

The Insolvency Act 1986

Administrator's progress report

Name of Company

Homeform Group Limited

Company number

6132417

In the
High Court of Justice, Manchester District
Registry, Chancery Division

(full name of court)

Court case number
1140 of 2011(a) Insert full
name(s) and
address(es) of
administrator(s)I/We (a)
Philip Stephen Bowers
Deloitte LLP
PO Box 500
2 Hardman Street
Manchester
M60 2ATWilliam Kenneth Dawson
Deloitte LLP
PO Box 500
2 Hardman Street
Manchester
M60 2AT

administrator(s) of the above company attach a progress report for the period

From

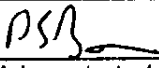
To

(b) Insert date

(b) 6 July 2011

(b) 5 January 2012

Signed


Joint / Administrator(s)

Dated

30 JANUARY 2012

Contact Details.

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form

The contact information that you give will be visible to searchers of the

public record

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SATURDAY



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COMPANIES HOUSE

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

**HOMEFORM GROUP LIMITED
(IN ADMINISTRATION)
("the Company")**

Court No. 1140 of 2011

**SIX MONTHLY PROGRESS REPORT TO CREDITORS
PURSUANT TO RULE 2.47 OF THE INSOLVENCY RULES 1986 AND THE INSOLVENCY
(AMENDMENT) RULES 2010**

30 January 2012

This report has been prepared for the sole purpose of updating the Creditors for information purposes. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by Creditors for any purpose other than updating them for information purposes, or by any other person for any purpose whatsoever.

P S Bowers and W K Dawson were appointed Joint Administrators of Homeform Group Limited on 6 July 2011. The affairs, business and property of the Company are managed by the Joint Administrators. The Joint Administrators act as agents of the Company and contract without personal liability.

All licensed Insolvency Practitioners of Deloitte LLP are licensed in the UK to act as Insolvency Practitioners.

**P S Bowers and W K Dawson
Deloitte LLP
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M60 2AT**

Tel: 0161 455 6895

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ABBREVIATIONS

For the purpose of this report the following abbreviations shall be used

"the Act"	Insolvency Act 1986 (as amended)
"the Rules"	Insolvency Rules 1986 and the Insolvency (Amendment) Rules 2010
"the Administrators"	P S Bowers and W K Dawson of Deloitte LLP
"the Company / HGL"	Homeform Group Limited (in Administration)
"Deloitte"	Deloitte LLP
"the Court"	High Court of Justice, Chancery Division, Manchester District Registry
"SIP7 (E&W)"	Statement of Insolvency Practice 7 (England & Wales)
"SIP13 (E&W)"	Statement of Insolvency Practice 13 (England & Wales)
"DLA Piper"	DLA Piper UK LLP
"GVA"	GVA Grimley Limited
"the Bank" or "Barclays"	Barclays Bank Plc
"PP"	The Prescribed Part of the Company's net property subject to Section 176A of the Insolvency Act 1986 (as amended)
"QFCH"	Qualifying Floating Charge Holder
"Sun"	Sun Capital Partners IV LP
"Sharps Bedrooms"	Sharps Bedrooms Limited
"Sharps Division"	The Sharps division of the Company prior to Administration
"HFUK3"	HF Group UK 3 Limited
"Secured Creditors"	Barclays and HFUK3

1. INTRODUCTION

1.1 Introduction

This report has been prepared in accordance with Rule 2.47 of the Rules to provide creditors with an update on the progress of the Administration of the Company since our first report to creditors dated 17 August 2011.

Given the information previously provided to creditors in our first report to creditors, we have not included detailed background information in respect of the Company and have focussed on progress of the Administration subsequent to that report.

The Administrators' proposals were deemed approved following the issue of a notice under Paragraph 52(1) of Schedule B1 of the Act on 17 August 2011 and the expiry of eight business days thereafter. The Administrators' proposals are detailed in section 2.1 below.

A schedule of statutory information in respect of the Company is attached at Appendix 1.

1.2 Details of the appointment of the Administrators

Philip Stephen Bowers and William Kenneth Dawson, of Deloitte, were appointed Joint Administrators of the Company by the Director of the Company on 6 July 2011, following the filing of a Notice of Appointment of Administrators by the Director of the Company.

The Court having conduct of the proceedings is Manchester District Registry, Chancery Division (case number 1140 of 2011).

For the purposes of Paragraph 100(2) of Schedule B1 of the Act, the Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly and severally.

1.3 Electronic communication with creditors

In an effort to reduce the costs of the Administration, all future communications with creditors, including updates and progress reports, will be posted onto a website, which has been set up specifically for this purpose. The web address is www.deloitte.com/uk/homeform.

A letter will be issued to all creditors each time the website is updated with a statutory notice or report. All creditors' statutory notices will be retained on the website for three months after being uploaded to the site.

2. JOINT ADMINISTRATORS' PROPOSALS

2.1 Introduction

As previously reported to creditors, the Administrators concluded the Company had significant secured and unsecured creditor liabilities and therefore a restructuring of these creditors would have been required to meet the first objective. It was apparent that there was insufficient value placed on the Company assets by third parties in order to affect a restructuring of the Company's considerable debt and the Administrators concluded that the first option was not possible to achieve. The Company's Management had for some time (prior to Administration) been trying to facilitate a restructuring of the debts, but without success.

Consequently, the Administrators have performed their functions in relation to the Company with the objective set out in Paragraph 3(2) of Schedule B1 of the Act, which is to achieve a better result for creditors than would be obtained through an immediate liquidation of the Company. The Administrators' proposals in order to achieve this objective, which, as noted above, were deemed approved following the issue of a notice under Paragraph 52(1) of Schedule B1 of the Act on 17 August 2011 and the expiry of eight business days thereafter are as follows:

- 1 the Administrators continue to manage the affairs and any remaining assets of the Company and the settlement of all Administration expenses,
- 2 the Administrators continue with their enquiries into the conduct of the Directors of the Company and continue to assist any regulatory authorities with their investigation into the affairs of the Company,
- 3 the Administrators be authorised to agree the claims of the secured, preferential and unsecured creditors against the Company unless the Administrators conclude, in their reasonable opinion, that the Company will have no assets available for distribution,
- 4 the Administrators be authorised to distribute funds to the secured and preferential creditors as and when claims are agreed and funds permit and, in relation to distributions to unsecured creditors, if the Court gives permission following an appropriate application,
- 5 that, in the event the creditors of the Company so determine, at a meeting of creditors, a Creditors Committee be appointed in respect of the Company comprising of not more than five and not less than three creditors of the Company,
- 6 that, if a Creditors' Committee is not appointed, the secured creditors of the Company shall be asked to fix the basis of the Administrators' remuneration in accordance with Rule 2.106(5A)(a), to be fixed by reference to the time properly given by the Administrators' and their staff in attending to matters arising in the Administrations, calculated at the prevailing standard hourly charge out rates used by Deloitte at the time when the work is performed, and/or as percentage of realisations and/or as a set fee, plus VAT. In addition those creditors shall also be asked to agree the Administrators' expenses of which the Administrators' expenses for mileage be calculated by reference to mileage properly incurred by the Administrators and their staff in attending to matters arising in the Administrations, at the prevailing standard mileage rate used by Deloitte at the time when the mileage is incurred, plus VAT where applicable,
- 7 that, if a Creditors' Committee is not appointed, the Administrators' Pre Administration Costs as detailed in Appendix 5 of the Administrators' Proposals be approved. And that the Administrators be authorised to draw their Costs, plus VAT, from the Administration estate,
- 8 that, following the realisation of assets and resolution of all matters in the Administrations, and as quickly and efficiently as is reasonably practicable, the

Administrators implement the most cost effective steps to formally conclude the Administrations. This may include the distribution of funds to unsecured creditors (provided Court permission is obtained) and then the dissolution of the Company or alternatively, seeking to put the Company into Creditors' Voluntary Liquidation ("CVL") or Compulsory Liquidation, depending on which option will result in a better realisation for creditors.

- 9 that, if the Company were to be placed into CVL, the Administrators propose to be appointed Liquidators and any Creditors' Committee appointed will become the Liquidation Committee pursuant to Rule 4.174 of the Rules and that the basis of the Liquidators' remuneration be fixed by reference to the time given in attending to matters arising in the Liquidations, and/or as a percentage of realisations and/or as a set fee. As per Paragraph 83(7) of Schedule B1 of the Act and Rule 2.117A(2)(b) of the Rules, the creditors may nominate a different person to be Liquidator(s) provided the nomination is made before the proposals are approved by creditors. For the purposes of Section 231 of the Act the Liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally, and
- 10 in the absence of Creditors' Committees, secured creditors of the Company agree that the Administrators be discharged from liability per Paragraphs 98 and 99 of Schedule B1 of the Act immediately upon the Administrators' filing their final report to creditors and vacating office.

2.2 Amendments to proposals

There have been no amendments to the proposals.

2.3 Progress on and achievement of the approved proposals

We have summarised below the progress and current status in respect of each of the approved proposals.

Proposal	Current status
1	The Administrators continue to manage the business, property and affairs of the Company.
2	The Administrators submitted their confidential report to the Insolvency Service on 20 December 2011.
3	It is unlikely that there will be sufficient assets available to distribute to preferential or unsecured creditors. The claim of HFUK3 has been agreed, however, the secured claim from Barclays is yet to be finalised.
4	A distribution of £7.3m has been made to HFUK3 during the period of this report.
5	No creditors' committee has been established.
6	The Administrators' time costs and expenses were approved by the Secured Creditors in accordance with Rule 2.106(5A)(a) on 29 September 2011 and 30 September 2011. The Administrators have drawn total fees of £500,000.00 plus VAT in the period of this progress report. No expenses and disbursements were drawn in the period from 6 July 2011 to 5 January 2012.
7	The Administrators' pre-appointment costs are yet to be approved by the Secured Creditors.
8	This is not yet applicable.
9	This is not yet applicable.
10	This is not yet applicable.

Further information in respect of the realisation of assets, the status of liabilities and the estimated outcome for creditors is contained in the following sections of this report

3. JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

3.1 Introduction

Attached at Appendix 2 is a Receipts and Payments account covering the period from 6 July 2011 to 5 January 2012, in accordance with SIP7 (E&W)

In this section, we have summarised the main asset realisations during the six month period and an estimation of those assets yet to be realised, together with details of costs incurred but as yet remain unpaid

3.2 Asset realisations

The business and assets of the Sharps Division of the Company were sold in a pre-packaged transaction to Sharps Bedrooms that completed on 6 July 2011. The sale realised £7.3m in respect of intellectual property with £100,000 realised for each of stock and pre-Administration debtors. Since completion Sharps Bedrooms has continued to trade in leasehold premises under a license to occupy. We refer to the Administrators' SIP 16 letter of 6 July 2011 providing full details of this transaction.

The sale included a funding agreement between the Company and Sharps Bedrooms to ensure that costs incurred by the Administrators in respect of the transfer of the Sharps Division, handling chargeback claims, assignment of leasehold properties and employee matters are met by Sharps Bedrooms.

In the period of this progress report, the Administrators have received £710,000 (termed "Third Party Funds") from Sharps Bedrooms and a further £190,000 will be received in due course. To the extent that these funds are not required by the Administrators to discharge expenses of the Administration, a balancing repayment will be made from the Administrators to Sharps Bedrooms.

Immediately on appointment GVA were instructed by the Administrators to realise residual stock, fixtures and fittings and other chattel assets of the Company. GVA conducted an online auction of these assets in September 2011 that realised £280,163 plus VAT. Stock subject to retention of title was sold on behalf of the retention of title creditor for £81,975 with a payment of £53,983 being paid to the creditor in settlement of an outstanding liability. A further £5,248 plus VAT was received from Sharps Bedrooms Limited in respect of stock sold in relation to the on-going programme of fit-outs.

The Administrators have continued to pursue refunds of business rates from local councils and refunds have totalled £138,688 to the date of this report. In addition refunds totalling £5,722 have been realised from pre-Administration pension fund overpayments.

Amounts totalling £40,753 have been received in respect of Leasehold Property Assignments. In addition, rent deposits paid by the Company prior to Administration have been recovered totalling £31,460.

Deposits paid by the Company prior to Administration of £79,117 have also been recovered.

Other equipment sold by the Administrators totalled £454.

3.3 Estimated future realisations

The remaining brands of the Company (Moben, Dolphin, Kitchens Direct) have been marketed for sale, with a number of firm offers received to date. The Administrators are currently in advanced negotiations with one party with a view to finalising a sale of all remaining brands in due course.

Sharps Bedrooms continue to trade under a license to occupy leasehold premises of the Company and the Administrators continue to seek lease assignments.

Barclaycard chargebacks in respect of pre-Administration works by the Company continue to be agreed.

3.4 Estimated outcome for creditors

Current indications suggest that there will not be funds available to facilitate a distribution to preferential and unsecured creditors.

4. DISTRIBUTIONS TO CREDITORS

4.1 Secured creditors

The Company's estimated debt to the Secured Creditors as at the date of appointment was

- Barclays £5.5m
- HFUK3 £60.5m

A notional distribution of £7.3m as detailed in the SIP 16 letter of 6 July 2011 has been made to HFUK3 and any future realisations of Company brand names will be distributed to the Secured creditors. Barclays are currently holding £4.2m in escrow funds that were set off at the date of Administration. The estimated debt due to Barclays may reduce as Barclaycard chargebacks are agreed.

4.2 Preferential creditors

Preferential claims exist in the Company relating to arrears of wages and accrued holiday pay due to employees. The Administrators do not anticipate a dividend will be paid to preferential creditors based on current estimates of realisations from floating charge assets.

4.3 Prescribed Part

The Prescribed Part (section 176A of the Insolvency Act 1986 (Prescribed Part) Order 2003) applies where there are floating charge realisations, net of costs to be set aside for unsecured creditors. This equates to

- 50% of net property up to £10,000,
- Plus, 20% of net property in excess of £10,000
- Subject to a maximum of £600,000

No net floating charge realisations are currently anticipated and so no PP is currently expected to be available to unsecured creditors of the Company.

4.4 Unsecured creditors

Due to the lack of net property, the Administrators do not envisage that there will be a distribution to unsecured creditors.

5. OTHER MATTERS AND INFORMATION TO ASSIST CREDITORS

5.1 Extensions to the initial appointment period

The initial 12 month period of the Administration is due to expire on 5 July 2012. An extension to this initial period may be required in due course and the Administrators may either seek the consent of the relevant creditors or may make an application to Court.

If you have any objection to an extension of the Administration period as above, please provide your objection in writing to the Administrators at the address at the top of this progress report within 21 days of this progress report.

5.2 Investigations

As part of the Administrators' statutory duties, an investigation into the conduct of the Company Director was completed.

In this regard, a confidential report was submitted to The Insolvency Service on 20 December 2012.

5.3 Exit

The exit route from Administration may include dissolution of the Company, move to Creditors Voluntary Liquidation or Compulsory Liquidation.

The exit route is yet to be finalised and the Administrators will provide a further update in our next progress report to creditors.

5.4 SIP13 (E&W) – Transactions with connected parties

In accordance with the guidance given in SIP13 (E&W), details of the Company's transactions with connected parties during the period of this report and the two years prior to our appointment are provided below.

On 6 July 2011, the business and assets of the Sharps Division of the Company were sold for total consideration of £7.5m to Sharps Bedrooms. Assets sold comprise intellectual property (£7.3m), stock (£0.1m) and pre-Administration book debts (£0.1m). Details of the transaction were set out in detail in the SIP 16 Letter sent to creditors on 6 July 2011 and were appended to the Administrators' proposals of 17 August 2011. We have summarised to include the name of the counterparty and connection below.

Sharps Bedrooms is a wholly owned subsidiary of Sun, who are the ultimate owner of the Company, and as such there is a commonality of ownership between the purchaser and Company.

We have reviewed these transactions and are of the opinion that all parties took appropriate legal advice. The Administrators were advised by DLA Piper LLP. Sharps Bedrooms and Sun were advised by Linklaters LLP, and the Bank was advised by Addleshaw Goddard LLP.

5.5 EC Regulations

As stated in the Administration Order in respect of the Company, Council Regulation (EU) No 1346/2000 applies and these are the main proceedings as defined in Article 3(1) of that regulation.

6. PRE-ADMINISTRATION COSTS

Included within the Administrators' Report and Proposals dated 17 August 2011 was a Statement of Pre-Administration Costs, in accordance with rule 2.33(2)(ka) of the Rules

Approval has not yet been sought by the Administrators for pre-Administration costs and such costs had not been drawn at the date of this progress report. In accordance with Rule 2.67A(3)(b) of the Rules, the Administrators will write to the Secured Creditors under separate cover to seek authority to draw the full amount of Pre-Administration Costs

Joint Administrators

Pre-Administration costs incurred by W K Dawson and P S Bowers in respect of preparation for the Administration, negotiations of the pre-packaged sale of the Sharps Division and liaising with key creditors have now been finalised since the date of the Joint Administrators' proposals, when it was originally estimated they were in the sum of £308,000

A summary of these costs is below and a more detailed breakdown is at Appendix 3

	Amount (excluding VAT)
Total hours	591.5
Average hourly rate	£656.51
Time Costs (£)	388,324.00
Expenses (£)	3,800.26
TOTAL UNAPPROVED (£)	£392,124.26

DLA Piper

DLA Piper were instructed by the Administrators to assist with the pre-packaged sale of the business and assets of the Sharps Division of the Company. Since the sending of the Joint Administrators proposals, DLA Piper has finalised their costs incurred in relation to the sale and prior to the appointment of the Administrators. These costs totalled £100,000.00 plus VAT.

7. JOINT ADMINISTRATORS' REMUNERATION AND EXPENSES

7.1 Joint Administrators' Remuneration

7.1.1 Basis of Remuneration

The basis of the Administrators' remuneration was fixed on 29 and 30 September 2011 by the Secured Creditors on a time costs basis

7.1.2 Remuneration

Remuneration charged during the period of this report is summarised at Appendix 4. This shows that the total time costs for the period are £1,459,419.25, for 2,891.25 hours at an average hourly charge out rate of £504.77. Remuneration drawn in the period totals £500,000 plus VAT.

The work has been categorised into the following task headings and sub categories

- **Administration and planning** includes case planning, case set-up, notification of appointment, maintenance of our case files and insolvency case record, statutory reporting, compliance, cashing and accounting

Reporting includes preparation and finalisation of reports for the Secured Creditors, preferential and unsecured creditors

- **Investigations** includes investigating the Company's affairs and in particular any antecedent transactions and also reporting on the conduct of its directors

- **Realisation of Assets** includes identifying, securing and insuring assets, sale of business, transition of contracts, property issues, disposal of stocks, collection of debts, realisation of other fixed assets and VAT and taxation matters

Time incurred in relation to 'Other Assets' includes progressing the sale of intellectual property and brand names

Significant time has been incurred in liaising and negotiating with retention of title creditors in respect of their claims over stock held by the Company at the date of Administration. Respective stock items were sold by GVA by at online auction and realised £280,163

In addition, a large amount of time has been incurred in liaising with landlords, their solicitors and Sharps Bedrooms in relation to the assignment of leasehold premises

- **Trading** includes planning, identifying strategy, preparation of trading forecasts, monitoring of performance against the forecasts, managing operations, dealing with supplier and landlord issues to ensure continuity of operations, accounting and employees (including pensions and other staff benefits)

Significant time has been spent in discussing issues with former customers and suppliers of the Company in respect of incomplete fit-outs as at 6 July 2011

- **Creditors** includes set-up of creditor records, creditor communications, preferential claims, unsecured claims, secured and employee claims

Significant time has been incurred in respect of discussions with employees regarding their claims, completion of claim forms, pension issues, transfer of employment and payment of wages and deductions

In addition, a large proportion of time has been incurred in handling a considerable volume of unsecured creditor claims in respect of fit-outs undertaken by the Company and deposits paid to the Company prior to Administration

- **Other matters** include taxation and VAT

Total remuneration charged for the period of the appointment is shown at Appendix 4

"A Creditors' Guide to Remuneration" is available for download at [http://www.r3.org.uk/media/documents/publications/professional/Guide to Administrators Fees Nov2011.pdf](http://www.r3.org.uk/media/documents/publications/professional/Guide%20to%20Administrators%20Fees%20Nov2011.pdf)

Should you require paper copies, please send your request in writing to the Administrators at the address on the front of this report and this will be provided to you at no cost

7.1.3 Expenses

The Administrators' direct expenses for the period of this report are set out below Expenses and disbursements have not yet been drawn by the Administrators

Nature of expenses	Total (£)
Accommodation	4,934 10
Bordereau	210 00
Mileage	5,266 16
Parking	160 77
Photocopying	1,242 00
Postage	8,822 67
Stationery	1,568 19
Storage	1,909 78
Subsistence	4,663 82
Travel Costs	446 05
Telephone Costs	165 32
Total	29,388 86

Mileage is calculated at the prevailing standard mileage rate of up to 45p used by Deloitte at the time when the mileage is incurred

7.2 Charge out rates

The range of charge out rates for the separate categories of staff is based on our 2011 and 2012 charge out rates as summarised below Manager rates include all grades of assistant manager

	2011 £	2012 £
Grade		
Partners /Directors	560 to 895	585 to 920
Managers	280 to 670	295 to 700
Assistants and Support Staff	175 to 280	150 to 295

The above bands are specific to the Restructuring Services department partners and staff In certain circumstances the use of specialists from other Deloitte departments such as Tax/VAT, Corporate Finance or Drivers Jonas Deloitte may be required on the case These departments may charge rates that fall outside the Restructuring Services department bands

quoted above so, where such specialists have performed work on the case, average rates may also fall outside the Restructuring Services department bands

All partners and technical staff (including cashiers) assigned to the case recorded their time spent working on the case on a computerised time recording system. Time spent by secretarial staff working on the assignment has not been recorded or recovered. The appropriate staff have been assigned to work on each aspect of the case based upon their seniority and experience, having regard to the complexity of the relevant work, the financial value of the assets being realised and/or claims agreed.

With effect from 1 January 2012, charge out rates were increased by an average 5% and the charge out rate bandings have been amended, where applicable, to reflect this change.

7.3 Other professional costs

As previously advised, DLA Piper were instructed by the Administrators to advise on appropriate legal matters. GVA, a firm of chattel agents, were instructed by the Administrators to undertake inventories and valuations of stock, plant and equipment, fixtures and fittings and other chattel assets where appropriate. CAPA and Simon Wakefield Consulting Limited were instructed by the Administrators to assist in the recovery of business rate overpayments. Cushman & Wakefield Inc. were instructed to assist with property issues.

The professional costs to date are summarised in the table below. All professional costs are reviewed and analysed before payment is approved.

Name of lawyer/agent	NET (£)	VAT (£)	TOTAL (£)
DLA Piper	115,944 95	23,188 99	139,133 94
GVA Grimley	29,102 20	5,820 44	34,922 64
CAPA	17,562 64	3,512 53	21,075 17
Simon Wakefield Consulting Limited	9,202 54	1,840 51	11,043 05
Cushman & Wakefield Inc	5,000 00	1,000 00	6,000 00
Total	176,812 33	35,362 47	212,174 80

7.4 Creditors' right to request information

Any secured creditor or, unsecured creditor with the support of at least 5% in value of the unsecured creditors or, with leave of the Court, may, in writing, request the Administrators to provide additional information regarding remuneration or expenses to that already supplied within this report. Such requests must be made within 21 days of receipt of this report, in accordance with Rule 2 47(1)(fa) and 2 48A of the Rules.

7.5 Creditors' right to challenge Remuneration and/or Expenses

Any secured creditor or, unsecured creditor with the support of at least 10% in value of the unsecured creditors or, with leave of the Court, may apply to the Court for one or more orders (in accordance with Rule 2 109(4) of the Rules), reducing the amount or the basis of remuneration which the Administrators are entitled to charge or otherwise challenging some or all of the expenses incurred.

Such applications must be made within 8 weeks of receipt by the applicant(s) of the progress report detailing the remuneration and/or expenses being complained of, in accordance with Rule 2 109 of the Rules.

Please note that such challenges may not disturb remuneration or expenses approved or deemed to be approved under prior progress reports.

HOMEFORM GROUP LIMITED (IN ADMINISTRATION)
STATUTORY INFORMATION

Company Name	Homeform Group Limited
Previous Names	HF Group Acquisition Co Ltd
Proceedings	In Administration
Court	Manchester District Registry
Court Reference	1140 of 2011
Date of Appointment	6 July 2011
Joint Administrators	PS Bowers and WK Dawson Deloitte LLP
Registered office Address	c/o Deloitte LLP 2 Hardman Street Manchester M60 2AT
Company Number	06132417
Incorporation Date	01/03/2007
Company Secretary	-
Bankers	Barclays Bank PLC
Auditors	Grant Thornton LLP
Appointment by	Director
Directors at date of Appointment	Christopher John Pavlosky
Directors' Shareholdings	-

**JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT FOR THE PERIOD
FROM 6 JULY 2011 TO 5 JANUARY 2012**

HOMEFORM GROUP LIMITED IN ADMINISTRATION						
RECEIPTS & PAYMENTS ACCOUNT FOR THE PERIOD 6 JULY 2011 TO 5 JANUARY 2012						
	Statement of Affairs	Fixed		Floating		TOTAL
		Movement From 06/07/11 To 05/01/12	Cumulative From 06/07/11 To 05/01/12	Movement From 06/07/11 To 05/01/12	Cumulative From 06/07/11 To 05/01/12	Total Cumulative From 06/07/2011 To 05/01/12
RECEIPTS	£	£	£	£	£	£
Intellectual Property	8,000,000.00	7,300,000.00	7,300,000.00	-	-	7,300,000.00
Third Party Funds	-	-	-	710,000.00	710,000.00	710,000.00
Licence Fee Received	-	-	-	3,140,020.80	3,140,020.80	3,140,020.80
Assignment Premium	-	-	-	40,752.89	40,752.89	40,752.89
Funds Received for Wages	-	-	-	33,078.94	33,078.94	33,078.94
Insurance Premium Received	-	-	-	11,460.55	11,460.55	11,460.55
Rent Deposit Refund	-	-	-	31,460.43	31,460.43	31,460.43
Recovered Deposits	-	-	-	79,116.54	79,116.54	79,116.54
Fixtures & Fittings	70,000.00	-	-	45,057.00	45,057.00	45,057.00
Stock	200,000.00	-	-	322,783.58	322,783.58	322,783.58
Work in progress	-	-	-	100,000.00	100,000.00	100,000.00
Book Debts	200,000.00	-	-	100,000.00	100,000.00	100,000.00
Cash at Bank and in escrow	4,202,000.00	-	-	9,900.81	9,900.81	9,900.81
Rates Refunds	-	-	-	138,688.41	138,688.41	138,688.41
Sundry Refunds	-	-	-	5,722.26	5,722.26	5,722.26
VAT Payable	-	-	-	520,044.27	520,044.27	520,044.27
Bank Interest Gross	-	-	-	2,454.38	2,454.38	2,454.38
	12,672,000.00	7,300,000.00	7,300,000.00	5,290,540.86	5,290,540.86	12,590,540.86
PAYMENTS						
Wages	-	-	-	190,802.56	190,802.56	190,802.56
Subcontractor Payments	-	-	-	27,091.84	27,091.84	27,091.84
IT Costs	-	-	-	6,090.00	6,090.00	6,090.00
Fork Lift Truck Hire	-	-	-	4,600.00	4,600.00	4,600.00
Scissor Lift Hire	-	-	-	1,710.00	1,710.00	1,710.00
Gas Bottle Hire	-	-	-	305.77	305.77	305.77
Waste Paper Destruction	-	-	-	680.00	680.00	680.00
Telephone	-	-	-	1,152.69	1,152.69	1,152.69
Photocopier Hire	-	-	-	664.00	664.00	664.00
Miscellaneous Trading Expenditure	-	-	-	342.00	342.00	342.00
Electricity	-	-	-	24,387.06	24,387.06	24,387.06
Water	-	-	-	4,027.77	4,027.77	4,027.77
Legal Fees	-	50,000.00	50,000.00	65,564.79	65,564.79	115,564.79
Legal Disbursements	-	380.16	380.16	-	-	380.16
Chargeholder	-	7,300,000.00	7,300,000.00	-	-	7,300,000.00
Licence Fee Refund	-	-	-	66,538.96	66,538.96	66,538.96
Transfer of Funds to Sharps	-	-	-	9,872.33	9,872.33	9,872.33
Transfer of Funds to BSH Bosch	-	-	-	53,983.00	53,983.00	53,983.00
Administrators' Fees	-	-	-	500,000.00	500,000.00	500,000.00
Rates Refund Fees	-	-	-	26,765.18	26,765.18	26,765.18
Agents' Fees	-	-	-	34,102.20	34,102.20	34,102.20
Security	-	-	-	19,427.50	19,427.50	19,427.50
Postage	-	-	-	10,469.02	10,469.02	10,469.02
Statutory Advertising	-	-	-	76.50	76.50	76.50
Other Property Expenses	-	-	-	1,563.79	1,563.79	1,563.79
Rents Under Licence	-	-	-	2,286,720.26	2,286,720.26	2,286,720.26
Insurance Under Licence	-	-	-	11,460.55	11,460.55	11,460.55
VAT Receivable	-	-	-	606,570.10	606,570.10	606,570.10
Bank Charges	-	-	-	926.80	926.80	926.80
		7,350,380.16	7,350,380.16	3,955,894.67	3,955,894.67	11,306,274.83
Balance In Hand					1,284,266.03	1,284,266.03
Represented By:						
Deposit Account for Licence Fee Monies (Escrow)						786,761.58
Interest Bearing Current Accounts						497,504.45
						1,284,266.03

General Notes

The Receipts and Payments account must be read in conjunction with the attached notes and report

- 1) Net funds held in the escrow account of £786,761 58 represent net cash held under the license to occupy with Sharps Bedrooms. To the extent these funds are not used in the Administration, refunds will be made to Sharps Bedrooms. Therefore, the monies held are not an asset of the Administration for the benefit of creditors

PRE-APPOINTMENT FEES AND EXPENSES INCURRED BY THE ADMINISTRATORS FOR HOMEFORM GROUP LIMITED (IN ADMINISTRATION)

The Administrators have incurred time costs as detailed below on the following tasks and matters which were considered to be necessary to placing Homeform Group Limited into Administration

- Detailed planning for the Company to establish the steps required to deliver a pre-packaged transaction of the Sharps assets, including establishing whether completion of such a transaction is in the best interests of the Company and its creditors, and the potential alternative outcomes and strategies in the event that it does not. This process included liaison with key creditors of the Company
- Development of the Proposed Administrators' strategy for the realisation of assets not subject to the pre-packaged transaction, including detailed planning with the objective of maximising the level of realisations available to creditors

The work undertaken by the Administrators prior to their subsequent appointment was critical for the following reasons

- The work necessary to execute a transaction of this nature has been substantial. Our SIP 16 letters set out, in detail, the clear benefits to creditors of completing the transaction
- The Administrators' work in relation to the planning and preparation for their appointment has allowed them to develop and execute a strategy which will maximise the return to creditors, and deal with the affairs of the Company in an efficient manner

If the Administrators had not undertaken this work prior to their appointment, it is likely that

- This work would have been required to be undertaken post-appointment, and
- The resultant delay would have adversely affected the Administrators' ability to implement their strategy to the ultimate detriment of creditors

The overall effect of this preparatory work was to protect the asset base and maximise realisations in line with the statutory purpose of the Administration

ANALYSIS OF TIME INCURRED

In completing the above tasks, we have incurred gross time costs totalling £388,324 relating to 591 50 hours

The Administrators expect to seek full recovery of their pre-appointment time costs. To date no fees have been drawn by the Administrators in respect of pre-appointment time costs. A summary of our time costs are set out below

Classification of work function	Partners and Directors	Managers	Assistants & Support Staff	Total Hours	Time Cost £'000	Average Hourly Rate £
Preparation for Administration	38 50	312 50	-	351 00	203 73	580 43
Pre-Pack Negotiations	137 00	77 50	-	214 50	164 24	765 66
Liaison with Key Creditors	22 50	3 50	-	26 00	20 36	782 98
	<u>198 00</u>	<u>393 50</u>	<u>-</u>	<u>591 50</u>	<u>388 33</u>	<u>656 51</u>
Total Fees Claimed					-	
Total Fees Drawn					-	
Total Fees Unpaid as at the date of Appointment					388 33	

Preparation for Administration includes case strategy and planning, case set-up, statutory reporting, compliance

Pre-Pack Negotiations includes contract negotiations, business valuations and assessment of alternative options

Liaison with Key Creditors includes negotiations with secured lenders, negotiations with potential investors, negotiations with employee groups and government departments, negotiations with key suppliers and stakeholders

ANALYSIS OF EXPENSES INCURRED

The expenses incurred by the Administrators are as follows

Expense Type	Total £
Travel-Taxi	758 40
Travel-Train/Bus + Booking Fee	764 00
Accommodation-Hotel	1,307 49
Mileage	680 73
Telephone	19 22
Off Street Parking/M6&M4 Tolls	22 82
Subsistence-Costs Incurred	247 60
Grand Total	3,800.26

Mileage is calculated at the prevailing standard mileage rate of up to 45p used by Deloitte at the time when the mileage is incurred

The Pre-Administration expenses were unpaid at the date of appointment and their payment needs approval by the secured creditors