

AM10

Notice of administrator's progress report



Companies House

FRIDAY



A27 *A819W054* 15/03/2019 #16
COMPANIES HOUSE

1 Company details

Company number 0 7 1 8 9 0 0 3

Company name in full SRS Realisations 2017 Limited

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

2 Administrator's name

Full forename(s) Dave

Surname Pike

3 Administrator's address

Building name/number 66 Queen Square

Street Bristol

Post town BS1 4BE

County/Region

Postcode

Country

4 Administrator's name ^①

Full forename(s) Mark

Surname Orton

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

5 Administrator's address ^②

Building name/number One Snowhill

Street Snow Hill Queensway

Post town Birmingham

County/Region

Postcode B 4 6 G H

Country

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

AM10

Notice of administrator's progress report

6 Period of progress report

From date	^d 1	^d 7	^m 0	^m 8	^y 2	^y 0	^y 1	^y 8
To date	^d 1	^d 6	^m 0	^m 2	^y 2	^y 0	^y 1	^y 9

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X



X

Signature date	^d 1	^d 3	^m 0	^m 3	^y 2	^y 0	^y 1	^y 9
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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 **Erin Manson**

Company name **KPMG LLP**

Address **Arlington Business Park
Theale**

Post town **Reading**

County/Region **Berkshire**

Postcode **R G 7 4 S D**

Country

DX

Telephone **Tel +44 (0) 118 964 2000**



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Please make sure you have remembered the following:

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



Important information

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



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



Further information

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

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



Joint
Administrators'
progress
report for the
period 17
August 2018
to 16 February
2019

SRS Realisations 2017
Limited - in Administration

13 March 2019

Notice to creditors

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

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

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

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

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

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+SI817C1629.html>. We hope this is helpful to you.

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

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1 Executive summary

- This progress report relates to Saltrock Surfwear Limited, which changed its name immediately on entering administration to SRS Realisations 2017 Limited ("the Company") to facilitate the pre-packaged sale of the Company's business and assets (Section 2 - Progress to date).
- The Directors resolved on 17 August 2018 to appoint David John Pike and Mark Jeremy Orton as Joint Administrators. The notice of appointment was lodged at the High Court of Justice on 17 August 2018 and we were duly appointed (Section 2 – Progress to date).
- This progress report covers the period from the date of our appointment to 16 February 2019.
- We delivered our statement of proposals ("Proposals") to all known creditors on 3 September 2018. A decision was taken by the majority of voting creditors on 19 September 2018 to reject our proposals and other resolutions. On discussions with the majority voting creditors, it transpired that the Proposals were rejected on the basis that further time was required to consider them (Section 2 – Progress to date).
- We subsequently resolved all queries and with the support of the majority voting creditors and as required by the insolvency legislation, submitted an application to Court for the proposals to be approved. The Court granted approval of the Proposals on 22 October 2018 (Section 2 – Progress to date).
- As outlined in the Proposals, immediately following our appointment as Joint Administrators, we completed a sale of the entire business and assets of the Company to the Purchaser (Section 2 - Progress to date).
- The Joint Administrators are required to investigate the causes of the Company's insolvency and any areas of potential claims. We have consulted with the major creditors in this regard and have concluded that there are no matters pursue (Section 2 - Progress to date).
- We have submitted the statutory conduct assessment to the Department for Business, Energy and Industrial Strategy (Section 2 - Progress to date).
- The secured creditors have been repaid in full following the sale of the business and assets (Section 3 - Dividend prospects and dividends paid).
- We are currently in the process of agreeing the preferential claims. This has been delayed due to a backlog at the Redundancy Payments Office. Subject to finalisation of the claims, it is anticipated that preferential creditors will be paid in full (Section 3 - Dividend prospects and dividends paid).
- Based on current estimates, we anticipate that unsecured creditors should receive a dividend of 0.6p in the £. This compares to the previous estimate of 1p in the £, which has reduced due to the additional costs largely incurred in relation to the court application and additional investigations (Section 3 - Dividend prospects and dividends paid).
- The timing and amount of any dividend are dependent upon the level of unsecured claims agreed and finalisation of realisations and associated costs of the administration (Section 3 - Dividend prospects and dividends paid).

- Please note: you should read this progress report in conjunction with our proposals which were issued to the Company's creditors and can be found at <http://www.insolvency-kpmg.co.uk/case+KPMG+SI817C1629.html>. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.



David Pike
Joint Administrator

2 Progress to date

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

2.1 Strategy and progress to date

Brief background

The principal activities of the Company were the design, import and sale of Saltrock branded leisure clothing and accessories through its store base and online channels.

At the time of the administration, Saltrock operated from 32 stores largely based in the South West of England and had 214 employees.

The Directors resolved on 17 August 2018 to appoint David John Pike and Mark Jeremy Orton as Joint Administrators. The notice of appointment was lodged at High Court of Justice on 17 August 2018 and we were duly appointed

Sale of business

As outlined in the Proposals, following two statutory demands issued against the Company the Directors commenced a sale process assisted by KPMG. The offer from Purchaser provided the best outcome for creditors.

Leasehold properties

Of the 33 leasehold properties, five sites were closed immediately on our appointment and the associated staff were made redundant.

A licence to occupy 28 leasehold properties was initially granted to the Purchaser for a period of six months. On expiry of this licence, assignments and/or the surrender of 25 properties had not been concluded by the Purchaser. Therefore, the licence was extended for a further period of up to three months.

In order to cover the costs associated with the extension of the licence, the Purchaser has agreed to pay £6,000 for the extension of the license to occupy the properties, which will increase to £10,000 if the assignments are not completed by 16 August 2019. This payment will partly contribute to the increased fees of PHD.

During the licence period, we have collected rents, service charges and utilities from the Purchaser for payment to the landlords, with the support of PHD.

The current status of the leasehold properties is set out below:

Status of leasehold properties	
	Number
Closed and returned to landlord	5
Licensed to purchaser - assignment/surrender completed	7
Licensed to purchaser - assignment/surrender agreed and in progress	10
Licensed to purchaser - purchaser continuing landlord negotiations	11
Total	33

In respect of the five stores closed on appointment, the surrender of the lease has been offered to the landlords, with three being accepted to date.

Approval of the Administrators' proposals

We delivered our statement of proposals ("Proposals") to all known creditors on 3 September 2018. A decision was taken by the majority of creditors on 19 September 2018 to reject our proposals and other resolutions.

On discussions with the majority voting creditors, it transpired that the Proposals were rejected on the basis that further time was required to consider them.

We subsequently resolved all queries and with the support of the majority voting creditors and, as required by the insolvency legislation, submitted an application to Court for the proposals to be approved.

On 22 October 2018, it was ordered that:

- 1) The Administrators may proceed on the basis that the following decisions were made by the creditors of the Company at 23:59 on 19 September 2018:
 - that the Administrators' proposals be approved;
 - that the remuneration of the Administrators will be drawn on the basis of time properly given by them and their staff in attending to the matters arising in the administration at their normal hourly rate of charging;
 - that the Administrators' disbursements for services provided by KPMG LLP (defined as category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG LLP's policy as set out in the Administrators' statement of proposals;
 - that all pre-administration costs as set out in the Administrators' proposals can be paid; and
 - That the Joint Administrators be discharged from liability in respect of any action of theirs as joint administrators on the filing of their final progress report with the registrar of companies.
- 2) The Administrators' costs of and occasioned by the application shall be paid out of the Company's assets as an expense of the administration.

Investigations

The Joint Administrators are required to investigate the causes of the Company's insolvency and any areas of potential claims. We have consulted with the major creditors in this regard and have concluded that there are no matters pursue.

We have complied with the relevant statutory requirements by submitting the online director conduct assessment to the Department for Business, Energy and Industrial Strategy. The contents of our submission are confidential.

2.2 Asset realisations

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

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

Sale of business

The total consideration received for the sale of the business was £1,053,000 broken down as follows.

Analysis of sale of business proceeds	
£	
Business name and intellectual property	400,000
Goodwill	475,000
Leasehold property	1
Plant & equipment	74,998
Stock	96,500
Cash	6,500
Company records	1
Total consideration	1,053,000

Amounts received in respect of credit card sales after the sale of the business

Due to the short timeframe in which the sale was completed, the Purchaser was unable to set up a merchant facility before the sale. As a result, £1,046,710 was received by the Company's merchant facility provider in respect of credit card sales to customers after the sale of the business. These funds were paid to the Joint Administrators and subsequently transferred to the Purchaser.

A balance of £70,598 was also received from Global Payments in respect of credit card sales made prior to the administration. This balance was retained in the administration and is included within the receipt for cash at bank in the receipts and payments account at Appendix 2.

Rent and property costs received from the Purchaser

£428,437 has been received from the Purchaser in respect of rent, service charges and utilities due on the retained properties.

These funds have been paid to PHD for payment to the landlords. Any unpaid balance or shortfall will be returned to or covered by the Purchaser.

Book debts and prepayments

As at the date of our appointment, book debts amounted to £33,000. Of these, an amount of £742 has been collected in the period to 16 February 2019. We do not anticipate any further recoveries in this regard.

In the period to 16 February 2019 a total of £22,741 has been received in respect of rates refunds. No further prepayments are expected to be realised.

Cash at bank

In the period to 16 February 2019, receipts amounted to £77,098. This related to £6,500 for cash balances held at stores (and included in sale of business proceeds) and £70,598 for funds received from the Company's merchant facility provider as outlined above.

2.3 Costs

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

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

Legal fees

£22,805 has been paid to Osborne Clarke, including £500 for costs incurred prior to the administration (and included within the Proposals), advice in respect of potential claims, the validity of the security and costs relating to the court application for approval of the Joint Administrators' Proposals (comprising the preparation of the application, Counsel's costs and court fees).

£245 has been paid to Temple Bright LLP relating to legal costs incurred prior to the administration and included within the Proposals.

This brings the total of legal fees paid to date to £23,049.

2.4 Schedule of expenses

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

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

Agents' fees

PHD has been paid £25,848 to date for dealing with the leasehold properties. PHD currently has outstanding fees of £14,380 and estimate further fees of approximately £15,000. This brings their total estimated costs to £55,227 compared to the original estimate of £20,000.

Some of the increase relates to the extension of the licence which is covered by the contribution from the Purchaser. Further work has also been completed in order to realise the rates refunds of £22,741.

In addition, the level of work required to deal with the leasehold properties has been higher than previously anticipated.

We are considering whether we can recover some of these costs from the Purchaser.

Legal fees

In addition to the legal fees paid to date, Osborne Clarke have confirmed that current outstanding fees total £7,200. We anticipate that further legal fees will be incurred in order to obtain court approval to make a distribution to unsecured creditors in the administration (see Section 3). Osborne Clarke estimate that the legal fees for this will be approximately £5,500 plus disbursements. Legal fees will therefore total approximately £35,750 compared to the original estimate of £5,000.

These costs are higher than originally estimated due to the additional work required to make the application to Court for the approval of the Proposals and additional investigation work in respect of potential claims.

Insurance

Insurance incurred to date of £2,923 relates to the Joint Administrators public liability cover for the leasehold properties. Due to the extension of the licence to occupy the properties, we estimate that further costs of £2,923 will be incurred in this regard. This is effectively covered from the cost contribution from the Purchaser for the extension of the licence.

3 Dividend prospects and dividends paid

3.1 Secured creditors

As previously advised, a number of private investors held loan notes secured by fixed and floating charges over all of the Company's assets. The capital and interest due to the loan note holders on appointment totalled £792,432. We have obtained legal advice from Osborne Clarke regarding the validity of the loan notes who have confirmed that the security is valid.

Following the sale of the business and assets of the Company, the secured creditors were repaid in full from fixed and floating charge realisations. £790,889 was distributed to the loan note holders, after a deduction of £1,542 in relation to withheld tax which was paid to HMRC

3.2 Preferential creditors

We are currently in the process of agreeing the preferential claims which we estimate will be £21,000.

This has been delayed due to a backlog at the Redundancy Payments Office. Subject to finalisation of the claims, it is anticipated that preferential creditors will be paid in full.

3.3 Unsecured creditors

Based on current estimates, we anticipate that unsecured creditors should receive a dividend of circa 0.6p in the £. This compares to the previous estimate of 1p in the £, which has reduced due to the additional costs as detailed above.

The timing and amount of any dividend are dependent upon the realisations and associated costs of the administration.

In accordance with insolvency legislation, a dividend to unsecured creditors can only be made in an administration with the approval of the Court. The cost for obtaining this is estimated to be £5,500 plus disbursements, which we estimate to be lower than placing the Company in to liquidation to pay the dividend. Approval to make this application was provided in the Proposals and agreed by the Court.

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

4.1 Joint Administrators' remuneration and disbursements

As set out in Section 2.1, the Court ordered that our proposals be approved, which contained the approval of the Joint Administrator's remuneration and disbursements on the following basis:

- Our remuneration will be drawn on the basis of time properly given by the Joint Administrators and their staff, in accordance with the fees estimate provided in Appendix 4 and the charge-out rates included in Appendix 6.
- Disbursements for services provided by the Joint Administrators and their staff (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 6.

We have attached (Appendix 6) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by the Joint Administrators for the period from our appointment to 16 February 2019. We have also attached our charging and disbursements policy.

Time costs

We have attached a revised estimate of the Joint Administrators' fees to conclude the administration at Appendix 4.

From the date of our appointment to 16 February 2019, we have incurred time costs of £254,112. These represent 761 hours at an average rate of £334 per-hour. We estimate that the total time costs to conclude the administration will now be £320,908, representing an average hourly rate of £332 per hour. This compares to our initial fee estimate of £157,710 (£132,710 after a discount applied of £25,000) as set out in the Proposals.

However, in order to preserve the distribution to unsecured creditors we do not propose to draw the additional fees. Therefore, we will draw total time costs of £132,710.

The additional time has been incurred in respect of the following key areas;

- Dealing with the application to Court for the approval of the Proposals, including additional discussions and correspondence with the major creditors, obtaining legal advice and drafting the application to Court;
- An enhanced level of investigations in to the affairs of the Company and the causes of insolvency, including additional discussions and correspondence with the major creditors and Osborne Clarke;
- The extension of the licence to occupy the leasehold properties, including additional discussions and correspondence with the Purchaser, Osborne Clarke and PHD;
- An additional level of cashiering was required to support the Purchaser whilst it set up its own banking and merchant facility following the sale. This included liaising with HSBC Bank Plc and Global Payments to transfer funds paid to the Company's pre appointment bank account and merchant facility in respect of sales made by the Purchaser. Further, additional cashiering is required for the collection and payment of the rent during the period of the extended licence to occupy the leasehold properties; and
- A higher than anticipated level of queries received from creditors prior to the sale of the business, in particular with regard to the sale and the continuation of supply to the Purchaser.

Disbursements

During the period, we have incurred disbursements of £2,012. None of these have been paid to date and these will be drawn shortly.

4.2 Pre-administration costs

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

Pre-administration costs			
	Approved (£)	Paid in the period (£)	Outstanding (£)
KPMG fees	36,381.00	36,380.50	Nil
Temple Bright	254	245	Nil
Osborne Clarke	500	500	Nil
Total	37,135	37,125.50	Nil

The Court granted the approval for all pre-administration costs as set out in our proposals to be paid.

5 Future strategy

5.1 Future conduct of the administration

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

- Agreeing and paying the claims of preferential creditors;
- Applying to the Court for permission to pay a dividend to unsecured creditors;
- Concluding the assignment of the property leases to the purchaser;
- The payment of the outstanding costs in the administration;
- Finalising corporation tax and VAT matters; and
- Agreeing and paying a dividend to unsecured creditors.

5.2 Discharge from liability

The Court Ordered on 22 October 2018 that we be discharged from liability in respect of any actions as Joint Administrators, upon the filing of our final receipts and payments account with the Registrar of Companies.

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

5.3 Future reporting

We will provide a further progress report within one month of 16 August 2019 or earlier if the administration has been completed prior to that time.

Appendix 1 Statutory information

Company information	
Company name	SRS Realisations 2017 Limited
Date of incorporation	15 March 2010
Company registration number	07189003
Present registered office	KPMG LLP, Arlington Business Park, Theale, Reading, RG7 4SD
Administration information	
Administration appointment	The administration appointment granted in High Court of Justice, 197 of 2018
Appointor	Directors
Date of appointment	17 August 2018
Joint Administrators' details	David Pike and Mark Orton
Estimated values of the Net Property and Prescribed Part	Estimated Net Property is £77,000. Estimated Prescribed Part is £18,400.
Prescribed Part distribution	<p>The Prescribed Part has been taken into account when determining the dividend prospects for unsecured creditors (Section 3).</p> <p>The Joint Administrators do not intend to apply to Court to obtain an order that the Prescribed Part shall not apply.</p> <p>Accordingly, the Joint Administrators intend to make a distribution to the unsecured creditors.</p>
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2)
Current administration expiry date	16 August 2019

Appendix 2 Joint Administrators' receipts and payments account

SRS Realisations 2017 Limited - in Administration			
Abstract of receipts & payments			
Statement of affairs (£)		From 17/08/2018 To 16/02/2019 (£)	From 17/08/2018 To 16/02/2019 (£)
FIXED CHARGE ASSETS			
1.00	Leasehold property	1.00	1.00
475,000.00	Business name and intellectual property	400,000.00	400,000.00
400,000.00	Goodwill	475,000.00	475,000.00
		<hr/>	<hr/>
		875,001.00	875,001.00
FIXED CHARGE COSTS			
	Agents'/Valuers' fees	(25,848.00)	(25,848.00)
	Withheld Tax	(1,542.98)	(1,542.98)
		<hr/>	<hr/>
		(27,390.98)	(27,390.98)
FIXED CHARGE CREDITORS			
(790,888.52)	Fixed charge creditor	(790,888.52)	(790,888.52)
		<hr/>	<hr/>
		(790,888.52)	(790,888.52)
ASSET REALISATIONS			
	Plant & equipment	74,998.00	74,998.00
74,998.00	Office equipment	NIL	NIL
96,500.00	Stock	96,500.00	96,500.00
	Book debts	741.60	741.60
	Business Rates Refunds	22,741.48	22,741.48
1.00	Company records	1.00	1.00
74,500.00	Cash in hand	77,098.00	77,098.00
		<hr/>	<hr/>
		272,080.08	272,080.08
OTHER REALISATIONS			
	Bank interest, gross	340.38	340.38
	Credit card receipts – Purchaser funds	1,046,710.00	1,046,710.00
	Rent receipts from purchaser	428,436.97	428,436.97
		<hr/>	<hr/>
		1,475,487.35	1,475,487.35
COST OF REALISATIONS			
	Administrators' pre-administration fees	(36,380.50)	(36,380.50)
	Legal fees	(23,049.55)	(23,049.55)
	Credit card receipts payments to Purchaser	(1,046,709.99)	(1,046,709.99)
	Rent paid for Purchaser	(441,560.13)	(441,560.13)
	Insurance of assets	(2,923.20)	(2,923.20)
	Bank charges	(30.00)	(30.00)

SRS Realisations 2017 Limited - in Administration

Abstract of receipts & payments

Statement of affairs (£)		From 17/08/2018 To 16/02/2019 (£)	From 17/08/2018 To 16/02/2019 (£)
		(1,550,653.37)	(1,550,653.37)
PREFERENTIAL CREDITORS			
(21,000.00)	Preferential creditors	NIL	NIL
		NIL	NIL
UNSECURED CREDITORS			
(8,332,016.00)	Trade & expense	NIL	NIL
(32,388.00)	Employees red & pay in lieu of notice	NIL	NIL
(1,620,964.00)	Property related liabilities	NIL	NIL
		NIL	NIL
DISTRIBUTIONS			
1,600.00	Ordinary shareholders	NIL	NIL
		NIL	NIL
(9,674,656.52)		253,635.56	253,635.56
REPRESENTED BY			
	VAT payable		(2,454.21)
	Floating charge current		256,089.77
			253,635.56

Appendix 3 Schedule of expenses

Schedule of expenses (17/08/2018 to 16/02/2019)			
Expenses (£)	Incurred and paid in the period (£)	Incurred in the period and not yet paid (£)	Total (£)
Fixed charge costs			
Agents'/Valuers' fees	25,848.00	14,379.75	40,227.75
Withheld Tax	1,542.98	0.00	1,542.98
Cost of realisations			
Administrators' pre-administration fees	36,380.50	0.00	36,380.50
Legal fees	23,049.55	7,200.00	30,249.55
Insurance of assets	2,923.20	2,923.20	5,846.40
Bank charges	30.00	0.00	30.00
TOTAL	89,774.23	24,502.95	114,277.18

Note: rent payments of £441,560.13 included within the receipts and payments account are excluded from the above as this is covered by receipts from the Purchaser with no net cost to the estate

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

Creditors' requests for further information

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

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

Creditors' right to challenge our remuneration and expenses

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

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

The full text of the relevant rules can be provided on request by writing to Erin Manson at KPMG LLP, Arlington Business Park, Theale, Reading, RG7 4SD.

Appendix 4 Joint Administrators' revised fees estimate

Estimated time costs							
	Notes	Previous estimate in the Proposals			Revised estimate		
		Estimated hours	Estimated time cost (£)	Estimated average hourly rates (£)	Estimated hours	Estimated time cost (£)	Estimated average hourly rates (£)
Administration & Planning							
Bankrupt/Director/Member		2.30	965.80	419.91	2.30	965.80	419.91
Cashiering	Note 1	28.00	6,503.00	232.25	80.16	19,977.30	498.44
General	Note 2	4.50	2,040.00	453.33	20.70	7,531.14	727.65
Statutory & compliance	Note 3	65.95	24,572.60	372.59	100.70	32,234.99	640.22
Tax	Note 4	11.40	5,984.00	524.91	80.30	31,515.07	784.93
Creditors							
Creditors and claims	Note 5	135.60	46,490.00	342.85	343.18	112,116.22	653.40
Employees	Note 6	47.15	15,058.75	319.38	90.85	27,519.32	605.82
Investigations							
Directors	Note 7	15.50	5,046.10	325.55	86.20	29,534.00	342.62
Investigations	Note 7	24.00	7,555.00	314.79	27.25	12,136.77	890.77
Realisation of assets							
Asset realisation	Note 8	113.50	43,494.80	383.21	127.06	47,377.30	745.75
Total		447.90	157,710.05	352.11	958.70	320,907.90	334.73
Time costs not to be charged to administration estate (see Section 7 of the Proposals and notes section below)			(25,000.00)			(188,197.85)	
Total time cost to be drawn			132,710.05			132,710.05	

As detailed in Section 4, in order to preserve the available distribution to unsecured creditors, we will limit the fees drawn to £132,710 and will not charge £188,198 of the time costs incurred by the Joint Administrators and their staff.

Note 1 – Cashiering

This also includes estimated time to process dividend payments to 46 preferential creditors and approximately 300 unsecured creditors.

Additional time costs have also been incurred in relation to the transfer of funds from the merchant services provider and rent payments in respect of the extension of the licence to occupy.

An additional level of cashiering was required to support the Purchaser whilst it set up its own banking and merchant facility following the sale. This included liaising with HSBC Bank Plc and Global Payments to transfer funds paid to the Company's pre appointment bank account and merchant facility in respect of sales made by the Purchaser.

Further, additional cashiering is required for the collection and payment of the rent during the period of the extended licence to occupy the leasehold properties

Note 2 – General

General time costs include collection of the Company's books and records not included in the sales contract and maintaining the Joint Administrators' files.

Note 3 – Statutory & Compliance

Our work includes notifying the Registrar of Companies and other relevant parties of our appointment, arranging the Joint Administrators' insurance bond and ensuring compliance with all statutory obligations, such as reporting to creditors.

This includes additional work required to deal with the application to Court for the approval of the Proposals, including obtaining legal advice and drafting the application to Court.

Further time is expected to be incurred in respect of closure of the administration and related formalities as we look to resolve all outstanding matters.

Note 4 – Tax

We will submit post-administration tax returns as required and will work resolve any outstanding tax matters ahead of closure of the administration.

Note 5 – Creditors & Claims

Additional discussions and correspondence has been required with the major creditors in respect of the application to Court for the approval of the Proposals and the enhanced investigations in to the affairs of the Company.

In addition, a higher than anticipated level of queries received from creditors prior to the sale of the business, in particular with regard to the sale and the continuation of supply to the Purchaser.

We anticipate that further time will be required in respect of adjudicating claims received from creditors to distribute a dividend. This will include dealing with any instances where the values differ from those on the Company's ledger.

Note 6 – Employees

An additional level of queries have been received from employees than was originally anticipated.

We anticipate that further time costs will be required in order to agree and distribute a dividend to preferential creditors.

Note 7 – Investigations

This work relates to Directors' duties, the Statement of Affairs, reviewing the Company's affairs, complying with our statutory duties to submit our findings on the Directors' conduct to the Insolvency Service.

This has included an enhanced level of investigations in to the affairs of the Company and the causes of insolvency, including additional discussions and correspondence with the major creditors and Osborne Clarke.

Note 8 – Asset realisation

Our work primarily relates to the fulfilment of conditions under the sale and purchase agreement. This includes facilitating the assignments of the leases to the Purchaser and assisting with ROT claims for the recovery of stock.

Additional work has been required and remains on-going in respect of the extension of the licence to occupy the leasehold properties, including additional discussions and correspondence with the Purchaser, Osborne Clarke and PHD.

Appendix 5 Joint Administrators' revised expenses estimate

Summary of expenses						
Expenses (£)	Narrative	Initial Estimate (£)	Additional Estimate (£)	Revised Estimate (£)	Paid to date (£)	Future costs (£)
Fixed charge costs						
Withheld Tax	Note 1	0.00	1,542.98	1,542.98	1,542.98	0.00
Cost of realisations						
Specific bonds		250.00	0	250.00	0.00	250.00
Administrators' pre-administration fees		36,380.50	0	36,380.50	36,380.50	0.00
Agents'/Valuers' fees	Note 2	20,000.00	35,227.75	55,227.75	25,848.00	29,379.75
Legal fees	Note 2	5,000.00	30,749.55	35,749.55	23,049.55	12,700.00
Pre-administration legal fees		754.00	(754.00)	0.00	0.00	0.00
Statutory advertising		250.00	0.00	250.00	0.00	250.00
Insurance of assets	Note 2	3,000.00	2,846.40	5,846.40	2,923.20	2,923.20
Bank charges		500.00	0.00	500.00	30.00	470.00
TOTAL		66,134.50	69,612.68	135,747.18	89,774.23	45,972.95

Note 1 - See section 3.1

Note 2 - See section 2.4

Appendix 6 Joint Administrators' charging and disbursements policy

Joint Administrators' charging policy

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

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

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

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

If you are unable to access this guide and would like a copy, please contact Erin Manson on 0118 9642419.

Hourly rates

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

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

Charge-out rates (£) for: Restructuring		
Grade	From 01 Nov 2016 £/hr	From 01 Jan 2019 £/hr
Partner	625	655
Director	560	590
Senior Manager	510	535
Manager	425	445
Senior Administrator	295	310
Administrator	215	225
Support	131	140

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

Policy for the recovery of disbursements

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

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

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

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

Mileage claims fall into three categories:

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

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

We have incurred the following disbursements from the date of our appointment to 16 February 2019.

SIP 9 - Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Accommodation		311.24		NIL	311.24
Courier & delivery costs		153.41		NIL	153.41
External printing		174.86		NIL	174.86
Meals		139.91		NIL	139.91
Mileage		NIL		95.94	95.94
Printing		104.16		NIL	104.16
Postage		527.22		NIL	527.22
Sundry		235.00		NIL	235.00
Travel		270.40		NIL	270.40
Total		1,916.20		95.94	2,012.14

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

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

Narrative of work carried out for the period 17 August 2018 to 16 February 2019

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> ■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences; ■ providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment; ■ issuing regular press releases and posting information on a dedicated web page; ■ preparing statutory receipts and payments accounts; ■ arranging bonding and complying with statutory requirements; ■ ensuring compliance with all statutory obligations within the relevant timescales; ■ drafting the application to the Court for the approval of the Proposals, including discussions and correspondence with major creditors, Osborne Clarke and legal counsel.
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> ■ formulating, monitoring and reviewing the administration strategy, including the decision to trade and meetings with internal and external parties to agree the same; ■ briefing of our staff on the administration strategy and matters in relation to various work-streams; ■ regular case management and reviewing of progress, including regular team update meetings and calls; ■ meeting with management to review and update strategy and monitor progress; ■ reviewing and authorising junior staff correspondence and other work; ■ dealing with queries arising during the appointment; ■ reviewing matters affecting the outcome of the administration; ■ allocating and managing staff/case resourcing and budgeting exercises and reviews; ■ liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters; ■ complying with internal filing and information recording practices, including documenting strategy decisions.
Reports to fixed charge holders	<ul style="list-style-type: none"> ■ liaising with loan note holders regarding progress of sale and settlement of amounts due to them. Ensuring correct interest is paid to them.
Cashiering	<ul style="list-style-type: none"> ■ setting up administration bank accounts and dealing with the Company's pre-appointment accounts; ■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.
Tax	<ul style="list-style-type: none"> ■ gathering initial information from the Company's records in relation to the taxation position of the Company; ■ seeking advice in relation to the withholding tax position on interest payments; ■ reviewing the Company's pre-appointment corporation tax and VAT position; ■ analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations; ■ analysing VAT related transactions; ■ dealing with post appointment tax compliance.
Shareholders	<ul style="list-style-type: none"> ■ providing notification of our appointment; ■ responding to enquiries from shareholders regarding the administration; ■ providing copies of statutory reports to the shareholders.
General	<ul style="list-style-type: none"> ■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9; ■ liaising with the joint appointee in relation to signing of correspondence and statutory notifications]; ■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage.
Asset realisations	<ul style="list-style-type: none"> ■ collating information from the Company's records regarding the assets; ■ liaising with finance companies in respect of assets subject to finance agreements; ■ liaising with agents regarding the sale of assets; ■ review of all prepayments and management of recovery strategy; ■ reviewing outstanding debtors and management of debt collection strategy;
Property matters	<ul style="list-style-type: none"> ■ reviewing the Company's leasehold properties, including review of leases; ■ compiling costs forecast schedule for licence costs; ■ communicating with landlords regarding rent, property occupation and other issues; ■ performing land registry searches; ■ Additional discussions with the Purchaser, Osborne Clarke and PHD in respect of the extension of the licence to Occupy the leasehold properties.

Sale of business	<ul style="list-style-type: none"> ■ planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers; ■ seeking legal advice regarding sale of business, including regarding non-disclosure agreements; ■ collating relevant information and drafting information memorandum in relation to the sale of the Company's business and assets and advertising the business for sale; ■ dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room; ■ managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties; ■ attending to supplier queries and correspondence relating to new working relationships with the Purchaser ■ dealing with issues in relation to stock and other assets required for Purchaser's trading. ■ carrying out sale negotiations with interested parties.
Open cover insurance	<ul style="list-style-type: none"> ■ arranging ongoing insurance cover for the Company's business and assets; ■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place; ■ assessing the level of insurance premiums.
Employees	<ul style="list-style-type: none"> ■ dealing with queries from employees regarding various matters relating to the administration and their employment; ■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments; ■ holding employee briefing meetings to update employees on strategy and redundancies; ■ communicating and corresponding with HM Revenue and Customs; ■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office; ■ managing claims from employees; ■ ensuring security of assets held by employees.
Pensions	<ul style="list-style-type: none"> ■ collating information and reviewing the Company's pension schemes; ■ calculating employee pension contributions and review of pre-appointment unpaid contributions; ■ ensuring compliance with our duties to issue statutory notices
Creditors and claims	<ul style="list-style-type: none"> ■ drafting and circulating our proposals; ■ creating and updating the list of unsecured creditors; ■ responding to enquiries from creditors regarding the administration and submission of their claims; ■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records; ■ dealing with suppliers with retention of title claims, liaising with the Purchaser regarding the same; ■ agreeing secured claims; ■ arranging distributions to the secured creditors; ■ drafting our Proposals to creditors; ■ Discussions and correspondence with the majority creditors in respect of the application to the Court to approve the Proposals and enhanced investigations in to the affairs of the Company.

Time costs

Pre-Administration costs (13/08/2018 to 16/08/2018)						
	Hours					
	Partner / Director	Manager	Administrator	Support	Total	Average Hourly Rate (£)
Pre-Administration Sale of business - preparation	53.70	10.90			64.30	35,933.00
Appointment documents		0.30			0.30	127.50
Pre-administration checks		0.50	0.50		1.00	320.00
Total	53.70	11.70	0.50	0.00	65.90	36,380.50

SIP 9 –Time costs analysis (17/08/2018 to 16/02/2019)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Administration & planning			
Bankrupt/Director/Member			
Notification of appointment	2.30	965.80	419.91
Cashiering			
Fund management	4.00	2,500.00	625.00
General (Cashiering)	61.16	13,637.80	222.99
Reconciliations (& IPS accounting reviews)	4.00	1,098.10	274.53
General			
Books and records	2.20	856.70	389.41
Fees and WIP	12.50	4,491.50	359.32
Statutory and compliance			
Appointment and related formalities	45.90	11,990.50	261.23
Appointment documents	1.20	570.00	475.00
Bonding & Cover Schedule	1.40	422.60	301.86
Checklist & reviews	5.30	1,982.50	374.06
Closure and related formalities	0.80	287.00	358.75
Pre-administration checks	10.65	4,066.50	381.83
Statutory advertising	0.30	39.30	131.00
Statutory receipts and payments accounts	1.95	886.75	454.74
Strategy documents	7.20	3,667.00	509.31
Tax			
Initial reviews - CT and VAT	10.40	4,292.50	412.74
Post appointment corporation tax	28.35	11,857.75	418.26
Post appointment VAT	28.55	10,262.75	359.47
Creditors			
Creditors and claims			
Agreement of claims	2.40	1,224.00	510.00
Agreement of preferential claims	0.50	212.50	425.00
Agreement of unsecured claims	1.00	341.00	341.00
Creditors Meeting	3.70	1,922.00	519.46
General correspondence	131.72	36,672.10	278.41
Notification of appointment	0.80	440.00	550.00
Pre-appointment VAT / PAYE / CT	2.80	665.00	237.50
ROT Claims	3.90	1,676.00	429.74
Secured creditors	0.75	382.50	510.00
Statutory reports	109.31	39,178.30	358.41

SIP 9 –Time costs analysis (17/08/2018 to 16/02/2019)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Employees			
Correspondence	63.05	19,690.45	312.30
Pensions reviews	4.80	861.95	179.57
Investigation			
Directors			
Correspondence with directors	5.60	792.40	141.50
D form drafting and submission	58.45	22,212.25	380.02
Directors' questionnaire / checklist	15.15	4,553.95	300.59
Statement of affairs	7.00	1,975.40	282.20
Investigations			
Correspondence re investigations	5.75	2,978.00	517.91
Review of pre-appt transactions	19.50	8,268.00	424.00
Realisation of assets			
Asset Realisation			
Cash and investments	1.90	855.30	450.16
Debtors	13.70	3,424.30	249.95
Freehold property	0.10	22.50	225.00
Insurance	0.70	357.00	510.00
Leasehold property	37.90	14,329.80	378.09
Office equipment, fixtures & fittings	0.30	64.50	215.00
Other assets	0.80	180.00	225.00
Rent	0.50	112.50	225.00
Sale of business	34.66	15,242.70	439.78
Employee Matters / PAYE	3.50	752.50	215.00
Purchases and trading costs	3.00	850.00	283.33
Total in period	761.40	254,111.95	333.74
Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	761.40	254,111.95	
Carry forward time (appointment date to SIP 9 period end date)	761.40	254,111.95	

Appendix 7 Glossary

Company	SRS Realisations 2017 Limited (formerly Saltrock Surfwear limited - in Administration
Joint Administrators/we/our/us	David Pike and Mark Orton
KPMG	KPMG LLP
Osborne Clarke	Osborne Clarke LLP
Purchaser	Broadgate 1972 Company Limited
PHD	PHD Property Advisory Ltd
Secured creditor(s)	Natatomisam Ltd G Goodwin S Goodwin EBS Management (as trustees) A Thomson R Thomson C Priscott
Temple Bright	Temple Bright LLP
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006

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

Appendix 8 Notice: About this report

This report has been prepared by David Pike and Mark Orton, the Joint Administrators of SRS Realisations 2017 Limited – in Administration (the ‘Company’), solely to comply with their statutory duty to report to creditors under the Insolvency Rules (England and Wales) 2016 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

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

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

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

David John Pike and Mark Jeremy Orton are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales.

We are bound by the Insolvency Code of Ethics.

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

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

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