-485	435-500	350-375	350-375
Associate Director	370-380	390-410	295-305	295-310
Managers	235-315	250-350	190-290	190-310
Other professional staff	150-235	160-305	120-175	120-180
Support & secretarial staff	85-90	435-500	60-135	350-375

### Notes

1. Time is recorded in units representing 3 minutes or multiples thereof.
2. It may be necessary to utilise staff from both regional and London offices, subject to the requirements of individual cases.
3. The firm's cashiering function is centralised and London rates apply. The cashiering function time is incorporated within "Other professional staff" rates.

S&WFS Employee Benefits Consultancy Charge out rates	From 1/7/16	From 1/7/16
	£/hr	£/hr
Director	225-420	245-349

<b>S&amp;WFS Employee Benefits Consultancy</b>	<b>From 1/7/16</b>	<b>From 1/7/16</b>
<b>Charge out rates</b>	<b>£/hr</b>	<b>£/hr</b>
Associate Director	200-240	204-244
Manager	185-195	139-195
Administrator	70-145	88-170



# VI Estimated Fee from 31 August 2016 to 30 August 2018

We highlight that although these costs are significant, the joint administrators are not currently minded to seek to recover them all.

Anticipated case duration	Partner / Director	Associate Director	Manager/ Assistant Manager	Other Professional staff	Assistants & support staff	Total hours	Total estimated time costs (£)	Average hourly rate
Hourly rate (£)	500	285	250	220	165			
Classification of work function								
Administration and planning								
Statutory returns, reports & meetings	6.00		26.00	25.00	0.30	57.30	15,049.50	262.64
Initial post appointment notification letters, including creditors	0.80		5.50	0.45	1.00	7.75	2,039.00	263.10
Cashflow general, including bonding	0.50		1.00	6.00	14.99	22.49	4,293.35	190.90
Job planning, review of progress, then full & final reviews and planning meetings, (the chair is duty and any costs of extending the administration)	3.00		15.00	13.90		31.90	8,747.78	258.05
Post appointment tax (VAT, PAYE /NIC Corp Tax that are not trading related)			1.00	1.00		2.00	470.00	235.00
Protection of company records (incl electronic)	0.80		2.65			3.25	943.50	296.15
Insurance & general asset protection			0.50	1.50		2.00	455.00	227.50
Traveling				1.75		1.75	385.00	220.00
Filing, file and information management			3.30			3.20	800.00	250.00
Agents and advisors general			1.65			1.65	412.50	250.00
Pensions - review and notification to the relevant bodies	2.00		4.00	4.00		10.00	2,880.00	288.00
Filing - Administration and planning	0.20		1.00	6.00		7.20	1,670.00	231.94
Director/manager review - approval and signing	1.00		0.30			1.30	578.00	442.31
Other			15.00	30.00		45.00	10,350.00	230.00
Investigations								
Directors' correspondence & conduct questionnaire	1.00		2.25			3.25	1,062.50	328.92
Creditor and Shareholder Complaints			0.75			0.75	87.50	230.00
Statutory books and accounting records review			1.10			1.10	275.00	250.00
Investigation of legal claims			0.40			0.40	100.00	250.00
AP2 and AP4 obligations (inc CDPA6 forms)	1.20		1.40	4.50		7.10	1,990.00	272.60
Enquiries of advisors and any parties with relevant information and former dealings			0.85			0.85	212.50	250.00
Realisation of assets								
Debtors not financed (includes reassigned debtors)	10.00		80.00	120.00		210.00	51,400.00	244.76
Other (letter only - £)	1.00		3.00	1.00		5.00	1,470.00	294.00
Financial assets			1.25			1.25	312.50	250.00
Sale of business as a whole - including liaison with legal advisors agent - inc	1.20		0.35			1.55	687.50	442.55
Cash at Bank	2.95		2.35			5.30	2,042.50	389.15
Use of business post completion matters	1.80		5.20			6.80	2,100.00	308.82
Other			9.00	2.00		11.00	2,490.00	244.55
Trading (closure)								
Trading on decisions and day 1-3 operations			9.65			9.65	2,412.50	250.00
Shutdown or handover	2.40					2.40	1,200.00	500.00
Creditors								
Fixed charge creditors	0.40					0.40	200.00	500.00
Floating charge creditors	6.00		10.00			16.00	5,500.00	343.75
HIP & lease creditors			7.50			7.50	1,875.00	250.00
Employers claims, dealing with Redundancy Payments Scheme & tribunals	0.50		8.00	5.00		13.50	3,350.00	248.15
Employers & pension matters (incl Jobcentre/DA etc)	2.30		17.00	18.00		37.30	9,340.00	250.94
RPO and ERA Claims & tribunals			6.00	4.00		10.00	2,380.00	238.00
HMRC			1.00	2.00		3.00	690.00	230.00
Unsecured creditors	1.00		40.00	40.00		81.00	19,300.00	238.27
ROF Claimants			1.45	0.50		1.95	472.50	242.31
Filing-Creditors				4.00		4.00	880.00	220.00
Director/manager review			0.50			0.50	125.00	250.00
Other			1.00	1.00		2.00	470.00	235.00
Distributions								
Initial review and agreement of claim			1.00	1.00		2.00	470.00	235.00
Notices of intended dividend and claim adjudication	1.00		2.00	5.00	0.97	8.97	2,260.71	251.92
Forfeits - where applicable								
Forfeits - inc			7.50	62.00		69.50	15,515.00	223.24
Total	46.65	-	297.10	361.60	17.26	722.61	180,000.34	249.10

	Partner / Director	Associate Director	Manager/ Assistant Manager	Senior Administrator/ Administrator	Total hours	Total estimated time costs (£)	Average hourly rate
Hourly rate (£)	295	200	185	145			
Pensions	6.00	-	4.00	10.28	20.28	4,000.46	197.27

4Children (Direct) Limited In Administration Estimated expenses in accordance with Categories 1 & 2 (SIP 9) and payable to third parties *		
Estimated expenses applicable to all cases		Total
Specific bond		140.00
Statutory advertising costs		200.00
<b>Case specific costs - where applicable</b>		
Pensions - Smith & Williamson Financial Services Limited		4,000.00
Employee claims		5,000.00
Agents fees		20,000.00
Debt Collection fees		
Legal fees		100,000.00
Storage costs		500.00
Postage		500.00
<b>Total</b>		<b>129,840.00</b>
Category 1 expenses, in accordance with Statement of Insolvency Practice 9 are specific costs payable to an independent third party and relate directly to the case in question. Category 2 expenses are payable to the office holder's firm and are shared or allocated costs, most notably business mileage.		

\*The agents' fees and legal fees relate to the Charity Group. The fees may be reallocated across the 6 Companies.

[www.smithandwilliamson.com](http://www.smithandwilliamson.com)

**Principal offices:** London, Belfast, Birmingham, Bristol, Dublin, Glasgow, Guildford, Manchester, Salisbury and Southampton.

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# 4Children (Trading) Limited (in administration)

Joint administrators' progress report for the period from 28 February 2017 to 30 August 2017

25 September 2017



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# 1. Glossary

Abbreviation	Description
the Company	4Children (Trading) Limited
the administrators/joint administrators	Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephen McGill
the Charity Group	4Children, 4Children (Trading) Limited, 4Children (Direct) Limited, 4Children (Gloucestershire) Limited, 4Children (Plymouth) Limited, 4Children (Worcestershire) Limited - All in Administration
SIP	Statement of Insolvency Practice (England & Wales)
IA86	Insolvency Act 1986 If preceded by S this denotes a section number
Sch B1	Schedule B1 to the Insolvency Act 1986 If preceded by P this denotes a paragraph number
IR16	Insolvency Rules 2016 If preceded by R this denotes a rule number
SOA	Statement of Affairs
QFCH	Qualifying Floating Charge Holder - a secured creditor who has the power to appoint an administrator
FSE	FSE Social Impact Accelerator Limited
S&WFS	Smith & Williamson Financial Services Limited
HSBC	HSBC Bank plc

## 2. Introduction

This report provides an update on the progress in the administration of the Company for the six month period ended 30 August 2017. It should be read in conjunction with our previous reports. By way of reminder, we, Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephen McGill of Smith & Williamson LLP, 25 Moorgate, London EC2R 6AY, were appointed administrators of the Company on 31 August 2016. The administration was extended until 31 August 2018 by the consent of the creditors.

Statutory information in respect of the Company and the administration is set out at Appendix I.

## 3. Progress of the administration

Attached at Appendix II is our receipts and payments account for the period from 28 February 2017 to 30 August 2017. This account includes cumulative figures for the period from 31 August 2016 to 30 August 2017.

The receipts and payments account also includes a comparison with the directors' SOA values.

### 3.1 Sale of the business and assets

As creditors will recall, a pre-packaged sale ("pre-pack") of a majority of the Charity's business and assets was completed on 31 August 2016, to another Charity, being Action For Children. The remainder of services were taken back in-house by the relevant local authority or transferred (at the local authority's request) to another provider. Full details of this transfer were provided in the joint administrators' proposals which can be found on the website.

### 3.2 Furniture & Equipment & Motor Vehicle

As creditors will recall from my previous report dated 30 March 2017, the prepack sale consideration encompassed the whole Charity Group (i.e not just the Company), and the proceeds received totally £53,520, were in respect of all six companies in the Charity Group. As highlighted above, the majority of the consideration received was in respect of plant and equipment. The accounting records of the Company, or any of the Companies within the Charity Group, in respect of these assets are insufficient to allow an obvious allocation of monies between the six Companies. It would not be commercially logical to undertake a full audit to allocate the precise split, and an equitable split amongst the six legal entities within the Charity Group will be undertaken based on existing asset register information.

Please note that the consideration is held with the administrators' solicitors, Russell Cooke LLP who assisted with the pre-pack sale of the business.

During this reporting period, the joint have realised a motor vehicle for £8,200 and furniture and equipment for £1,900. The joint administrators appointed independent agents to value these assets and based on their advice the joint administrators accepted the offers received.

### 3.3 Book Debts

On appointment, the joint administrators reviewed the outstanding book debt position and concluded £576,284.35 was outstanding.

However, £480,659.28 was considered unrecoverable. This leaves the indebtedness of approximately £96,000 potentially collectable.

We consider any material future realisations from the debtors to be unlikely due to the level of the contra claims to be off set against any outstanding amounts.

To date we have collected a sum of £7,239.92 comprising of outstanding amounts due from nursery and none nursery debtors.

Please note that there was a reallocation of £25.72 from business rates to books debts in this reporting period.

### 3.4 Utility Refund

A sum of £745.98 was received in respect of credit balance in the SSE Southern Electric business account for the Company.

### 3.5 Bank Interest

A sum of £48.35 was received in respect of bank interest.

### 3.6 Administration strategy

There has been no change in the administration strategy outlined in the joint administrators' proposals.

## 4. Investigations

Under the Company Directors Disqualification Act 1986 we have a duty to make a submission to the Secretary of State for Business, Energy & Industrial Strategy on the conduct of all those persons who were directors at the date the Company entered administration or who held office at any time during the three years immediately preceding the administration.

We have complied with our duty in this regard. As all submissions are strictly confidential we are unable to disclose their content.

Shortly after appointment, we made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors as a response to our request to complete an investigation questionnaire. Our investigations have not revealed any issues requiring a further report.

## 5. Pre-administration costs

The pre-administration costs were reported in the administrators' proposals dated 2 September 2016. The table below summarises the entire quantum of professional fees. None were paid directly by the Company, but were instead paid for by 4Children.

Charged by/service(s) provided	Total			
	amount	Amount	Who made	Amount
	charged	paid	payment	unpaid
	£	£		£
Smith & Williamson LLP- Costs	150,473.50	97,999	4Children	52,474.50



Charged by/service(s) provided	Total amount charged £	Amount paid £	Who made payment	Amount unpaid £
Smith & Williamson LLP- Disbursements	2,894.52	725.02	4Children	2,169.50
Russell-Cooke LLP - Legal Advice	108,310.26	73,950.26	4Children	34,360.00
Sanderson Weatherall LLP- Chattel Agents	24,000.00	Nil	-	24,000.00
Total	285,678.28	172,674.28	-	113,004.00

Smith and Williamson LLP's pre-appointment time costs total £150,473.50 plus VAT. Of this amount, £97,999 plus VAT was paid by the Charity Group prior to our appointment, with £52,474.50 remaining outstanding.

Russell-Cooke's costs were reported in the proposals as £108,310.26, of this amount, £73,950.26 was paid and £34,360 remains outstanding.

We are currently in discussion with FSE, being the sole secured creditor to which there is an outstanding balance due and the preferential creditors for approval of the outstanding costs.

In addition to the above, we are also reviewing these costs and the allocation across the Charity Group.

## 6. Administrators' remuneration

As per the previous progress report, no remuneration has been drawn to date. This is because the joint administrators are currently in discussion with the secured creditor and preferential creditors for approval of a resolution on our fees and costs.

The administrators' time costs are:

Period	Total hours hrs	Total costs £	Average hourly rate £/hr	Fees drawn £
31 August 2016 - 27 February 2017	299.80	72,537.66	241.95	NIL
28 February 2017- 30 August 2017	64.30	14,530.25	225.98	NIL
Total	364.10	87,067.91	239.13	NIL

Attached as Appendix III, is a time analysis which provides details of the activity costs incurred by staff grade during the period of this report in respect of the costs fixed by reference to time properly spent by the administrators and their staff in attending to matters arising in the administration. Details of work carried out in the period are also included in the body of this report.

Since the joint administrators are seeking approval for their basis of remuneration, a time costs estimate for the whole period of the administration is attached at appendix VI.

This details the estimated fees according to the grade of staff, expected number of hours to perform specific tasks, some of which are required by legislation and some of which are specific to this case. Also shown is the average hourly rate.

Attached as Appendix III, is a time analysis which provides details of the activity costs incurred by staff grade during the period of this report in respect of the costs by reference to time properly spent by the administrators and their staff in attending to matters arising in the administration. Details of work carried out in the period are also included in the body of this report.

Also attached as Appendix IV, is a cumulative time analysis for the period from 31 August 2016 to 30 August 2017 which provides details of the administrators' time costs since appointment.

Since the joint administrators are seeking approval for their basis of remuneration, a time costs estimate for from 31 August 2017 to 30 August 2018 is attached at appendix VI. This details the estimated fees according to the grade of staff, expected number of hours to perform specific tasks, some of which are required by legislation and some of which are specific to this case. Also shown is the average hourly rate.

The joint administrators' time costs to date are £87,068, as above and we estimate our total time costs for the period 31 August 2016 to 30 August 2018 will be £120,00, which includes £87,068 already incurred.

The joint administrators are in the process of agreeing the basis of their fees with the secured and preferential creditors. This estimate provides a breakdown of all the time the joint administrators estimate to incur however our fees will be significantly discounted.

Please note that this estimate is based on present information and may change due to unforeseen circumstances arising. In the event that the fees estimate is likely to be exceeded, the joint administrators will need to provide an update and seek approval from the appropriate creditors before drawing any additional sums. Fee estimates may be given up to a certain milestone or for a designated period if it is not possible to provide an accurate estimate at any given point.

The joint administrators anticipate the future costs to be in the region of £30,000.

A detailed narrative explanation of these costs can be found in the "Outstanding matters" section of this report

A copy of "A Creditor's Guide to Administrator's Fees", as produced by the ICAEW, is available free on request or can be downloaded from their website as follows:

On a general note, creditors should be aware that some of the work is required by statute and may not necessarily provide any financial benefit to creditors. Examples would include dealing with former employees' claims through the Redundancy Payments Service and investigating the former officers of the company as required by the Company Directors' Disqualification Act 1986.

A copy of "A Creditor's Guide to Administrator's Fees", as produced by the ICAEW, is available free on request or can be downloaded from their website as follows:

<http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

Details of Smith & Williamson LLP's charge out rates and policies in relation to the use of staff are provided at Appendix V.

## 6.1 S&WFS

S&WFS, a company associated with Smith & Williamson LLP, has dealt with the Company's pension affairs. Payments to parties in which joint administrators or their firm have an interest must be disclosed to, and approved by, creditors in a similar way as approval of the joint administrators' remuneration. S&WFS have been assisting the joint administrators will reconciling the Company's records in order to submit a claim for unpaid contributions to the Redundancy Payments Office.

In this case, the joint administrators are seeking approval for the basis of S&WFS as follows:

- By reference to the time properly spent by the S&WFS staff and their staff in attending to matters arising in the administration. As we will be seeking approval to draw fees on this basis, a fees and costs estimate

is attached at Appendix VI. This details the estimated fees according to the grade of staff, expected number of hours to perform specific tasks, some of which are mandatory, irrespective of the company, and some of which are specific to this case, and the average hourly rate.

The secured and the preferential creditors will be requested to approve S&WFS' remuneration on a time costs basis. S&WFS' time costs to 30 August 2017 are £1,549.25. This represents 9.65 hours at an average rate of £160.54 per hour.

## 7. Administration expenses

### 7.1 Subcontractors

We have not utilised the services of any subcontractors during the current period:

### 7.2 Professional advisers

On this assignment we have used professional advisers.

Name of professional Adviser/Services	Basis of fee arrangement	Costs incurred in current period £	Costs paid in current period £	Total costs outstanding at period end £
Russell Cooke LLP - Legal advice re: leasehold issues, employees and extension	Hourly rate and disbursements	5,137.00	1,720.00	3,417.00
*Sanderson Weatherall LLP	Hourly rate and disbursements	11,400.00 plus expenses of £4,022.00	11,400.00 plus expenses of £4,022.00	NIL

The table above summarises the quantum of professional fees. The legal fees were not paid directly by the Company, but were instead paid for by 4Children.

\*The table above summarises the quantum of professional fees. These costs may be reallocated across the group.

The joint administrators' are reviewing these costs and the allocation across the Charity Group.

### 7.3 Administrators' disbursements

We have not paid and/or incurred any disbursements in the current period however we have unpaid disbursements of £1,767.26.

### 7.4 Category 2 disbursements

No Category 2 disbursements have been incurred or paid in the current period.

## 7.5 Policies regarding use of third parties and disbursement recovery

Appendix V provides details of Smith & Williamson LLP's policies in relation to the use of subcontractors and professional advisers, and the recovery of disbursements.

# 8. Estimated outcome for creditors

The estimated outcome for each class of creditors is set out below.

## 8.1 Secured creditors

FSE holds a fixed and floating charge over the Company's assets. It also has a series of cross guarantees over almost all of the other Charity Group's assets. At the date of the administration the indebtedness was £500k. In the period covered by this report, no payments have been made. Future payments to FSE will be dependent on realisation made by each entity within the Charity Group.

## 8.2 Prescribed Part

The Company granted a floating charge to FSE on 9 October 2014. Accordingly, we are required to create a Prescribed Part fund out of the Company's net floating charge property for unsecured creditors.

At present we are unable to provide an estimate on the value of the Company's net floating charge property. The value of the unsecured creditors' Prescribed Part fund will therefore only be made available once the joint administrators have reviewed and reconciled the book debt position as mentioned in section 3.3. The final outcome in regards to this can only be determined once all asset realisations have been made. If there is a Prescribed Part distribution available for unsecured creditors, this will be distributed by the joint administrators in the administration.

## 8.3 Preferential creditors

We set out below a summary of preferential claims received:

Preferential creditor	SOA claims £	Claims received £
Department for Business, Energy & Industrial Strategy	NIL	10,197.78

The joint administrators are continuing to review the position of the preferential creditors.

## 8.4 Unsecured creditors

We have received claims totalling £1.5 million from 82 creditors. Total claims as per the directors' SOA were £918,171.

While there are funds available under the prescribed part calculation this does not take into account unpaid/future costs therefore the joint administrators are unsure at this stage whether there will be sufficient funds to enable a distribution to the unsecured creditors.

## 9. Outstanding matters

The joint administrators estimate that their future time costs will be in the region of £30,000. The secured creditor and the preferential creditors will be requested to approve our fees on a time cost basis.

- Conclusion of outstanding pension matters.
- Ensure all matters in regard to the sale of the business have been concluded.
- Filing corporation tax returns and obtaining tax clearance in respect of the administration period.
- Paying all costs and expenses of the administration once any required approval has been obtained.
- Adjudicating the preferential creditors' claims
- Agreeing the claim of and making payment to the floating charge holder.
- Potentially declaring a distribution to the unsecured creditors through the prescribed part rule.
- Closure of the administration, including preparing and issuing the final report.

Please note that this estimate is based on present information and may change due to unforeseen circumstances arising. In the event that the fees estimate is likely to be exceeded, the joint administrators will need to provide an update and seek approval from the creditors before drawing any additional sums. Fee estimates may be given up to a certain milestone or for a designated period if it is not possible to provide an accurate estimate at any given point.

On a general note, creditors should be aware that some of the work is required by statute and may not necessarily provide any financial benefit to creditors. Examples would include dealing with former employees' claims through the Redundancy Payments Service and investigating the former officers of the company as required by the Company Directors' Disqualification Act 1986

## 10. Ending the administration

As detailed in the joint administrators' proposals, the joint administrators will use their discretion to exit the administration by way of one of the following means:

- i) If having realised the assets of the Company, the joint administrators think that a distribution will be made to the unsecured creditors other than by virtue of the Prescribed Part, they may file a notice with the Registrar of Companies which will have the effect of bringing the appointment of the joint administrators to an end and will move the Company automatically into CVL in order that the distribution can be made, but only if they consider that the associated incremental costs of a CVL are justified. In these circumstances, it is proposed that the joint administrators will become the joint liquidators of the CVL. The acts of the joint liquidators may be undertaken by either or both of them.

Creditors have the right to nominate alternative liquidators of their choice. To do this, creditors must make their nomination in writing to the joint administrators prior to these proposals being approved. Where this occurs, the joint administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the joint administrators will automatically become the joint liquidators of the Company in the subsequent CVL. We anticipate at this stage that this will be the likely exit route.

- ii) If the joint administrators have, with the permission of the court, made a distribution to unsecured creditors in addition to any Prescribed Part distribution, or they think that the Company otherwise has no property which might permit a distribution to its unsecured creditors, subject to there being a need for further investigations as described below, they will file a notice, together with their final progress report, at court and with the Registrar of Companies for the dissolution of the Company. The joint administrators will send copies of these documents to the Company and its creditors. The joint

administrators' appointment will end following the registration of the notice by the Registrar of Companies.

- iii) Administrators have the power to bring claims against former officers of the company in respect of transactions that may have caused or exacerbated a company's insolvency. Claims with a good prospect of success may indeed be pursued by administrators but there may be cases where it would be more appropriate if a liquidator brought the claim or where the timeframe would not be long enough, given the maximum extension period available to administrators. The proposed exit route would, in these cases, be liquidation.

## 11. Creditors' rights

Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors or otherwise with the court's permission) may request in writing that the administrators provide further information about their remuneration or expenses which have been itemised in this report.

Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors or otherwise with the court's permission) may within 8 weeks of receipt of this report make an application to court on the grounds that, in all the circumstances, the basis fixed for the administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred (including any paid) by the administrators, as set out in this report, are excessive.

The above rights apply only to matters which have not been disclosed in previous reports.

On a general note, if you have any comments or concerns in connection with our conduct, please contact Adam Henry Stephens or Finbarr Thomas O'Connell in the first instance. If the matter is not resolved to your satisfaction, you may contact our Head of Legal by writing to 25 Moorgate, London EC2R 6AY or by telephone on 020 7131 4000.

Thereafter, if you wish to take the matter further you may contact the Insolvency Services directly via Insolvency Complaints Gateway. They can be contacted by email, telephone or letter as follows:

i) Email: [ip.complaints@insolvency.gsi.gov.uk](mailto:ip.complaints@insolvency.gsi.gov.uk)

ii) Telephone number: +44 300 678 0015

iii) Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA

## 12. Next report

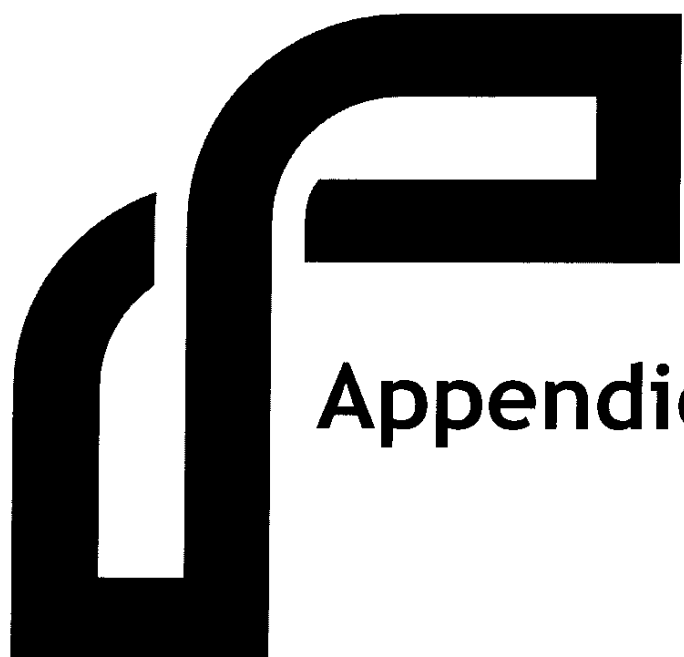
Overall, we thank creditors for their investment and support to date. We are required to provide a further report on the progress of the administration within one month of the end of the next six month period of the administration unless we have concluded matters prior to this, in which case we will write to all creditors with our final report.



Andrew Stephen McGill

Joint Administrator

Date: 25 September 2017



# Appendices

# I Statutory information

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Relevant Court	High Court of Justice, Chancery Division, Companies Court
Court Reference	5192 of 2016
Trading Addresses	City Reach, 5 Greenwich View Place, Isle of Dogs, London, E14 9NN
Registered Office	25 Moorgate, London, EC2R 6AY (Formerly City Reach, 5 Greenwich View Place, Isle of Dogs, London, E14 9NN)
Registered Number	2433565
Joint Administrators	Adam Henry Stephens, Finbarr Thomas O'Connell and Andrew Stephen McGill all of 25 Moorgate, London, EC2R 6AY (IP No(s) 9748, 7931 and 9350)  In accordance with P100 (2) Sch B1 1A 86 a statement has been made authorising the Joint Administrators to act jointly and severally.
Date of Appointment	31 August 2016
Extension	The administration has been extended by the consent of the creditors until 31 August 2018
Appointor	Directors



## II Receipts and payments account

### Receipts and payments account to 30 August 2017

Statement of Affairs £		From 28/02/2017 To 30/08/2017 £	From 31/08/2016 To 30/08/2017 £
11,612.00	GENERAL FIXED CHARGE Debenture/Bond	NIL NIL	NIL NIL
5,000.00	ASSET REALISATIONS Furniture & Equipment	1,900.00	1,900.00
	Motor Vehicles	8,200.00	8,200.00
93,000.00	Book Debts	35.72	7,239.92
	Utility Refund	745.98	2,398.56
	Tax Refund	NIL	563.93
53,244.00	Cash at Bank	NIL	225,869.74
	Business Rates Refund	(25.72)	1,966.41
10,000.00	Prepayments	NIL	NIL
	Bank Interest Gross	46.85	134.32
	Bank Interest Net of Tax	1.50	1.50
		10,904.33	248,274.38
	COST OF REALISATIONS		
	Consultancy Fees	NIL	56,855.00
	Consultants Expenses	NIL	371.28
	Agents/Valuers Fees	11,400.00	12,900.00
	Agents/Valuers Expenses	4,022.20	4,022.20
	Statutory Advertising	NIL	140.58
	Bank Charges	NIL	7.00
		(15,422.20)	(74,296.06)
	FLOATING CHARGE CREDITORS		
	Floating Charge Creditor	NIL NIL	NIL NIL
	UNSECURED CREDITORS		
	Trade & Expense Creditors	NIL NIL	NIL NIL
		(4,517.87)	173,978.32
	REPRESENTED BY		
	VAT Receivable Flt Chg		2,824.44
	Clients Deposit (Interest Bearing)		172,913.88
	VAT Payable Flt Chg		(2,020.00)
	FLT Vat Control Account		260.00
			173,978.32

### Notes and further information required by SIP 7

- The administrators' remuneration has not yet been approved.
- We have not yet sought approval of or drawn any other costs that would require the same approval as our remuneration.
- No payments have been made to us from outside the estate.
- Information concerning our remuneration and disbursements incurred is provided in the body of the report.
- Information concerning the ability to challenge remuneration and expenses of the administration is provided in our report.
- All bank accounts are interest bearing.
- There are no foreign currency holdings

# III Time analysis for the period

From 28 February 2017 to 30 August 2017

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Administration and planning</b>								
Statutory returns, reports & meetings	0.65	0.00	3.55	10.60	0.00	14.80	3,326.75	224.78
Initial post-appointment notification letters, including creditors	0.00	0.00	0.00	0.00	1.00	1.00	85.00	85.00
Cashiering general, including bonding	0.00	0.00	0.00	0.50	1.15	1.65	384.25	232.88
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary)	0.25	0.00	2.00	2.50	0.15	4.90	1,129.50	230.51
Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related)	0.00	0.00	1.05	0.60	0.00	1.65	370.50	224.55
Filing, file and information management	0.00	0.00	0.85	0.00	0.00	0.85	205.00	241.18
Filing - Administration and planning	0.10	0.00	0.10	0.80	0.00	1.00	217.00	217.00
Other	0.00	0.00	0.00	8.15	0.00	8.15	1,630.00	200.00
<b>Investigations</b>								
Directors' correspondence & conduct questionnaires	0.20	0.00	0.00	0.00	0.00	0.20	100.00	500.00
<b>Realisation of assets</b>								
Debtors not financed (includes reassigned debtors)	0.30	0.00	1.80	0.45	0.00	2.55	654.00	256.47
Other chattel assets	0.00	0.00	0.85	0.40	0.00	1.25	292.50	234.00
Cash at Bank	0.00	0.00	0.75	0.00	0.00	0.75	176.25	235.00
<b>Creditors</b>								
Floating charge creditors	1.00	0.00	1.50	0.00	0.00	2.50	800.50	320.20
Employees & pension (other) (incl Jobcentre/CSA etc)	0.50	0.00	2.75	4.20	0.00	7.45	1,812.75	243.32
Unsecured creditors	0.00	0.00	6.20	7.85	0.00	14.05	3,036.25	216.10
Filing- creditors	0.00	0.00	0.00	1.55	0.00	1.55	310.00	200.00
<b>Total</b>	<b>3.00</b>	<b>0.00</b>	<b>21.40</b>	<b>37.60</b>	<b>2.30</b>	<b>64.30</b>	<b>£14,530.25</b>	<b>£225.98</b>

## Explanation of major work activities undertaken

### Administration and Planning

This section of the analysis encompasses the cost of the office holders and their staff in complying with their statutory obligations, internal compliance requirements, and all tax matters.

This work includes the following:

- Preparing the documentation and dealing with the formalities of appointment.
- Statutory notifications and advertising.
- Protection of company's assets and records (including electronic).
- Dealing with routine correspondence.
- Dealing with agents on general matters, not relating to the sale of assets or correspondence with advisers on investigation matters.
- Maintaining physical case files and electronics case details on IPS (case management software).
- Case reviews (including 6 month reviews).
- Case bordereau and reviews.
- Case planning; administration; and general case progression, including adjustments in appointment strategy.
- Preparing reports to stakeholders.
- Maintaining and managing the appointment's cash book and bank accounts.
- Ensuring statutory lodgements and tax lodgements obligations are met.
- Submitting VAT returns and Corporation Tax returns (when due).
- Dealing client identification and internal Smith & Williamson LLP compliance requirements.

### **Realisation of assets**

This section is in relation to the realisation of the Company's assets, which is explained in detail through the contents of our report. The work generally includes the following:

- Book debt collection. Significant time was spent reviewing the Company's book and records and reconciling the ledgers. Subsequent correspondence was then undertaken with all debtors.
- Dealing with certain VAT and tax matters relating to the sales process. This includes sourcing certain records (which may not be available at the time of any sale).
- Sale of the motor vehicle and Furniture & Equipment
- Dealing with business rates and prepayments
- Ensuring all matters in regard to the sale are dealt with including leases and matters of concern for Action for Children

### **Creditors**

Work under this section includes correspondence and other contact with the creditors of the Company. The work includes the following:

- *Dealing with creditor correspondence via email and telephone.*
- Preparing reports to charge holders.
- Maintaining creditors' information on our insolvency database.
- Maintaining employee claims and liaising with Job Centre, Redundancy Payments Services etc.
- Dealing with pension positions and third party.

# IV Cumulative time analysis

From 31 August 2016 to 30 August 2017

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Administration and planning</b>								
Statutory returns, reports & meetings	4.45	0.00	14.40	19.05	0.10	38.00	9,746.00	256.47
Initial post-appointment notification letters, including creditors	0.80	0.00	8.50	0.45	1.00	10.75	2,955.50	274.93
Cashiering general, including bonding	0.00	1.00	0.30	1.05	6.55	8.90	2,135.25	239.92
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary)	0.85	0.00	9.25	4.95	0.15	15.20	2,925.59	192.47
Post-appointment taxation (VAT PAYE/NIC, Corp Tax that are not trading related)	0.00	0.00	1.30	0.70	0.00	2.00	449.25	224.63
Protection of company records (incl electronic)	0.60	0.00	3.35	0.00	0.00	3.95	1,130.75	286.27
Filing, file and information management	0.00	0.00	2.75	0.00	0.00	2.75	534.05	194.20
Agents and advisers (general)	0.00	0.00	0.50	0.00	0.00	0.50	142.50	285.00
Correspondence with joint liquidator	0.00	0.00	0.25	0.00	0.00	0.25	58.75	235.00
Filing - Administration and planning	0.10	0.00	4.60	8.30	0.00	13.00	2,959.50	227.65
Director/manager review, approval and signing	0.15	0.00	0.00	0.00	0.00	0.15	72.75	485.00
Other	0.00	0.00	4.00	13.70	0.00	17.70	3,847.00	217.34
<b>Investigations</b>								
Directors' correspondence & conduct questionnaires	1.20	0.00	1.00	0.00	0.00	2.20	535.10	243.23
Statutory books and accounting records review	0.00	0.00	0.85	0.00	0.00	0.85	199.75	235.00
Investigation of legal claims	0.00	0.00	0.80	0.00	0.00	0.80	188.00	235.00
SIP2 and SIP4 obligations (inc CDDA86 forms)	1.20	0.00	1.40	6.50	0.00	9.10	2,151.00	236.37
Enquiries of advisers	0.00	0.00	0.60	0.00	0.00	0.60	141.00	235.00
<b>Realisation of assets</b>								
Fixed charge Property (land and buildings)	0.00	0.00	0.50	0.00	0.00	0.50	117.50	235.00
Debtors not financed (includes reassigned debtors)	3.60	0.00	21.10	1.10	0.00	25.80	6,724.76	260.65
Other chattel assets	0.80	0.00	4.15	0.40	0.00	5.35	1,473.50	275.42
Financed assets (only if equity otherwise creditors, incl HP and leasing)	0.00	0.00	0.75	0.00	0.00	0.75	0.08	0.11
Sale of business as a whole, including liaison with legal advisers agents etc	1.20	0.00	0.00	0.00	0.00	1.20	522.00	435.00
Completion of work in progress	0.00	0.00	0.50	0.00	0.00	0.50	0.05	0.10
Cash at Bank	2.95	0.00	3.75	0.00	0.00	6.70	2,189.50	326.79
Liaising with agents (general)	0.00	0.00	0.00	0.20	0.00	0.20	40.00	200.00
Sale of business-post completion matters	1.60	0.00	5.45	0.00	0.00	7.05	1,976.75	280.39
Other	0.00	0.00	4.30	0.00	0.00	4.30	1,010.50	235.00
<b>Trading</b>								
Trading on decision and day 1-3 operations	0.00	0.00	9.00	2.00	0.00	11.00	2,965.00	269.55
Staff and payroll (inc PAYE/NIC for trading period)	0.50	0.00	0.00	2.25	0.00	2.75	611.25	222.27
Shutdown or handover	2.40	0.00	0.00	0.00	0.00	2.40	1,044.00	435.00
<b>Creditors</b>								
Fixed charge creditors	0.40	0.00	1.60	0.00	0.00	2.00	646.00	323.00
Floating charge creditors	4.50	0.00	4.50	0.00	0.00	9.00	3,028.00	336.44
HP & lease creditors	0.00	0.00	4.20	0.00	0.00	4.20	1,112.00	264.76
RPO and ERA claims & tribunals	0.00	0.00	2.15	2.80	0.00	4.95	997.75	201.57
Employees & pension (other) (incl Jobcentre/CSA etc)	1.40	0.00	20.80	22.65	0.00	44.85	10,439.10	232.76
Unsecured creditors	0.60	0.00	31.40	53.15	0.10	85.25	18,560.58	217.72
Creditors' committee	0.00	0.00	0.50	0.00	0.00	0.50	0.05	0.10
ROT Claims	0.00	0.00	2.65	2.70	0.00	5.35	1,072.80	200.52
Filing: creditors	0.00	0.00	0.00	5.30	0.00	5.30	1,060.00	200.00
Other	0.00	0.00	0.50	0.00	0.00	0.50	117.50	235.00
<b>Forensics</b>								
Forensics	0.00	0.00	0.50	6.50	0.00	7.00	1,187.50	169.64
<b>Total</b>	<b>29.30</b>	<b>1.00</b>	<b>172.15</b>	<b>153.75</b>	<b>7.90</b>	<b>364.10</b>	<b>£87,067.91</b>	<b>£239.13</b>

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Pre-Appointment</b>								
AML, Conflict & ethics checks, engagement letters	0.00	0.00	0.00	0.35	0.35	0.70	152.25	217.50
Appointment formalities	0.40	0.00	0.00	0.00	0.00	0.40	174.00	435.00
Pre pack sale of business	1.20	0.00	0.00	0.00	0.00	1.20	522.00	435.00
Creditors' (inc EE's) queries	0.00	0.00	0.00	1.25	0.00	1.25	218.75	175.00
Job planning	0.90	0.00	0.00	0.00	0.00	0.90	391.50	435.00
Other	0.00	0.00	0.00	0.00	0.30	0.30	70.50	235.00
<b>Total</b>	<b>2.50</b>	<b>0.00</b>	<b>0.00</b>	<b>1.60</b>	<b>0.65</b>	<b>4.75</b>	<b>£1,529.00</b>	<b>£321.89</b>

Breakdown of time spent by Smith & Williamson Financial Services employees

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
<b>Smith &amp; Williamson Financial Services</b>								
SWFS Employee Benefits Consultancy	1.00	0.00	0.00	8.65	0.00	9.65	1,549.25	160.54
<b>Total</b>	<b>1.00</b>	<b>0.00</b>	<b>0.00</b>	<b>8.65</b>	<b>0.00</b>	<b>9.65</b>	<b>£1,549.25</b>	<b>£160.54</b>

# V Staffing, charging, subcontractor and adviser policies and charge out rates

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## Introduction

Detailed below are:

- Smith & Williamson LLP's policies in relation to:
  - Staff allocation and the use of subcontractors
  - Professional advisers
  - Disbursement recovery
- Smith & Williamson LLP's and S&WFS' current charge out rates

## Staff allocation and the use of subcontractors

*Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.*

The constitution of the case team will usually consist of a partner and a partner or director or associate director as joint office holders, a manager, and an administrator or assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. The charge out rate schedule below provides details of all grades of staff and their experience level.

We may use subcontractors to perform work which might ordinarily be carried out by us and our staff where it is cost effective to do so and/or where the specific expertise offered by the subcontractor is required.

Details of any subcontractors' services utilised in the period covered by this report are set out in the body of this report.

## Use of professional advisers

We select professional advisers such as agents and solicitors on the basis of balancing a number of factors including:

- The industry and/or practice area expertise required to perform the required work.
- The complexity and nature of the assignment.
- The availability of resources to meet the critical deadlines in the case.
- The charge out rates or fee structures that would be applicable to the assignment.
- The extent to which we believe that the advisers in question can add value to the assignment.

## S&WFS

S&WEBC is a pensions consultancy firm which specialises in providing advice to Insolvency Practitioners on their appointment in relation to all aspects of pensions. It is a division of S&WFS, a company associated with Smith & Williamson LLP.

S&WEBC may be engaged to deal with the Company's pension affairs. Payments to parties in which the administrators or their firm have an interest must be disclosed to, and approved by, creditors. Fees for their services are accrued on a time costs basis. Consequently, details of the charge out rates for S&WEBC are provided to creditors.

## Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.

Since 7 July 2012 Smith & Williamson LLP's policy is to recover only one type of Category 2 disbursement, namely business mileage at HMRC's approved mileage rates at the relevant time. Current mileage rates are 45p per mile plus 5p per passenger per mile. Prior to 7 July 2012 approval may have been obtained to recover other types of Category 2 disbursements.

Details of any Category 2 disbursements incurred and/or recovered in the period covered by this report are set out in the body of this report.

## Charge out rates

The rates applicable to this appointment are set out below. Changes to the charge out rates during the period of this report were applied with effect from 1 July 2017.

Smith & Williamson LLP Restructuring & Recovery Services Charge out rates	London office £/hr		Regional offices £/hr	
	From 1/7/16	From 1/7/17	From 1/7/16	From 1/7/17
Partner / Director (from 1 January 2016)	435-485	435-500	350-375	350-375
Associate Director	370-380	390-410	295-305	295-310
Managers	235-315	250-350	190-290	190-310
Other professional staff	150-235	160-305	120-175	120-180
Support & secretarial staff	85-90	435-500	60-135	350-375

### Notes

1. Time is recorded in units representing 3 minutes or multiples thereof.
2. It may be necessary to utilise staff from both regional and London offices, subject to the requirements of individual cases.
3. The firm's cashiering function is centralised and London rates apply. The cashiering function time is incorporated within "Other professional staff" rates.

S&WFS Employee Benefits Consultancy Charge out rates	From 1/7/16 £/hr	From 1/7/16 £/hr
Director	225-420	245-349

S&WFS Employee Benefits Consultancy	From 1/7/16	From 1/7/16
Charge out rates	£/hr	£/hr
Associate Director	200-240	204-244
Manager	185-195	139-195
Administrator	70-145	88-170

# VI Estimated Fees for the period from 31 August 2016 to 30 August 2018

We highlight that although these costs are significant, the joint administrators are not currently minded to seek to recover them all.

4 Children (Trading) in Administration								
Fees estimate according to number of hours, grade of staff and expected work to be undertaken								
Anticipated case duration	Partner / Director	Associate Director	Manager/ Assistant	Senior Administrator	Assistants &			
Hourly rate (£)	500	285	235	220	165			
	Hours					Total hours	Total estimated	Average hourly rate
<b>Classification of work function</b>								
<b>Administration and planning</b>								
Statutory returns, reports & meetings	6.00		20.00	20.00		46.00	12,100.00	263.04
Initial post-appointment notification letters, including creditors	0.80		8.50	0.45	1.00	10.75	2,661.50	247.58
Cashiering general, including bonding	0.50	1.00	3.00	5.00	8.95	18.45	3,816.75	206.87
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary and any costs of extending the administration)	1.60		9.85	10.25		21.70	5,369.75	247.45
Post-appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related)	0.50		2.00	4.10		6.60	1,622.00	245.76
Protection of company records (incl electronic)	0.60		3.50	1.50		5.60	1,452.50	259.38
Insurance & general asset protection			0.50	1.50		2.00	447.50	223.75
Filing, file and information management			2.75			2.75	646.25	235.00
Agents and advisers, general			2.00	3.00		5.00	1,130.00	226.00
Pensions - review and notification to the relevant bodies	2.00		4.00	4.00		10.00	2,820.00	282.00
Filing - Administration and planning			5.00	8.30	8.00	21.30	4,321.00	202.86
Correspondence with joint liquidator			0.25			0.25	58.75	235.00
Director/manager review, approval and signing	0.15					0.15	75.00	500.00
Other			7.00	16.00		23.00	5,165.00	224.57
<b>Investigations</b>								
Directors correspondence & conduct questionnaires	1.20		1.00			2.20	835.00	379.55
Statutory books and accounting records review			0.85			0.85	199.75	235.00
SIP2 and SIP4 obligations (inc CDDA86 forms)	1.20		1.50	7.00		9.70	2,492.50	256.96
Investigation of legal claims			0.80			0.80	188.00	235.00
Enquiries of advisors and any parties with relevant information and former dealings			0.60			0.60	141.00	235.00
<b>Realisation of assets</b>								
Leasehold property (land and buildings)	0.50		2.00	1.00		3.50	940.00	268.57
Sale of business as a whole, including liaison with legal advisors agents etc	1.20					1.20	600.00	500.00
Financed assets (only if equity otherwise creditors, incl HP and leasing)			0.75			0.75	176.25	235.00
Debtors not financed (includes reassigned debtors)	5.00		25.00	5.00		35.00	9,475.00	270.71
Sale of business & goodwill	2.00		4.00	4.00		10.00	2,820.00	282.00
Tax refunds				1.00		1.00	220.00	220.00
Cash at Bank	2.95		3.75			6.70	2,356.25	351.68
Fixed charge property (Land and buildings)			0.50			0.50	117.50	235.00
Other chattel assets	1.00		5.00	1.00		7.00	1,895.00	270.71
Completion of work in progress			0.50			0.50	117.50	235.00
Sale of business-post completion matters	1.60		5.45			7.05	2,080.75	295.14
Other			5.00			5.00	1,175.00	235.00
<b>Trading (closure)</b>								
Trading on decision and day 1-3 operations			9.00	2.00		11.00	2,555.00	232.27
Staff and Payroll (incl PAYE/NIC for trading period)	0.50			2.25		2.75	745.00	270.91
Shutdown or handover	2.40					2.40	1,200.00	500.00
<b>Creditors</b>								
Fixed charge creditors	0.40		1.60			2.00	576.00	288.00
Floating charge creditors	4.50		4.50	3.00		12.00	3,967.50	330.63
HP & lease creditors			4.20			4.20	987.00	235.00
Employees claims, dealing with Redundancy Payments Service & tribunals	1.00		2.15	3.00		6.15	1,665.25	270.77
Employees & pension (other) (incl Jobcentre/CSA etc)	2.00		25.00	25.77		52.77	12,544.84	237.72
HMRC			0.50	3.00		3.50	777.50	222.14
Unsecured creditors	3.00		35.00	60.00		98.00	22,925.00	233.93
Fixed charge creditors			1.60			1.60	376.00	235.00
ROT Claimants			2.65	2.70		5.35	1,216.75	227.43
RPO and ERA claims & tribunals						-	-	-
Creditors committee			0.50			0.50	117.50	235.00
Others			0.50				117.50	
<b>Forensics - where applicable</b>								
Forensics			0.50	6.50		7.00	1,547.74	221.07
<b>Total</b>	<b>42.60</b>	<b>1.00</b>	<b>212.75</b>	<b>206.62</b>	<b>17.95</b>	<b>480.42</b>	<b>120,000.08</b>	<b>249.78</b>



	Partner / Director	Associate Director	Manager/ Assistant Manager	Senior Administrator/ Administrator	Total hours	Total estimated time costs (£)	Average hourly rate
Hourly rate (£)	295	200	185	145			
Pensions	6.00	-	4.00	10.28	20.28	4,000.46	197.27

4Children (Trading ) Limited In Administration Estimated expenses in accordance with Categories 1 & 2 (SIP 9) and payable to third parties *		
Estimated expenses applicable to all cases		Total
Specific bond		140.00
Statutory advertising costs		200.00
<b>Case specific costs - where applicable</b>		
Pensions - Smith & Williamson Financial Services Limited		4,000.00
Agents' fees		15,000.00
Legal fees		100,000.00
Storage costs		500.00
Postage		500.00
<b>Total</b>		<b>119,840.00</b>
Category 1 expenses, in accordance with Statement of Insolvency Practice 9 are specific costs payable to an independent third party and relate directly to the case in question. Category 2 expenses are payable to the office holder's firm and are shared or allocated costs, most notably business mileage.		

\*The agents' fees and legal fees relate to the Charity Group. The fees may be reallocated across the 6 Companies.

**[www.smithandwilliamson.com](http://www.smithandwilliamson.com)**

**Principal offices:** London, Belfast, Birmingham, Bristol, Dublin, Glasgow, Guildford, Manchester, Salisbury and Southampton.

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