

AM03

Notice of administrator's proposals



Companies House

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1 Company details

Company number 0 7 3 2 0 4 4 2

Company name in full City District Limited

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Julian

Surname Pitts

3 Administrator's address

Building name/number Fourth Floor

Street Toronto Square

Post town Toronto Street

County/Region Leeds

Postcode L S 1 2 H J

Country

4 Administrator's name ①

Full forename(s) Bob

Surname Maxwell

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number Fourth Floor

Street Toronto Square

Post town Toronto Street

County/Region Leeds

Postcode L S 1 2 H J

Country

② Other administrator


Use this section to tell us about
another administrator.

AM03
Notice of Administrator’s Proposals

6 Statement of proposals

<input checked="" type="checkbox"/>	I attach a copy of the statement of proposals	
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7 Sign and date

Administrator's Signature	Signature ✕ 	✕									
Signature date	<table><tr><td>^d 0</td><td>^d 8</td></tr></table>	^d 0	^d 8	<table><tr><td>^m 0</td><td>^m 3</td><td>^y 2</td><td>^y 0</td><td>^y 2</td><td>^y 1</td></tr></table>	^m 0	^m 3	^y 2	^y 0	^y 2	^y 1	
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AM03

Notice of Administrator's Proposals



Presenter information

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

Contact name

Amelia Blythe

Company name

Begbies Traynor (Central) LLP

Address

Fourth Floor

Toronto Square

Post town

Toronto Street

County/Region

Leeds

Postcode

L S 1 2 H J

Country

DX

Telephone

0113 244 0044



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



Important information

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



Where to send

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

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



Further information

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

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

The affairs, business and property of the Company are being managed by the joint administrators, who act as the Company's agents and without personal liability.

City District Limited (In Administration)

Trading as: Fazenda & Picanha

Statement of proposals for achieving the purpose of administration pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of the Insolvency (England and Wales) Rules 2016

Important Notice

This statement of proposals has been produced for the sole purpose of advising creditors pursuant to the provisions of the Insolvency Act 1986. 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 this report to them, or by any other person for any purpose whatsoever. Any estimated outcomes for creditors included in these proposals are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

This report has been produced during the Covid-19 HM Government restrictions. As a result, our access to information within our physical case files has been limited as our firm has implemented remote working wherever possible in line with HM Government guidance in order to protect its employees and to limit the spread of the virus. Consequently, this report has been prepared from information we are able to access remotely. We have taken every reasonable step to ensure that the information is accurate, but if anything is incorrect or incomplete, we will provide an explanation and corrected information in our next progress report.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	City District Limited (In Administration)
"the administration"	The appointment of administrators under Schedule B1 of the Act on 1 March 2021
"the administrators", "we", "our", "us"	Julian Nigel Richard Pitts of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ and Robert Alexander Henry Maxwell of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency (England and Wales) Rules 2016 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act); and (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Act

2. STATUTORY INFORMATION

Name of Company	City District Limited	
Trading names:	Fazenda Picanha	
Date of Incorporation:	20 July 2010	
Company registered number:	07320442	
Company registered office:	Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ	
Former registered office:	17 Old Leeds Road, Huddersfield, HD1 1SG	
Trading addresses:	Waterman's Place, 3 Wharf Approach, Granary Wharf, Leeds, LS1 4GL	
	Horton House, Exchange Flags, Liverpool, L2 3YL	
	The Avenue, Spinningfields, Manchester, M3 3AP	
	102 George Street, Edinburgh, EH2 3DF	
	55 Colmore Row, Barwick Street Entrance, Birmingham, B3 2AA	
	27 Newgate St, Chester, CH1 1DQ	
	17 Old Leeds Road, Huddersfield, HD1 1SG	
Principal business activities:	Licensed restaurants	
Directors and details of shares held in the Company (if any):	Name:	Shareholding:
	James Coubrough	N/A
	Jonathan Drake	6,800 B Ordinary Shares
	Terence Langley	N/A
	Tomas Maunier	920 Ordinary D Shares
	Robert Melman	5,400 C Ordinary Shares
Company Secretary and details of the shares held in Company (if any):	Name:	Shareholding:
	N/A	N/A
Accountants:	Brosnans Chartered Accountants, Brighouse	
Auditors:	Garbutt & Elliott LLP, Leeds	
Share capital:	30,600 ordinary 1 pence shares	
Shareholders:	LLB Investments Limited – 17,480 Ordinary A Shares Mr Jonathan Drake – 6,800 Ordinary B Shares Mr Robert Melman – 5,400 Ordinary C Shares Mr Tomas Maunier – 920 Ordinary D Shares	

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Date of appointment:	1 March 2021
Date of resignation:	N/A
Court:	High Court of Justice, Business And Property Courts in Leeds, Insolvency And Companies List (ChD)
Court Case Number:	CR-2021-LDS-000080
Person making appointment:	The Directors of the Company
Acts of the administrators:	The administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
Type of Proceedings:	The proceedings will be COMI proceedings as defined by the Insolvency (England and Wales) Rules 2016 (as amended).

STATUTORY PURPOSE OF ADMINISTRATION

Paragraph 3 of Schedule B1 to the Act provides as follows:

- "3 (1) The administrator of a company must perform his functions with the objective of-
- (a) rescuing the company as a going concern, or
 - (b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or
 - (c) realising property in order to make a distribution to one or more secured or preferential creditors.
- (2) Subject to sub-paragraph (4), the administrator of a company must perform his functions in the interests of the company's creditors as a whole.
- (3) The administrator must perform his functions with the objective specified in sub-paragraph (1)(a) unless he thinks either-
- (a) that it is not reasonably practicable to achieve that objective, or
 - (b) that the objective specified in sub-paragraph (1)(b) would achieve a better result for the company's creditors as a whole.
- (4) The administrator may perform his functions with the objective specified in sub-paragraph (1)(c) only if-
- (a) he thinks that it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph (1)(a) and (b), and
 - (b) he does not unnecessarily harm the interests of the creditors of the company as a whole."

4. CIRCUMSTANCES GIVING RISE TO OUR APPOINTMENT

The Company was incorporated in July 2010 for the purpose of operating gaucho-style grilling and rodizio dining restaurants. The Company successfully rolled out the trading brand Fazenda in Leeds, Liverpool, and Manchester and later developed the Picanha brand in 2016. This allowed the business to explore opportunities in smaller cities, such as Chester.

The business was headquartered in Huddersfield and employed 312 members of staff across its six restaurants and head office.

Following the success of the restaurants in Leeds, Liverpool and Manchester, the Company opened two further Fazenda restaurants in Edinburgh and Birmingham in 2018, which was a key driver in the Company's revenue growth.

The Company continued to successfully trade, increasing revenue and EBITDA year on year.

However, following the onset of the COVID-19 pandemic and the UK subsequently entering into lockdown at the end of March 2020, all the restaurants had to close. Although the Company was able to reopen its restaurants in July 2020, the ongoing restrictions imposed continued to impact trade. As Scottish restrictions were the most severe, this impacted the Edinburgh restaurant more than the rest of the portfolio.

Whilst the Company utilised available Government support by placing site staff on furlough and taking advantage of rates relief and other hospitality grants, it was clear that these measures would be insufficient to see the Company through the period of disrupted trade. The Company therefore applied for a CBILS loan from HSBC UK Bank plc ("HSBC") in the Summer of 2020, which it secured in the total sum of £1.25m. Certain shareholders also injected additional funding by way of loans and HSBC moved its existing facilities to interest only to assist the ongoing financial difficulties experienced by the Company.

Following further UK lockdowns in November 2020 and January 2021 and taking into consideration the significantly reduced trade in the period when the restaurants were open, the Company identified a significant funding requirement in the business from February/March 2021.

As a result of the above, the Company sought advice from BTG Advisory LLP ("BTGA"), a member of the Begbies Traynor Group, to carry out a high-level forecast and options review. The Company also sought professional advice from other advisors.

The options review considered the options available to the Company, including debt refinance and the possibility of trading one, equity injections, Company Voluntary Arrangement ("CVA"), an Accelerated Merger and Acquisition ("AMA") process considering both solvent and insolvent options such as a pre-pack administration.

The Company also instructed Begbies Traynor to plan for a potential CVA, in the event that the shareholders could agree to an equity injection and the Company being in a position to propose a restructuring of the Company's liabilities to enable the business to move forward post COVID-19. Unfortunately, as agreement could not be reached between the shareholders to allow an equity injection into the business, the Company was not in a position to proceed with a CVA.

Subsequently, BTGA were instructed to assist with the marketing of the business and assets for sale. Further details of the AMA process is set out in the SIP 16 at Appendix 4.

A Notice of Intention to Appoint Administrators to the Company was filed in Court on 16 February 2021. Accordingly, an AMA process was undertaken which resulted in the sale of the business and certain assets of the Company, executed by way of a Sale Agreement dated 1 March 2021.

A Notice of Appointment of Administrators to the Company was filed in Court on 1 March 2021 and Julian Pitts and Robert Maxwell were appointed joint administrators. Under the provisions of paragraph 100(2) of Schedule B1 to the Insolvency Act 1986 the administrators carry out their functions joint and severally and either administrator has the power to exercise any function.

5. STATEMENT OF AFFAIRS

The directors have not yet prepared a Statement of Affairs of the Company as at 1 March 2021 due to the requirement for the administrators' proposals to be sent to creditors within seven days of appointment following a pre-packaged sale. Instead, we have provided an estimated statement of the financial position of the Company as we understood it at 1 March 2021, which is at Appendix 2. It makes no provision for the costs of the administration or any subsequent insolvency process.

6. THE ADMINISTRATION PERIOD

Receipts and Payments

Attached at Appendix 1 is our account of receipts and payments from the commencement of administration, 1 March 2021, to 8 March 2021. As detailed in the attached SIP 16, the proceeds of the sale have been received in full and are, therefore, reflected in the receipts and payments account.

In addition, the sum of £12,833 has been received in respect of the licence to occupy fees for the properties now occupied by SWG. These funds will be payable to the respective landlords.

As part of the condition for the assignment of the Edinburgh lease to the purchaser, we had to agree a hypothec settlement with the landlord. This is a special condition in Scottish law which allows a landlord to take a fixed charge over assets on its premises where it is owed rent and other monies due under the lease following an insolvency. We have therefore paid £30,000 to the Edinburgh landlord in this regard to satisfy our obligations as part of the assignment.

Work undertaken by the Administrators and their staff

There are certain tasks that we have a statutory obligation to undertake on appointment. Whilst we have only been appointed for a short period of time, the necessary documents have been filed with the Registrar of Companies and notice of our appointment has been advertised in the London Gazette. We have incurred the sum of £99 in respect of the advertising of the Administration appointment. In addition, we have arranged the statutory bond cover to protect the interests of creditors. £190 has been incurred in this regard.

Formal notice has also been sent to the Company and the secured creditor.

As a result of the sale of a substantial part of the business and certain assets of the Company, the majority of the employees of the Company transferred to the purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). Unfortunately, the sale did not include the Birmingham or Chester restaurants so the those employees were subsequently made redundant and we have undertaken to speak with as many of these employees as possible.

We have written to these employees, providing them with as much of the necessary information they require in order to complete their redundancy claims online and have dealt with all employee queries as and when they have been received.

We have also dealt with receipt of the furlough monies, received into the Company's bank account on the date of appointment. These monies related to a claim that the Company made prior to the administration for the period of wages from 25 January 2021 to 4 March 2021. We utilised these monies to pay the Birmingham and Chester employees, with the balance due to the purchaser in accordance with the sale agreement.

Upon appointment, we have spoken with the Chester landlord and have written to the landlords of the sites that did not form part of the sale. We have also dealt with the queries and interest received in relation to the Birmingham lease.

We have been in correspondence with our solicitors in respect of the consideration received from the sale of the Company's business and assets into the administration account.

As there was a pre-packaged sale, the administrators have been required to produce this Statement of Proposals and the SIP 16 Statement at Appendix 4 within seven days of appointment. I can confirm that we have complied with our duties in this respect.

Pre-packaged sale of the business and assets

A copy of our SIP 16 Statement is appended to the covering letter dated 8 March 2021 notifying creditors of our appointment and is attached again at Appendix 4. This sets out the detail of the pre-packaged sale to SWG.

Marketing was undertaken in order to reach potential trade buyers and firms known to invest in distressed opportunities as quickly as possible.

The marketing exercise resulted in a significant number of enquiries, of which 17 signed and returned a non-disclosure agreement ("NDA") and were issued with a management information pack, comprising the draft FY20 financials and FY21 and FY22 forecasts which were presented to board meetings.

Follow up discussions were held with 12 of the parties who signed an NDA to provide further information regarding the opportunity. This resulted in five offers for the Company, two of which were for the share capital of the Company. These two offers were rejected by the shareholders.

Meetings with management were arranged with the other three parties who submitted an offer for the business and assets of the Company on an insolvent basis. We eventually accepted the offer put forward from Southern Wind Group Limited ("SWG"), an entity controlled by certain directors and shareholders of the Company.

Further details of the sale, rationale for why the SWG offer was accepted and details of the alternatives considered are provided at Appendix 4.

The sale consisted of the following business and assets of the Company:

Apportionment of Consideration

Asset	Consideration (£)
Business Name	1.00
Business Rights	1.00
Goodwill	1,993,882.71
Intellectual Property	1.00
Customer Contracts	1.00
Plant	149,997.00
Stock	100,000.00
Records	1.00
Rights of Action	1.00
Total	2,243,885.71

Remaining Assets

In addition to the assets sold to SWG, there are the following assets to realise during the Administration:

- Fixtures and fittings located at the Chester premises;
- Various debts and outstanding loan accounts due to the Company; and
- Assessing any potential insurance claims for business interruption.

7. ESTIMATED OUTCOME FOR CREDITORS

The sums owed to creditors at the date of appointment (as detailed in the estimated financial position) and the estimated outcome for each class of the Company's creditors are as follows:

Secured creditor

The Company granted a debenture to HSBC consisting of a fixed and floating charge over the entire assets and undertaking of the business, created on 22 February 2019 and registered at Companies House on 25 February 2019. This security is in respect of the revolving credit facility, term loan and overdraft facilities provided by HSBC.

The total sum of £7.2m is due to HSBC as at the date of our appointment. Whilst HSBC will be receiving a distribution in accordance with its fixed charge security shortly, it is expected that HSBC will suffer a significant shortfall against its lending.

Preferential creditors

As a result of the sale of the a substantial part of the business and assets and 243 employees of the Company transferring to the purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006, the claims of the preferential creditors have been significantly reduced.

Preferential claims of the remaining 69 employees for arrears of wages, salary and holiday pay were estimated at £2,181.

Based upon realisations to date and estimated future realisations, we anticipate there may be sufficient funds available to enable a dividend to be paid to the preferential creditors.

Secondary preferential creditors

Further to the changes to the Finance Act 2020, HM Revenue & Customs ("HMRC") are now able to claim secondary preferential status for certain liabilities. Taxes owed by the business to HMRC comprising of VAT, PAYE Income Tax, Employee National Insurance Contributions, Student loan deductions and Construction Industry Scheme deductions fall under the secondary preferential status.

The secondary preferential claim of HM Revenue & Customs is estimated at £731,162.

Based upon realisations to date and estimated future realisations, we anticipate there may be sufficient funds available to enable a dividend to be paid to the secondary preferential creditors.

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Section 176A of the Act provides that, where the company has created a floating charge on or after 15 September 2003, the administrator must make a prescribed part of the Company's net property available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured debts. Net property means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e. after accounting for preferential debts and the costs of realising the floating charge assets). The floating charge holder may not participate in the distribution of the prescribed part of the Company's net property. The *prescribed part of the Company's net property* is calculated by reference to a sliding scale as follows:

- ☐ 50% of the first £10,000 of net property;
- ☐ 20% of net property thereafter;
- ☐ Up to a maximum amount to be made available of £800,000

An administrator will not be required to set aside the prescribed part of net property if:

- ☐ the net property is less than £10,000 and the administrator thinks that the cost of distributing the prescribed part would be disproportionate to the benefit; (Section 176A(3)) or
- ☐ the administrator applies to the court for an order on the grounds that the cost of distributing the prescribed part would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A(5)).

We have estimated, to the best of our knowledge and belief, the Company's net property, to be £Nil and the prescribed part of the Company's net property to be £Nil.

We do not anticipate making a distribution of the prescribed part as the estimate of the Company's net property is less than the minimum prescribed and the administrators consider that the costs of making a distribution of the prescribed part to unsecured creditors would be disproportionate to the benefits.

Unsecured creditors

Claims of unsecured creditors were estimated at £1,714,238.

Based upon realisations to date and estimated future realisations there will be insufficient funds available to enable a dividend to be paid to the unsecured creditors.

Effect of administration on limitation periods under the Limitation Act 1980

As explained in our initial correspondence confirming our appointment as administrators, the Limitation Act 1980 continues to apply to all debts due from the Company. Case law indicates that where a company is in administration, time does not stop running for limitation purposes pursuant to the Limitation Act 1980. If you have any concerns in relation to your claim against the Company becoming time-barred during the course of the administration, we strongly recommend that you seek independent legal advice on the options available to you to prevent this.

8. OUR PROPOSALS FOR ACHIEVING THE PURPOSE OF THE ADMINISTRATION

Purpose of the Administration

We are required to set out our proposals for achieving the purpose of the administration which in this context means one of the objectives specified in paragraph 3 of Schedule B1 to the Act as set out at section 3 of this report above.

For the reasons set out in this report, we presently consider that it is not reasonably practicable to achieve the objective specified in sub-paragraph 3(1)(a), and consequently the most appropriate objective to pursue in this case is that specified in sub-paragraph 3(1)(b), namely achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).

It was not possible to rescue the Company as a going concern as a solvent solution was reviewed prior to the administration, either by way of equity injection from existing shareholders or by way of a funding solution or sale in the AMA process. The Company was unable to fund continued trade (albeit in a mothballed state whilst lockdown remained in place) and the Company had significant liabilities relating to the level of borrowings from the secured creditor and arrears with the landlords and HMRC.

The Company, its directors and professional advisors pursued various alternative routes that were ultimately deemed not viable taking into consideration the current lockdown period and accruing liabilities.

We consider that this objective has already largely been achieved due to the sale of the business and assets of the Company taking place on 1 March 2021. This enabled us to achieve significant realisations for goodwill and has saved the jobs of 243 employees who would otherwise have had both preferential and unsecured claims in the Administration.

In order that the purpose of the administration may be fully achieved, we propose to remain in office as administrators in order to conclude the realisation of the Company's property and fulfil our statutory duties. The principal matters to deal with in this respect are:

- Realisation of the Company's fixtures and fittings and equipment at the Chester property;
- Deal with the Company's interest in the leases at Leeds, Birmingham and Chester;
- Deal with the Company's outstanding debtors;
- Continue to assist the redundant employees' with their online claims and queries;
- Agree the secured creditor claim and distribute funds;
- Liaising with our insurance brokers regarding potential insurance claims for business interruption;
- Carry out statutory investigations into the Company and the conduct of the directors; and
- Distributions to the relevant classes of creditors.

Following the realisations of the assets and resolution of all matters in the administration, and as quickly and efficiently as reasonable practicable, we will implement the steps to formally conclude the administration.

Exit from Administration

Dissolution

On present information we consider that the Company will have insufficient property to enable a distribution to be made to unsecured creditors. Consequently, as soon as we are satisfied that we have fully discharged our duties as administrators and that the purpose of the administration has been fully achieved, we propose to deliver a notice of moving from administration to dissolution to the Registrar of Companies. Upon the registration of such notice our appointment as administrators ceases to have effect, and at the end of three months the Company will automatically be dissolved.

Where an administrator sends such a notice of dissolution to the Registrar of Companies, he must also file a copy of the notice with the court and send a copy to each creditor of the Company, and on application by any interested party the court may suspend or disapply the automatic dissolution of the Company.

Contingency plan – extending the administration

However, it may transpire that it is not possible to finalise the administration as envisaged within one year of the date of our appointment. In particular, this situation will arise if we are not able to conclude the realisation of the Company's property. The appointment of an administrator shall cease to have effect at the end of the period of one year beginning with the date on which it takes effect. However, our term of office may be extended either by court order for a specified period or by consent of the creditors for a specified period not exceeding twelve months. It may therefore become necessary at some future time for us to seek creditor consent to extending the period of the administration for up to a further twelve months following the anniversary of our appointment in order to ensure that the objective of the administration can be fully achieved.

Contingency plan – unforeseen surplus funds

If (whether or not an extension to the period of administration actually becomes necessary) it ultimately transpires that there are indeed surplus funds enabling a distribution to the unsecured creditors, then unless the court makes an order permitting such a distribution on our application, we will issue revised proposals for consideration by creditors dealing with the most appropriate exit strategy from the administration in those circumstances.

9. PRE-ADMINISTRATION COSTS

In the period before the Company entered administration, we carried out work in relation to the pre-package sale to SWG ("the Work"). This included: reviewing the financial position of the business, liaising with the Company, liaising with, and reporting to, key stakeholders, such as management and the secured creditor, assessing offers received, agreeing terms with the purchaser, entering into an exclusivity period and liaising with solicitors in respect of the terms of the sale. This Work also included planning for an administration and dealing with the formalities of placing the Company into administration. The Work was carried out pursuant to an agreement made between us and the Company entered into by way of engagement letter dated 15 February 2021 ("the Agreement"). The Agreement provides for the payment of our fees and the discharge of expenses incurred by us (collectively referred to as "the pre-administration costs") in carrying out the Work.

The Work was carried out before the Company entered administration in an attempt to identify the difficulties facing the business and consider the solutions available to the Company and its directors. The work allowed for an accelerated sale process and aided the directors of the Company to plan for an inevitable insolvency event. We consider that the Work has furthered the achievement of the objective of administration being pursued, namely achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).

Addleshaw Goddard LLP provided advice in relation to the sale process including specific advice in relation to employee matters, drafting of the sale agreement and property licences and obtaining draft security releases in anticipation of a sale. This included time spent in correspondence, meetings via telephone conference and attendance at all party meetings in order to progress and complete the sale.

Sanderson Weatherall LLP were instructed to provide a valuation of the assets of the Company, attended two properties and provide their recommendation on the offers received. They were also instructed to provide a valuation of the Company's interest in the leaseholds.

The pre-administration costs are broken down as follows:

Description	Name of recipient	Net amount £	VAT £	Gross amount £
Our fees in relation to the Work	Begbies Traynor (Central) LLP	32,671.50	6,534.30	39,205.80
Legal costs	Addleshaw Goddard LLP	42,250.50	8,450.10	50,700.60
Agents costs	Sanderson Weatherall LLP	11,500.00	2,300.00	13,800.00
	Eddisons Commercial Limited	950.00	190.00	1,140.00
Agents disbursements	Sanderson Weatherall LLP	100.00	20.00	120.00
	Eddisons Commercial Limited	495.00	99.00	594.00
Marketing costs	BTG Advisory LLP	1,500.00	0.00	1,500.00
TOTAL PRE-ADMINISTRATION COSTS		89,467.00	17,593.40	107,060.40

The pre-administration costs are unpaid and we are seeking that they be paid as an expense of the administration. Approval to discharge such costs ("the unpaid pre-administration costs") as an expense is required from the creditors' committee, or in the absence of a committee, or if the committee does not make a determination, the secured creditor of the Company and by seeking decisions of the preferential creditors. Payment of the unpaid pre-administration costs requires separate approval and is not part of our proposals subject to approval.

In order to provide sufficient information to consider approval of the payment of the unpaid pre-administration costs, a Pre-Administration Time Costs Analysis and a pre-administration Time Costs Summary appear at Appendix 3. These show the number of hours spent by each grade of staff involved in the case and give the average hourly rate charged. They also provide an explanation of the work undertaken prior to our appointment.

10. REMUNERATION AND DISBURSEMENTS

Remuneration

We propose that the basis of our remuneration be fixed under Rule 18.16 of the Rules by reference to the time properly given by us and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP for attending to matters as set out in the fees estimate.

Begbies Traynor is one of HSBC's preferred suppliers. An agreement between the two parties dictates that Begbies Traynor will undertake work at reduced charge out rates on cases where HSBC is a secured creditor and is likely to suffer a shortfall. All time incurred on this matter will therefore be at the rates dictated by the agreement between Begbies Traynor and HSBC, which are lower than our standard rates.

We consider that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part fund of any net floating charge property). In these circumstances, if there is no creditors' committee, or the committee does not make a determination, it is for each secured creditor and the preferential creditors of the Company to determine the basis of our remuneration under Rule 18.18 of the Rules. Please note that we are required to disclose any business or personal relationships with parties responsible for approving our remuneration. Our firm is currently on the secured creditor's panel of approved suppliers of insolvency services. As a result, we consider that our firm has a business relationship with the secured creditor. However, we do not consider that the relationship will give rise to a conflict of interest in this case.

Appendix 3 sets out our firm's hourly charge out rates, our fees estimate and the time that we and our staff have spent in attending to matters arising in the administration since 1 March 2021.

Disbursements

We propose that disbursements for services provided by our firm and/or entities within the Begbies Traynor Group, be charged in accordance with our firm's policy, details of which are set out at Appendix 3. These disbursements will be identified by us and will be payable subject to the approval of those responsible for determining the basis of our remuneration.

Estimate of expenses

We are required by the Rules to provide creditors with details of the expenses that we consider will be, or are likely to be, incurred in the course of the administration. This information also appears at Appendix 3.

Expenditure incurred to date

Legal Fees

Addleshaw Goddard LLP have incurred costs of £1,500 and disbursements of £33 to the date of this report. These relate to general matters arising throughout the period of the administration to include employment advice, leasehold property matter and assistance with queries raised by SWG on the sale agreement and furlough monies.

Agents Fees

Sanderson Weatherall LLP have been instructed to assist with the interest received in the Birmingham lease. They have fielded all enquiries and provided further information where appropriate.

Sanderson Weatherall LLP may also be instructed to assist with the disposal of the fixtures and fittings located at the Chester restaurant.

Insurance

Eddisons Insurance Services Limited ("EIS") have provided open cover insurance for the assets of the Company. EIS are an associated party to the Begbies Traynor Group and require Category 2 approval from creditors.

EIS are also reviewing the possibility of making a claim against the Company's insurers in respect of their business interruption policy as a result of COVID-19.

11. OTHER INFORMATION TO ASSIST CREDITORS

Report on the conduct of directors

We have a statutory duty to investigate the conduct of the directors and any person we consider to be or have been a shadow or de facto director during the period of three years before the date of our appointment, in relation to their management of the affairs of the Company and the causes of its failure. We are obliged to submit confidential reports to the Department for Business, Energy and Industrial Strategy.

As administrators of the Company we are required by best practice guidance to make enquiries of creditors as to whether they wish to raise any concerns regarding the way in which the Company's business was conducted prior to the commencement of the administration, or wish to bring to our attention any potential recoveries for the estate. If you would like to bring any such issues to our attention please do so in writing to the address detailed at Section 1 of this report. This request for information is standard practice and does not imply any criticism or cause of action against any person concerned in the management of the Company's affairs.

Connected party transactions

A sale of the business and certain assets concluded on 1 March 2021 to SWG, a connected party by way of associated directors and shareholders. Full details of the sale transaction are set out in our SIP 16 attached at Appendix 4.

Deemed delivery

These proposals will be deemed to have been delivered on 10 March 2021.

Use of personal information

Please note that in the course of discharging our statutory duties as Joint Administrators, we may need to access and use personal data, being information from which a living person can be identified. Where this is necessary, we are required to comply with data protection legislation. If you are an individual and you would like further information about your rights in relation to our use of your personal data, you can access the same at <https://www.begbies-traynorgroup.com/privacy-notice>. If you require a hard copy of the information, please do not hesitate to contact us.

12. CONCLUSION

As explained in Section 7 above, the Company has insufficient property to enable a distribution to be made to unsecured creditors (other than by virtue of the prescribed part).

In the circumstances, we are not required to seek a decision from the creditors on the approval of our proposals. However, creditors, whose debts amount to at least 10% of the total debts of the Company, may request that a decision is sought from the unsecured creditors as to whether to approve our proposals, via a

qualifying decision procedure. Any such request must be delivered to our office in writing within 8 business days of 10 March 2021. If no such requests are received, our proposals are deemed to have been approved by the creditors. Where the proposals are deemed to have been approved, we will write to you to confirm that is the position.

Subject to the approval of our proposals we will report on progress again approximately six months after the commencement of the administration, or at the conclusion of the administration, whichever is the sooner.

A handwritten signature in black ink, appearing to read 'J N R Pitts', with a stylized, looped flourish at the end.

J N R Pitts
Joint Administrator

Date: 8 March 2021

ACCOUNT OF RECEIPTS AND PAYMENTS

1 March 2021 to 8 March 2021

	£	£
SECURED ASSETS		
Business Rights	1.00	
Goodwill	1,993,883.71	
Intellectual Property	1.00	
		1,993,885.71
ASSET REALISATIONS		
Licence to Occupancy Fees	12,833.42	
Fixtures & Fittings	149,997.00	
Customer Contracts	1.00	
Rights of Action	1.00	
Stock	100,000.00	
Transferred Records	1.00	
CJRS Grant	354,407.42	
		617,240.84
COST OF REALISATIONS		
Wages & Salaries	78,737.51	
CJRS Monies due to Southern Wind Group	275,669.91	
Hypothec Claim Settlement	30,000.00	
		(384,407.42)
		<u>2,226,719.13</u>
REPRESENTED BY		
Bank 1 Current		2,226,719.13
		<u>2,226,719.13</u>

ESTIMATED FINANCIAL POSITION AS AT 1 MARCH 2021

City District Limited - in Administration Estimated Financial Position

	Notes	Book Value (£'000)	Estimated to Realise (£'000)
Non Current Assets - Intangible Assets			
Brands & Goodwill	1	-	1,994
Assets available to Fixed Charge Holder			1,994
Less: HSBC UK Bank plc	2	(7,205)	(7,205)
Fixed Charge Surplus/(Shortfall) c/d			(5,211)
Stock, Fixtures & Fittings	3	4,797	250
Tast Group Loan	4	35	Unknown
Debtors - Trade Debtors	5	20	Unknown
Debtors - DLA	6	128	Unknown
Debtors - Livin Italy	7	108	Unknown
Debtors - s455 Tax	8	566	-
Debtors - Shareholder Loan	9	1,888	Unknown
Fixed Charge Surplus b/d			-
Assets available to Preferential creditors			250
Less: Preferential Creditors - Employees	10		(2)
Available for Secondary Preferential Creditors			248
Less: HMRC - VAT & PAYE	11	(731)	(731)
Net Property			(483)
Prescribed Part	12		-
Assets available to Floating Charge Holders			(483)
Fixed Charge Shortfall b/d	13		(5,211)
Assets available to Unsecured Creditors			(5,694)
Unsecured Creditors	14		(1,901)
Shortfall to Unsecured Creditors			(7,595)
Share Capital			(12)
Total Estimated Deficiency before costs	15		(7,607)

ESTIMATED FINANCIAL POSITION AS AT 1 MARCH 2021 - NOTES

1. The Company does not have a carrying value for goodwill in its accounts. As part of the sale to SWG, an amount of £1,993,885.71 has been agreed for goodwill and intellectual property, representing the value of the internally generated Fazenda and Picanha brands.
2. HSBC UK Bank plc holds a debenture over the Company dated 22 February 2019 and delivered to Companies House on 25 February 2019. This security is in respect of the revolving credit facility, term loan and overdraft facilities provided by HSBC.
3. All floating charge assets (excluding the fixtures and fittings at the Chester site) were sold to SWG as part of the pre-packaged sale for consideration of £250,000. The assets had been valued by Robert Wilkinson and Mark Rowlands of Sanderson Weatherall LLP ("SW") between £235,825 and £387,250 on an ex-situ and in-situ basis respectively. SW are independent valuation agents who act in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation Professional Standards and have sufficient professional indemnity in place in relation to the valuations provided.
4. The Company provided a loan of £35k to Tast Group Limited, an entity which some of the director/shareholders of the Company have an interest. Further investigation will be required to establish whether any realisations are possible in this regard.
5. The outstanding trade debtor balance relates to £20k due from Tast Group Limited. Further investigation will be required to establish whether any realisations are possible in this regard.
6. The outstanding director loan account balance due from Tomas Maunier. Further investigation will be required to establish Mr Maunier's personal position and ability to repay the loan.
7. The Company's subtenant for the 2 Cloth Hall Street property is the restaurant Livin Italy. Management previously advised that it is likely that Livin Italy will enter into an insolvency process once payment is requested by the Company.
8. As the corresponding s455 tax liability has not been discharged to HMRC, there will be no realisations from this class of asset.
9. As part of the share transaction in FY19, the Company provided one of its shareholders, LLB Investments Limited ("LLB"), with a loan in order to meet its obligations in the agreement. It was intended that this loan would be discharged by future dividends. As a result of COVID-19, the Company's reserves have depleted significantly (to negative c£4m) and this is therefore now not possible. We understand that LLB's only asset is the shareholding in the Company, and it is therefore not in a position to repay this debt.
10. The employees from all sites other than Birmingham and Chester are assumed to transfer to SWG pursuant to TUPE regulations. The residual preferential claims are in respect of unpaid holiday only as all wages are paid up to date.
11. In accordance with the legislation which came into effect on 1 December 2020, HMRC will rank as a secondary preferential creditor for deductive taxes, such as VAT and a large proportion of PAYE. This has been estimated at £731,162.

ESTIMATED FINANCIAL POSITION AS AT 1 MARCH 2021 - NOTES

12. Section 176A(2) of the Act requires the administrators to set aside the prescribed part of the Company's net property for the satisfaction of unsecured debts. "Net property" means the amount which would, if it were not for this provision, be available to floating charge holders (i.e. after accounting for preferential debts and the costs of realisation). The prescribed part is 50% of the first £10,000 and 20% of the remaining net property (up to a maximum of £600,000).

We will not be required to set aside the prescribed part of net property if:

- a. The net property is less than £10,000 and we think that the cost of distributing the prescribed part would be disproportionate to the benefit;
 - b. Or if the net property is more than £10,000, if the provision is disapplied by the court on the application of the administrator on cost-benefit grounds.
13. Shortfall from HSBC's fixed charge security. No further monies are anticipated to be available to HSBC.
14. Creditors' claims are subject to agreement and will not be prejudiced by omission from the Statement of Affairs or by inclusion in a different amount from that claimed.
15. The estimated total deficiency, including the calculation of the prescribed part of the Company's net property, is subject to the costs of administration and distribution for which no provision is made in the estimated financial position of the Company.

ESTIMATED FINANCIAL POSITION AS AT 1 MARCH 2021 – OVERVIEW OF CREDITORS

SCHEDULE OF CREDITORS

Name of creditor or claimant	Address	Amount of debt £	Details of any security held by creditor	Date security given
HSBC UK Bank plc	PO Box 17154, Birmingham, B16 6UJ	7,204,580.82	Debenture	22 February 2019
Aldermore Bank plc	4 th Floor, Block D, Apex Plaza, Forbury Road, Reading, RG1 1AX	81,000.00	Lease agreement over fixtures and fittings in Edinburgh	Various
Siemens Financial Services Limited	Sefton Park, Bells Hill, Stoke Poges, SL2 4JS	49,000.00	Lease purchase agreement in respect of two coffee machines	Various
HM Revenue & Customs	Durrington Bridge House, Barrington Road, Worthing, BN12 4SE	1,474,369.93	Unknown	N/A
Various Trade Creditors	Various (see attached schedule)	971,030.29	N/A	N/A
Consumer creditors	None	-	N/A	N/A
Employees/ex-employees	Various (69 employees)	59,574.04	N/A	N/A

ESTIMATED FINANCIAL POSITION - CREDITORS AS AT 1 MARCH 2021

BREAKDOWN OF TRADE CREDITORS

Name	Address	Amount of debt (£)
Access UK Ltd	The Old School, Stratford St. Mary, Colchester, Essex, CO7 6LZ	2,679.23
Allied London Properties Ltd	Floor 12, No. Spinningfields, 1 Hardman Square, Manchester, M3 3EB	3,758.41
All Plus Management	Old Granada Studios, Atherton Street, Manchester, M3 3GS	1,599.31
Assured Management Ltd	97 Water Lane, Holbeck, Leeds, LS11 5QN	357.51
Azzurri Restaurants Limited	3rd Floor Capital House, 25 Chapel Street, London, NW1 5DH	92,451.00
Aldermore Bank plc	4th Floor, Block D, Apex Plaza, Forbury Road, Reading, RG1 1AX	81,000.00
BDR Voice and Data Solutions Ltd	Caspian House, Timothy's Bridge Road, Stratford-upon-Avon, Warwickshire, CV37 9NR	5,976.07
Biffa Waste Services Ltd	Coronation Road, Cressex, High Wycombe, HP12 3TZ	1,178.22
BOC Ltd	Priestley Road, Worsley, M28 2UT	86.68
CardsSafe Ltd	Rake Heath House, London Road, Hill Brow, GU33 7NT	214.92
Catersure Ltd	Unit 19 Glenfield Park, Phillips Road, Blackburn, BB1 5PF	1,234.80
CBRE	Pacific House, 70 Wellington Street, Glasgow, G26UA	274,865.00
Clever Energy Ltd	Unit 9 Knoll Street Industrial Park, Salford, M7 2BL	1,082.14
Coffee Brothers Ltd	Unit 2B Queens Square Business Park, Huddersfield Road, Huddersfield, HD9 6QZ	504.00
Canal & River Trust	c/o Lambert Smith Hampton, 9 Bond Court, Leeds, LS1 2JZ	30,168.00
DPD Local UK Ltd	15th Floor, Castlemead, Lower Castle Street, Bristol, BS1 3AG	155.32
Enserve Corporation	Enterprise House, Education Road, Leeds, West Yorkshire, LS7 2AL	879.44
Ezee Group International Ltd	West Hill Manor Barn, Hemploe Drive, Welford, NN6 6HF	490.40
ECF Colmore S.A.R.L.	c/o Nuveen Real Estate, 201 Bishopsgate, London, EC2M 3BN	87,708.00
Filedoc Ltd	First Floor Aspin House, Station Road, Huddersfield, HD2 1UT	90.00
Flow Hospitality Training Ltd	Exchange Tower, 19 Canning Street, Edinburgh, EH3 8EG	3,940.20
FSW Catering Equipment and Gas Services	Berkeley Business Park, Turner Street, Ashton Under Lyne, OL6 8LB	1,014.46

ESTIMATED FINANCIAL POSITION - CREDITORS AS AT 1 MARCH 2021

BREAKDOWN OF TRADE CREDITORS (CONTINUED)

Name	Address	Amount of debt (£)
G4S Cash Services (UK) Ltd	G4S Cash Solutions, G4S Shared Service Centre, Carlton House, Worksop, S81 7QF	251.10
HF Electrical Ltd	100 Albert Drive, Glasgow, G41 2SJ	180.00
Hospitality Action Trading Ltd	62 Britton Street, London, EC1M 5UY	480.00
HT PAT Testing Ltd	8 Falcon House, Falcon Enterprise Centre, Victoria Street, Chadderton, Oldham, CH1 1DQ	94.50
Magistrates Court Retail Investmetns Limited	c/o CBRE, One St Peter's Square, Manchester, M2 3DE	215,386.00
Nicolas Y Valero	Dephna State, 2 Portal Way, London, W3 6RT	1,536.30
Nisbets PLC	Fourth Way, Avonmouth, Bristol, BS11 8TB	90.37
N. Smith & Co Ltd	Hainge Road, Oldbury, West Midlands, B69 2NZ	252.00
NFU Mutial	Triddington Road, Stratford -upon-Avon, CV37 7BJ	74,438.00
Network Rail Property	1B George Stephenson House, Toft Green, York, YO1 6JT	40,783.00
O2 Telefonica	260 Bath Road, Slough, SL1 4DX	227.60
PHG (CS) Ltd	Suite 55, 33 Great George Street, Leeds, LS1 3AJ	1,305.40
Paul Hutchings Gas Services	Unknown	350.00
Pure Cleaning (Scotland) Ltd	35 Northumberland Street, Edinburgh, EH3 6LR	802.37
Seven Bro7hers Brewery	Unit 63 Wheybridge Enterprise Centre, Daniel Adamson Road, Manchester, M50 1DS	199.20
Shorrock Trichem	Chanters Industrial Estate, Atherton, Manchester, M46 9SD	234.10
Stanley Roberts Ltd	19a Meadowsray, Upton, Chester, Cheshire, CH2 1HZ	487.20
Siemens Financial Services Limited	Sefton Park, Bells Hill, Stoke Poges, SL2 4JS	49,000.00
Total Jobs Group Ltd	Blue Fin, 110 Southwark Street, London, SE1 0TA	280.04
Union Investments	c/o Knight Frank LLP, 55 Baker Street, London, W1U 8AN	59,053.00
UKLP Exchange Flags Limited	c/o Mason Owen, 7th Floor, 20 Chapel Street, Liverpool, L3 9AG	64,167.00

REMUNERATION AND EXPENSES

Total time spent on this assignment amounts to 102 hours at an average composite rate of £157 per hour resulting in total time costs to 8 March 2021 of £16,095.

To assist creditors in determining this matter, the following further information appears in this appendix:

- ☐ Begbies Traynor (Central) LLP's charging policy
- ☐ Pre-administration Time Costs Summary
- ☐ Table of time spent and charge-out value
- ☐ Narrative summary of time costs incurred
- ☐ The Administrators' fees estimate
- ☐ Details of the expenses that the Administrators consider will be, or are likely to be, incurred

In addition, a copy of 'A Creditors Guide to Administrators' Fees (E&W) 2017' which provides guidance on creditors' rights can be obtained online at www.begbies-traynor.com/creditorsguides. Alternatively, if you require a hard copy of the Guide, please contact my office and I will arrange to send you a copy.

Finally, the Association of Business Recovery Professionals (R3) has set up a website that contains a step-by-step guide designed to help creditors navigate their way through an insolvency process which includes information in relation to remuneration. You can access the website at the following address: <http://www.creditorinsolvencyguide.co.uk/>

BEGBIES TRAYNOR CHARGING POLICY

INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance¹ requires that such information should be disclosed to those who are responsible for approving remuneration. Within our fee estimate creditors can see how we propose to be remunerated.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. It also applies where payments are to be made to parties other than the firm, but in relation to which the office holder, the firm or any associate has an interest. Best practice guidance² indicates that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed below.

EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

Best practice guidance classifies expenses into two broad categories:

- ❑ Category 1 disbursements (approval not required) - specific expenditure that is directly related to the case and referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- ❑ Category 2 disbursements (approval required) - items of expenditure that are directly related to the case which include an element of shared or allocated cost and are based on a reasonable method of calculation, but which are not payable to an independent third party.

(A) The following items of expenditure are charged to the case (subject to approval):

- Internal meeting room usage for the purpose of physical meetings of creditors is charged at the rate of £100 (London £150) per meeting;
- Car mileage is charged at the rate of 45 pence per mile;
- Storage of books and records (when not chargeable as a Category 1 disbursement) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates.

¹ Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales

² Ibid 1

Expenses which should be treated as Category 2 disbursements (approval required) – in addition to the two categories referred to above, best practice guidance indicates that where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest, these should be treated as Category 2 disbursements.

Services provided by other entities within the Begbies Traynor Group

The following items of expenditure which relate to services provided by entities within the Begbies Traynor group, of which the office holder's firm is a member, are also to be charged to the case (subject to approval):

It may become necessary to instruct Eddisons Commercial Limited to provide additional services, not currently anticipated, during the course of the case. In such circumstances and to avoid the costs associated with seeking further approval, the charges for such services will be calculated on a time costs basis at the prevailing hourly rates for their various grades of staff which are currently as follows:

Grade of staff	Charge-out rate (£ per hour)
Director	£275
Associate	£180
Surveyor	£120
Graduate	£100
Administration	£80
Porters	£35

Instruction of Eddisons Insurance Services Limited ("EIS") to provide insurance broking services and specifically open cover insurance for the insurable risks relating to the case. The cost of open cover insurance will vary during the course of the case depending upon the value of the assets and liability risks. The forecasted cost of insurance for the 3 month period immediately following appointment is £2,500 inclusive of Insurance Premium Tax. The costs of insurance cover for subsequent quarter periods will be dependent upon prevailing insurance market conditions and the ongoing insurable risks on the case. Where relevant, administration fees may be charged. These costs are taken into consideration and included within the forecasted cost of insurance, above.

In accordance with standard insurance industry practice, EIS will receive payment of commission for the services it provides from the insurer. The commission is calculated as a percentage of the insurance premiums payable and such percentage will depend upon the class or classes of assets being insured.

EIS will invoice the insolvent estate for the premium(s) due on the insurer's behalf and receive payment from the estate. EIS will in turn, account to the insurer for the premium(s) payable after deducting any commission payable by the insurer.

Where EIS have initially been consulted on a policy, but the policy has not been taken out, EIS will charge an administration fee of £150.

(B) The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a Category 1 disbursement:

- Telephone and facsimile
- Printing and photocopying
- Stationery

Additional payments received by Eddisons Commercial Limited from purchasers where assets are disposed of by way of auction

In addition to the charges of Eddisons Commercial Limited detailed above for providing the services to the office holder, where any machinery and business assets (other than freehold/leasehold property) are disposed of by way of auction, Eddisons Commercial Limited will also receive a payment from the purchaser, known as a buyer's premium, equivalent to 15% of the successful bid. Where any freehold/leasehold property is disposed of by way of auction, Eddisons Commercial Limited will also receive a payment from the purchaser, known as a buyer's administration fee, in the sum of £600. It is standard auction industry practice for a buyer's premium and buyer's administration fee to be charged. The buyer's premium and buyer's administration fee is paid by the purchaser of the assets and is not paid by the office holder from the assets of the estate.

BEGBIES TRAYNOR CHARGE-OUT RATES

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally but vary to suit local market conditions. The rates applying to the Leeds office as at the date of this report are as follows:

Grade of staff	Charge-out rate (£ per hour)
	1 December 2018 until further notice
Partner	495
Director	445
Senior Manager	395
Manager	345
Assistant Manager	250
Senior Administrator	225
Administrator	175
Junior Administrator	140
Support	140

As set out, Begbies Traynor has a specific agreement with HSBC UK Bank plc ("HSBC") in relation to work done where it is the secure creditor. In those case (such as this), we apply the following charge out rates until HSBC is repaid in full. However, if HSBC is repaid in full, we will then revert all time costs incurred to the rates above.

Grade of staff	Charge-out rate (£ per hour) 1 December 2018 until further notice
Partner	229
Director	229
Senior Manager	167
Manager	167
Assistant Manager	167
Senior Administrator	114
Administrator	75
Junior Administrator	75
Support	75

Time spent by support staff such as secretarial, administrative and cashiering staff is charged directly to cases. It is not carried as an overhead.

Time is recorded in 6 minute units.

The office holder may use the services of BTG Forensic during the course of the case. BTG Forensic is a specialist department of the office holder's firm which provides forensic accounting services. The current charge-out rates applying to work carried out by BTG Forensic are as follows:

Grade of staff	Charge-out rate (£ per hour)
Partner	495
Senior Manager	395
Analyst	175

Pre-appointment Time Costs Analysis

SIP9 City District Limited - Pre Appointment - 80CI103.PRE Pre-Administration Time Costs Analysis For The Period To 01/03/2021

[illegible]

PRE ADMINISTRATION TIME COSTS SUMMARY

CASE NAME: City District Limited Trading As: Fazenda & Picanha

CASE TYPE: Administration

OFFICE HOLDERS: Julian Pitts and Bob Maxwell

DATE OF APPOINTMENT: 1 March 2021

1 CASE OVERVIEW

1.1 This overview is intended to provide sufficient information to enable the body responsible for the approval of pre-administration costs to consider the level of those costs in the context of the case.

1.2 Time costs information

Details of the time spent by each grade of staff prior to the appointment of the administrators and the overall average hourly charge out rate for the pre-administration work are set out in the attached table.

Full details of the work undertaken by the administrators and their staff prior to appointment are set out below and in the Administrators' Statement of Proposals.

1.3 Overview of work undertaken prior to appointment

Prior to the Administration, we worked with the directors of the Company and other professional advisors in order to maximise the value of the Company's business and assets. It would not have been possible to undertake such a transfer after an Administration appointment due to the reasons set out in the main body of the report.

The work undertaken in order to secure an agreement which maximised the value of the business and assets was: reviewing the financial position of the business, considering options, undertaking a targeting marketing campaign, providing interested parties with information, assessing offers, agreeing terms with Southern Wind Group Limited, and planning for an Administration.

1.4 Complexity of work undertaken prior to appointment

Finding an acquiring party was the most challenging aspect of this case undertaken prior to our appointment. This was mainly due to the time pressure caused by the Company's financial position and due to the restrictions imposed on trade due to COVID-19.

1.5 Exceptional responsibilities

There have been no exceptional responsibilities in respect of the work undertaken prior to our appointment.

1.6 **The proposed Administrators' effectiveness**

We liaised with the secured creditor with regards to the necessary steps to place the Company into Administration and secure the assets for the benefit of the creditors. In addition to this, we sought professional advice as regards disposal strategies which ultimately resolved in a sale of

the business and assets immediately after our appointment on 1 March 2021. This will maximise realisations to the benefit of the creditors.

The proposed Administrators were ultimately able to save 242 jobs by finding a buyer for a substantial part of the business and assets of the Company. This has also reduced the preferential and unsecured claims in the Administration.

1.7 The views of the creditors

The secured creditor was kept fully up to date during the period leading up to the appointment of Administrators. The views of creditors as regards pre-appointment costs have not been directly sought until this point.

1.8 Approval of fees, expenses and disbursements incurred in the period prior to appointment

We are seeking a resolution in relation to their pre-administration costs as follows: that the unpaid pre-administration costs detailed in the joint administrators' Statement of Proposals for achieving the purpose of administration, be approved for payment.

Description	Name of recipient	Net amount £	VAT £	Gross amount £
Our fees in relation to the Work	Begbies Traynor (Central) LLP	32,671.50	6,534.30	39,205.80
Legal costs	Addleshaw Goddard LLP	42,250.50	8,450.10	50,700.60
Agents costs	Sanderson Weatherall LLP	11,500.00	2,300.00	13,800.00
	Eddisons Commercial Limited	950.00	190.00	1,140.00
Agents disbursements	Sanderson Weatherall LLP	100.00	20.00	120.00
	Eddisons Commercial Limited	495.00	99.00	594.00
Marketing costs	BTG Advisory LLP	1,500.00	0.00	1,500.00
TOTAL PRE-ADMINISTRATION COSTS		89,467.00	17,593.40	107,060.40

1.9 Expenses and disbursements incurred in the period prior to appointment where payment is proposed to be made to Begbies Traynor and/or another entity with Begbies Traynor Group

Category 2 Disbursements

Pursuant to the resolution being sought in relation to the unpaid pre-administration costs, the following Category 2 disbursements and disbursements which should be treated as Category 2 disbursements are proposed to be charged in relation to the period prior to appointment:

Disbursements treated as Category 2 disbursements

Other amounts paid or payable to any party in which the office holder or his firm or any associate has an interest	
Type and purpose	Amount £
Eddisons Commercial Limited, which is a member of the Begbies Traynor Group, circulated the marketing teaser around their database and forwarded enquiries. In addition, Eddisons advertised the opportunity on IPBid.com. The purpose of these services was to widely market the business opportunity to achieve the best sale in the interests of creditors.	950.00
BTG Advisory LLP, which is a member of the Begbies Traynor group, has provided Corporate Finance services. The purpose of obtaining such services was to market the sale of the business and assets of the Company.	1,500.00
TOTAL	2,450.00

1.10 Other professionals employed & their costs

Addleshaw Goddard LLP were engaged to provide advice and prepared the statutory documentation in relation to the proposed administration, including drafting the sale documentation. They incurred costs of £42,251.

Sanderson Weatherall LLP were also engaged to provide valuation advice in respect of the fixtures & fittings, stock and potential premium value in the various leasehold properties. They incurred costs of £11,500 in this regard.

Approval of the payment of the above pre administration costs, along with the administrators' pre appointment fees, is being sought from the secured creditor.

2 EXPLANATION OF OFFICE HOLDERS' CHARGING AND DISBURSEMENT RECOVERY POLICIES

- 2.1 Begbies Traynor (Central) LLP's policy for charging fees and expenses incurred by office holders is attached at Appendix 2.
- 2.2 The rates charged by the various grades of staff who may work on a case are attached at Appendix 2.

Time Costs Analysis – 1 March 2021 to 8 March 2021

SIP9 City District Limited - Administration - 80CI103.ADM : Time Costs Analysis From 01/03/2021 To 08/03/2021

[illegible]

City District Limited Trading As: Fazenda & Picanha

SUMMARY OF TIME COSTS AND EXPENSES

This summary, which should be read in conjunction with the Time Costs Analysis attached, is intended to provide sufficient information to enable the body responsible for the approval of our fees to consider the level of our fees and expenses in the context of the case.

What work has been done since we were appointed, why was that work necessary and what has been the financial benefit (if any) to creditors?

Details of the types of work that generally fall into the headings mentioned below are available on our firm's website - <http://www.begbies-traynorgroup.com/work-details>. Under the following headings we have explained the specific work that has been undertaken on this case. Not every piece of work has been described, but we have sought to give a proportionate overview which provides sufficient detail to allow creditors to understand what has been done, why it was necessary and what financial benefit (if any) the work has provided to creditors.

The costs incurred in relation to each heading are set out in the Time Costs Analysis which is attached.

General case administration and planning

We are required to maintain records to demonstrate how the case is administered, and to document any decisions that materially affect the case.

At the onset of the case we formed a strategy for how the case will be managed. This takes into consideration the level of assets to be realised, how those assets will be realised, and whether there will be sufficient realisations to make a distribution to the Company's creditors.

Whilst this does not benefit creditors financially, it is necessary to ensure the efficient and compliant progressing of the administration, which ensures that the joint administrators and their staff carry out their work to high professional standards.

Compliance with the Insolvency Act, Rules and best practice

There are certain tasks which we have a statutory obligation to undertake during the Administration. We have notified the various bodies of our appointment, including creditors, and advertised our appointment in the London Gazette.

This Statement of Proposals has been produced, as is required by the Rules, with the SIP 16 Statement at Appendix 4 in order to provide creditors with the reasoning for the Administration, details of the sale of the business and assets of the Company and the outcome for creditors.

This work has not benefitted creditors financially but is necessary in accordance with the Act and best practice.

Realisation of assets

We have been in correspondence with our solicitors in order to transfer the proceeds of the sale totalling £2,243,886 into an account held by the Administrators. This has been received in full.

In addition, the sum of £12,833 has been received in respect of the licence to occupy fees for the properties now occupied by SWG. These funds will be payable to the respective landlords.

We have also discharged our obligation to the Edinburgh landlord in the sum of £30,000 in respect of the hypothec claim on the assets at that restaurant.

Dealing with all creditors' claims (including employees), correspondence and distributions

We have met with the employees at the Birmingham and Chester sites via Zoom in order to explain the Administration and announce the redundancies. The claims and queries of the employees have been dealt with by us and The Insolvency Service. This work will continue until all claims have been paid.

As the Company had applied for a CJRS grant prior to the Administration in respect of the February payroll, these funds were transferred to the Administration estate bank account. These funds totalling £354,407 were paid to the Birmingham and Chester staff (£78,738), with the balance (£275,670) due to SWG in accordance with the sale agreement.

Due to the nature of the Company's business and the amounts outstanding to a number of large creditors, there has been a significant number of enquiries from the creditors requesting further information in respect of the insolvency. Dealing with the correspondence and claims submitted is very time intensive and is necessary to keep creditors informed as matters progress.

Other matters which include, seeking decisions from creditors (via DCP and/or via Decision Procedures), tax, litigation, pensions and travel

We have notified the Company's pension provider of our appointment and completed the necessary forms in this regard.

In addition, we have met with accountants, Garbutt & Elliott LLP, in order to discuss the potential tax position of the Company as a result of the sale transaction. Further work will be required in this regard.

There may not be any obvious financial benefit to creditors, but all work carried out would likely be considered necessary for the administration and progression of the case. Creditors will be notified of all of our actions in the progress and/or final reports issued.

Time Costs Analysis

An analysis of time costs is attached showing the time spent by each grade of staff on the different types of work involved in the case, and giving the total costs and average hourly rate charged for each work type.

Please note that the analysis provides details of the work undertaken by us and our staff following our appointment only.

What work remains to be done, why is this necessary and what financial benefit (if any) will it provide to creditors?

General case administration and planning

As the Administration progresses, updates will need to be made to the strategy dependent upon the outcome of the realisations and investigations. This will include meetings between members of staff to formulate the strategy moving forward and ensure that the strategy is achieved.

We are also required to maintain records to demonstrate how the case is administered and to document the reasons for any decisions that materially affect the case on an ongoing basis. This will include compliance reviews, internal checklist updates and periodic case reviews.

Whilst this work will not benefit creditors financially, it is necessary to ensure efficient progress of the case and is required in accordance with law and by our regulatory body.

Compliance with the Insolvency Act, Rules and best practice

We are required to meet a considerable number of statutory and regulatory obligations. Whilst many of these tasks do not have a direct benefit in enhancing realisations for the insolvent estate, they assist in the efficient and compliant progressing of the administration, which ensures that we carry out our work to high professional standards.

The Act and Rules require that we produce interim progress reports on a six monthly basis to provide an update to the creditors of the progression made during the Administration.

In addition, a final progress report will have to be produced once the Administration has reached its conclusion. This will provide creditors with an overview of the Administration, including all realisations, costs and the final outcome for creditors.

Should the Administration need to be extended beyond its statutory term of 12 months, the administrators have a duty to seek an extension, firstly from the creditors and subsequently by Order of the Court, should a further extension be required.

Progress reports and the other statutory documentation detailed above must also be filed with the Registrar of Companies in accordance with the Act. We will also periodically monitor realisations and compare to the statutory bond level to ensure that sufficient cover is in place at all times in order to protect the interests of the Company's creditors.

Investigations

Within three months of our appointment, we are required to submit an online conduct report in accordance with the Company Directors Disqualification Act. In order to fulfil this duty, we will seek to recover the Company books and records, both hard copy and electronic, from the directors in order to carry out our investigations. Any person who is or has been a director or is considered as a de facto or shadow director of the Company in the three years prior to the insolvency event are also asked to complete a questionnaire to assist with our investigations.

We have a duty to examine the conduct of the Company and its directors in order to identify what assets may be available for realising, including any actions against directors or other parties which may lead to further recoveries into the estate. Such investigations may include analysis of the Company's bank statements, reviewing information provided by third parties and analysis of the Company's management accounting systems.

Where appropriate creditors or other parties may be asked to come forward with information.

Any financial benefit to creditors in carrying out the above work is unclear at present however creditors will receive updates on these matters in our progress reports.

Realisation of assets

We are required to maximise realisations for the benefit of the Company's creditors. In order to do this we may need to consider instructing professional agents to carry out negotiations, provide inventories and valuations. We may also need to instruct solicitors to complete sales. We may need assistance with debt collection exercises.

This will include seeking to recover the monies due from the various debtors of the Company and realising any potential interest in the fixtures and fittings at the Chester site.

In addition, we have instructed Eddisons Insurance Services Limited to submit a business interruption claim on behalf of the Company. Due to the nature of the information that will be required to formulate and submit the claim, we are anticipating to incur considerable time in this regard.

All work carried out in respect of the asset realisation is for the purpose of realising property and assets for the benefit of the creditors generally.

Dealing with all creditors' claims (including employees), correspondence and distributions

If there is likely to be a distribution, creditors will be made aware of this at the earliest possibility, whether it be detailed in our initial correspondence, a progress report or by notice of intended dividend issued during the course of administering the case.

Creditors' claims will be dealt with in accordance with the order of priority, and therefore only if there is a prospect of a dividend in the insolvency proceedings, will those specific claims be adjudicated on.

We will report to HSBC in accordance with its reporting requirements throughout the Administration, as secured creditor of the Company.

The government will initially review and make payment of the claims of the employees, (up to their maximum allowances), and any shortfall on those claims will be a claim in the insolvency proceedings.

Other matters which include seeking decisions from creditors (via DCP and/or via Decision Procedures) tax, litigation, pensions and travel

During the course of administering the case, the Insolvency Practitioner will be required to seek decisions from creditors on various proposed resolutions, including the basis of our remuneration and whether a creditors committee is formed.

We are also required to submit VAT and Tax returns when appropriate in order to reclaim monies for the estate and pay over any taxes due to HMRC. As detailed above, we are also duty bound to provide notifications and further assistance to pensions departments where applicable.

We may be required to travel to the Company's premises, or to a meeting external to our office if it assists with our realisation of assets, investigations or another aspect of the case.

How much will this further work cost?

As detailed in the fee estimate attached at Appendix 3, we estimate the total time costs for the Administration to total £95,121. Please be advised that this is just an estimate based upon the time spent on similar historic cases.

Expenses

Details of the expenses that we expect to incur in connection with the work that remains to be done referred to above, as well as expenses that we have already incurred, are set out in the estimate of anticipated expenses attached at Appendix 3.

CITY DISTRICT LIMITED TRADING AS: FAZENDA & PICANHA

THE ADMINISTRATORS' FEES ESTIMATE

Further to our appointment as administrators, we are seeking to be remunerated on a time costs basis. Details of our firm's hourly charge-out rates are set out in the charging policy which accompanies this estimate. Prior to creditors determining the basis upon which we are to be remunerated, we are obliged to produce a fees estimate and to provide it to each creditor of whose details we are aware so that it can be approved at the same time as the basis of our remuneration.

Our fees estimate for the administration is set out below. Please note that blended hourly rates have been used which take account of the various levels of staff that are likely to undertake each area of work. These can be seen in the average hourly rate column.

As set out in the main body of the report, we are currently working on HSBC Bank plc ("HSBC") panel rates. The summary below is therefore based on the agreed rate with HSBC ad not our standard charge our rates.

Details of the work that the administrators and their staff propose to undertake	Hours	Time cost £	Average hourly rate £
General case administration and planning	77.0	9,617.00	124.90
Compliance with the Insolvency Act, Rules and best practice	159.0	20,101.00	126.42
Investigations	55.0	7,045.00	128.09
Realisation of assets	186.00	31,170.00	167.58
Trading	-	-	-
Dealing with all creditors' claims (including employees), correspondence and distributions	118.8	15,025.20	126.47
Other matters which include seeking decisions from creditors via Deemed Consent Procedures or Decision Procedures, tax, litigation, pensions and travel	84.5	12,162.50	143.93
Total hours	680.3		
Total time costs		95,120.70	
Overall average hourly rate £			139.82

For the avoidance of any doubt, the above estimate relates to the period of administration only, it does not relate to any work that is to be undertaken in any insolvency procedure following the administration.

Should creditors require further information on how this estimate has been produced this can be obtained from our website at <http://www.begbies-traynorgroup.com/fee-estimates>.

A more detailed explanation of the work that falls into the categories mentioned in the table above can be obtained from our website at <http://www.begbies-traynorgroup.com/work-details>. There is also a case specific explanation in the letter accompanying this fee estimate.

Arriving at our fee estimates

The cost of the process at this early stage is uncertain, but the fee estimate that I have produced provide a general overview of the likely costs

The estimates are produced by looking at historical cases of a similar nature, (asset value, number of creditors, case type and staffing levels). The estimates are then made case specific by considering the depth of investigations needed, whether significant time will be spent on adjudicating claims etc.

As the case progresses it may become apparent that the initial fees estimate will be exceeded, for example if any unforeseen circumstances arise which result in additional and unexpected costs being incurred. If this scenario occurs, we will seek creditor approval of a further fees estimate, providing full details of the circumstances at the time.

A summary of the work to be undertaken in the Administration is details on the time costs analysis above.

There are however certain other matters which we may have to deal with which are not evident or foreseeable at the outset of the Administration. I am unable to seek approval to fix remuneration for any work unless and until the nature of any such work has been identified and the work involved can be quantified. If this scenario should occur, I will revert to creditors, providing full details of the circumstances at the time, to seek creditor approval of a further fees estimate.

Instances and explanations of the such work that might fall under this category are provided on our website at <http://www.begbies-traynorgroup.com/work-details>.

Dated: 8 March 2021

The Administrators' Fees Estimate

Fee Estimate

SIP9 City District Limited Estimated Time Costs Analysis

SIP9 City District Limited Estimated Time Costs Analysis

[illegible]

CITY DISTRICT LIMITED TRADING AS: FAZENDA & PICANHA

DETAILS OF THE EXPENSES THAT THE ADMINISTRATORS CONSIDER WILL BE, OR ARE LIKELY TO BE INCURRED DURING THE COURSE OF THE ADMINISTRATION

No.	Type of expense	Description	Estimate £
1.	Advertisements	Of appointment, requisitioned meetings, dividends etc.	200
2.	Bond	An Insolvency Practitioner is required to have a bond in place to protect the estate from misappropriation of funds.	190
3.	Insurance	An Insolvency Practitioner is required to ensure that there is sufficient insurance cover over the assets of the insolvent entity. Administration fees may also be charged on the policy.	5,000
4.	Storage costs	An Insolvency Practitioner is required to retain relevant books and records of the insolvent entity in order to carry out his/her duties as office holder. In addition, following case closure the Insolvency Practitioner will retain his/her working papers to allow any queries or issues raised to be dealt with.	200
5.	Property agent's sale fees and disbursements	The fees of the agents instructed to assist the Insolvency Practitioner with the sale of the Company's leasehold property interest.	5,000
6.	Chattel agent's sales fees and disbursements	The fees of the agents instructed to assist the Insolvency Practitioner with the sale of the Company's chattel assets.	2,000
7.	Legal fees and disbursements	The fees of any solicitors and/or barristers instructed to assist the Insolvency Practitioner and their anticipated disbursements.	10,000
8.	Accountants fees	The fees of any accountant instructed to assist the Insolvency Practitioner and their anticipated disbursements.	10,000

For the avoidance of any doubt, the above estimate relates to the period of Administration only, it does not relate to any expenses that will or may be incurred in any insolvency procedure following the Administration.

SIP 16 STATEMENT

CITY DISTRICT LIMITED TRADING AS: FAZENDA & PICANHA (In Administration) (“the Company”)

INFORMATION ABOUT THE COMPANY AND THE PRE-PACKAGED SALE OF THE COMPANY’S ASSETS AND UNDERTAKING ON 1 MARCH 2021

Background Information

Our proposals for achieving the purpose of the Administration provide detailed information in relation to the Company. The following background information is provided to assist creditors who may have limited knowledge of the Company and its affairs to better understand the reasons for the pre-packaged sale.

Founded in 2010, the Company operated six South American gaucho-style grilling and Rodizio dining restaurants under two different brands, Fazenda and Picanha. Both brands utilise the same of concept continuous tableside service of high-quality grilled meats with the use of a double-sided card to control the flow of meats to the customer.

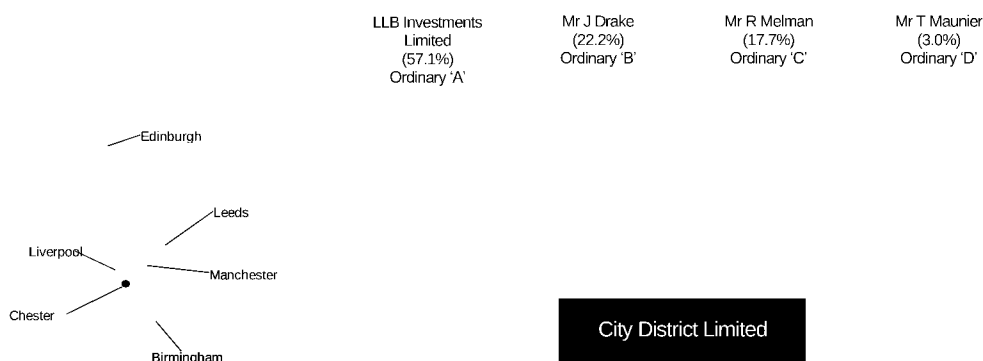
The business was headquartered in Huddersfield and employed 312 members of staff across its six restaurants and head office.

Following a successful roll out of the Fazenda chain in Leeds, Liverpool and Manchester the Company developed a second brand, Picanha, in 2016. This allowed the business to explore opportunities in smaller cities, in this case Chester.

The Company opened the Edinburgh and Birmingham Fazenda restaurants in 2018, which were a key driver in the revenue growth experienced in FY19. The fit out of these two restaurants was funded by way of a £2.0m revolving credit facility from HSBC UK Bank plc (“HSBC”), secured by way of a debenture over the Company and its assets.

In February 2019 the Company was subject to a management buyout (“MBO”), which was in part funded by way of a £4.0m term loan drawn from HSBC. This transaction created a loan due from the majority shareholder of the Company, LLB Investments Limited (“LLB”), as it utilised the monies to purchase some of the shares of two other shareholders, Mr J Drake and Mr R Melman.

The shareholder structure and the geographical location of the restaurant portfolio is set out below.



Financial Performance and the reasons for the Company's insolvency

Financial Summary				
£'000	FY18 Actual	FY19 Actual	FY20 Draft	FY21 Forecast
Revenue	12,968	17,000	19,486	3,436
Cost of Sales	(4,298)	(5,755)	(6,642)	(1,115)
Gross Profit	8,670	11,245	12,844	2,321
Overheads	(7,525)	(10,440)	(10,996)	(8,551)
EBITDA	1,145	805	1,848	(6,230)
CJRS Income	-	-	-	3,589
Exceptional Items	-	-	(1,939)	(33)
Finance Costs	(12)	(108)	(276)	(276)
Depreciation	(403)	(562)	(593)	(585)
Net Profit Before Tax	730	135	(960)	(3,535)

The Company generated revenue of £17.0m in FY19, which is an increase of £4.0m (31%) on the prior year, primarily as a result of the opening of the Edinburgh and Birmingham Fazenda branded restaurants during the year. This increased the total restaurant portfolio from four to six.

Overheads increased significantly over this period, accounting for the additional members of staff and increase to central head office costs as the Company geared up for continue growth of the business. This resulted in EBITDA decreasing from £1.1m in FY18 to £805k in FY19.

Management continued with their ambition to grow the Fazenda brand and roll out further restaurants in the future.

The Company continued to generate further growth in FY20, as revenue increased by £2.5m to £19.5m and EBITDA increased by £1.0m to £1.8m. This was primarily as a result of the overhead costs base remaining relatively static to the previous year, but the revenue growth still generating gross margin of 66% in line with the prior year.

However, following the onset of the COVID-19 pandemic, the UK entered into a lockdown at the end of March 2020, forcing all restaurants to close. Although the Company was able to reopen its restaurants in July 2020, the ongoing restrictions continued to impact trade. As Scottish restrictions have been the most severe, this impacted the Edinburgh restaurant more than the rest of the portfolio.

The Company utilised the available Government support by placing site staff on furlough and taking advantage of rates relief and other hospitality grants. However, it was clear that these measures would be insufficient to see the Company through the period of disrupted trade. It therefore applied for a CBILS loan from HSBC in the summer of 2020, which it secured in the total sum of £1.25m as it met the relevant criteria. LLB and Mr Maunier also injected additional funding by way of loans in conjunction with the CBILS. HSBC moved its existing facilities to interest only to assist with the ongoing financial

difficulties experienced by the Company.

The November 2020 lockdown meant that the restaurants were forced to close again, before reopening on 2 December 2020. However, trade in December 2020 was significantly down on previous years due to the social distancing rules preventing large groups from dining and lack of corporate hospitality in city centre locations. The introduction of 'Fazenda at Home' helped generate some income, but this was not sufficient to discharge the liabilities incurred from March 2020 to November 2020 or the ongoing accruing liabilities.

Since March 2020, the Company has built up significant arrears with the landlords (£939k) and HMRC (£1.47m). A large proportion of the sum due to HMRC is s455 tax, which is payable on the outstanding £1.9m loan due from LLB (which formed part of the MBO in FY19) as it was not repaid to the Company within nine months of its year end (March 2020). As LLB's assets are its shareholding in the Company, it did not have the funds to repay to the Company to assist with the ongoing financial issues.

The UK Government announced that new national lockdown restrictions would come into force once again, this time from 5 January 2021, resulting in the restaurants having to close for a third time. The financial forecasts prepared identified a significant funding requirement in the business from February/ March 2021.

Options Review

As a result of the above, the Company began contingency planning in January 2021 and BTG Advisory LLP ("BTGA"), a member of the Begbies Traynor Group, was instructed to carry out a high-level forecast and options review.

This options review considered the options available to the Company, including debt refinance and possibility of trading on, equity injections, Company Voluntary Arrangement ("CVA"), an Accelerated Merger and Acquisition ("AMA") process considering both solvent and insolvent options such as a pre-pack Administration.

Whilst firm conclusions were not drawn from the report, if an injection of equity could not be agreed by the shareholders, a solvent solution was unlikely to be achieved. Whilst the shareholders discussed strategy between themselves, Begbies Traynor were engaged to plan for a potential CVA for the Company.

CVA Planning

The Company instructed Begbies Traynor to plan for a potential CVA, in the event that the shareholders could agree to an equity injection and propose a restructuring of the Company's liabilities to enable the business to move forward post COVID-19. This included:

- Drafting the statement of proposals, primarily aimed toward compromising terms with the landlords, both in respect of arrears and concessions moving forward; and
- Review of the potential landlord claims in a CVA to establish potential voting rights for each of the landlords, as well as the other unsecured creditors.

As an agreement could not be reached between the shareholders to allow an equity injection into the business, the Company was not in a position to proceed with a CVA.

AMA Sale Process

As there was uncertainty regarding any solvent deal being possible, which predicated on the shareholders coming to an acceptable resolution to inject equity into the Company and then negotiate with HSBC regarding compromising their debt, BTGA were instructed to assist with the marketing of the business and assets for sale. This would also include assisting in negotiations with potential interested parties with the primary aim of completing a solvent deal if possible, but if not, a view of securing a sale immediately after the Company is placed into Administration.

Whilst the AMA process resulted in one indicative offer for the shares, this was rejected by the shareholders as it was for the sum of £1.

All other parties who expressed interest in the Company would only structure a deal through a pre-packaged sale via Administration. Further details of the marketing activities undertaken are set out below.

Appointment of Administrators

It became clear that an Administration appointment was likely in order to protect the value in the underlying business, preserve jobs and minimise creditor claims, and that a pre-packaged sale should be pursued.

We therefore entered into further discussions with the three interested parties who put forward offers for the purchase of the business and assets on an insolvent basis to clarify the terms of those offers. After reviewing and discussing these offers with HSBC, the Company entered into a period of exclusivity with one party, Southern Wind Group Limited ("SWG"), as they made an unconditional offer for the business and assets, excluding the Fazenda Birmingham and Chester Picanha sites. This party is connected to the Company by way of common directorship and shareholding.

This period of exclusivity provided time for SWG to negotiate with each of the landlords for the restaurants to secure viable deals for the new business to trade post COVID-19.

It was considered that pursuing a sale of the business would result in the best overall outcome for creditors.

The statutory purpose of Administration that was pursued

Paragraph 3 of Schedule B1 to the Insolvency Act 1986 provides as follows:

- 3 (1) The administrator of a company must perform his functions with the objective of-
- (a) rescuing the company as a going concern, or
 - (b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or
 - (c) realising property in order to make a distribution to one or more secured or preferential creditors.

For the reasons set out above, the primary purpose of Administration (which refers to rescuing a

company within its existing shareholding structure) was not possible.

However, the marketing period allowed time to identify the best potential offer for the business and assets and to secure a sale which: protected employment of c.240 jobs and maximised the value in the goodwill of the business for the benefit of the Company's secured creditor. For these reasons, the Administration provided a better outcome than would be the case in Liquidation.

The sales price reflected the TUPE liability being transferred to the purchaser and the working capital requirement in the new business until COVID-19 restrictions are eased and the business can reopen for trade.

Alternative Courses of Action Considered

Solvent Solution

As set out above, a solvent solution was reviewed, either by way of equity injection from the existing shareholder or by way of a funding solution or sale in the AMA process.

The Company was significantly insolvent on a balance sheet basis with a net liability position of £4.0m based on the November 2020 balance sheet.

It also became cash flow insolvent in February 2021, there being insufficient headroom within the agreed overdraft facility to meet all liabilities falling due. Furthermore the Company was forecast to continue to burn cash until it was able to reopen post lockdown. The working capital requirement was estimated to be at least £2.0m, with the potential to be materially more when taking into account payment of landlord arrears.

Creditors' Voluntary Liquidation ("CVL")

Liquidation of the Company was not considered to be a suitable alternative to Administration as a result of:

- Value built up in its brand name would be diminished or lost, resulting in little or no return to creditors;
- Claims of all landlords would have crystallised; and
- All 312 employees would have been made redundant, which would have crystallised further claims against the Company.

CVA

This was considered as part of the CVA planning engagement mentioned above, but deemed not to be viable for the following reasons:

- The Company needed an injection of funds for working capital to see it through the period until after the third UK lockdown of at least c.£2.0m with the potential to be materially more; and
- The Company's largest creditor, HSBC, would have sat outside the process as a secured creditor and it would have required a separate compromise agreement with HSBC to have been reached to make a CVA viable.

Administration Trading Considerations

After consideration of the Company's financial position and ongoing property costs, we concluded that it would not be feasible to trade the business in Administration. This is due to:

- The UK is in a national lockdown and therefore restaurants are currently closed;
- This would result in significant costs being incurred by an Administrator, which would erode the return to creditors; and
- Possibility of further lockdowns or delays to easing of current measures, deterring potential buyers from purchasing the business.

FURTHER INFORMATION IN RELATION TO THE PRE-PACKAGED SALE

Who was the source of Begbies Traynor (Central) LLP's **initial introduction** to the Company?

James Coubrough, a shareholder of LLB, first made contact with Andrew Dick of Begbies Traynor. This resulted in a meeting between James Coubrough and Julian Pitts on 15 December 2020 regarding the Company's position.

A further meeting was held between James Coubrough, Terence Langley (Company's Executive Chairman) and Julian Pitts and Martin Barron of BTGA on 18 December 2020 at which the Company's position and various options were discussed.

At that time, it was felt that the Company may be able to trade through the current position if an agreement with its landlords could be reached and additional finance secured, most likely via an injection of equity.

It was agreed that BTGA would be instructed to undertake an options review on behalf of the Company. The formal engagement letter dated 23 December 2020 was signed by the chair of the board of directors on 29 December 2020.

What was the extent of Julian Pitts and Bob Maxwell, their associates and Begbies Traynor (Central) LLP's **involvement** with the Company before appointment?

The extent of the work undertaken by Julian Pitts, Bob Maxwell and BTGA has been discussed above.

Prior to their appointment the proposed administrators advised the Company and not the directors on their personal position, the directors were encouraged to take independent advice.

Please note that negotiations with the purchaser in relation to the pre-packaged sale were conducted by Martin Barron of BTGA, with the consultation of Julian Pitts and Bob Maxwell prior to their formal appointment as administrators and not by the directors of the Company. It was made clear to the directors that once Julian Pitts and Bob Maxwell were appointed as administrators that their responsibilities would be to act in the best interests of the Company's creditors. This would mean that they could no longer provide advice to the Company and that their duties to the Company would cease. They would be required to take custody or control of the Company's property and assets and to manage the affairs, business and property of the Company in accordance with the approved proposals of the administrators.

Was the business or were the assets of the Company acquired from an insolvency practitioner in the 24 months prior to this pre-packaged sale?

No.

Details of the marketing of the business and assets of the Company that were undertaken prior to the pre-packaged sale

BTGA were instructed by the Company on 1 February 2021 to market the business and assets of the Company on an accelerated basis. The Company's medium and short term cash flows showed a deteriorating cash position as a result of the forced closure of the business and that there was a material funding requirement until the business could reopen for trade. An accelerated sale process was therefore necessary.

A two-page sales teaser was prepared and circulated to:

- BTGA's database of approximately 875 professional buyers, which included 85-90 trade buyers;
- 24 Private Equity firms;
- Eddisons Commercial Limited's ("ECL") database of approximately 50,000 distressed buyers; and
- Advertisement with IP Bid, a UK based online insolvency marketplace. IP Bid has approximately 6,000 subscribers.

Please note that BTGA and ECL are members of the Begbies Traynor Group.

The list was drawn up through the research and experience of BTGA to ensure it was marketed to the correct groups of parties who may have been in a position to support or make an offer for the Company.

The period of marketing was determined by the Company's deteriorating cash position and its use of the overdraft facility. The primary aim was to try and ensure use of the overdraft facility was minimised, unless under exceptional circumstances.

Marketing was undertaken in order to reach potential trade buyers and firms known to invest in distressed opportunities as quickly as possible, without making the position of the Company widely known.

The marketing exercise resulted in a significant number of enquiries, of which 17 signed and returned a non-disclosure agreement ("NDA") which was prepared by the Company's solicitors, Blacks Solicitors LLP ("Blacks"). We provided each of the parties with an initial management information pack, comprising the draft FY20 financials and FY21 and FY22 forecasts which were presented to board meetings. BTGA requested that this pack be used as an agenda for a follow up call to discuss the opportunity. Calls were subsequently set up with 12 of the 17 parties who signed an NDA.

A deadline for initial interest and offers was set for noon on 16 February 2021. Three formal offers were received for the business.

All parties who had the follow up meeting were asked to summarise their interest going forward (whether via a solvent or pre-packaged Administration transaction) and also to what extent the current management team would have equity in the restructure or new entity purchasing the business and

assets of the Company.

The interest was summarised and presented to the board as part of BTGA's reporting obligations with the AMA process. However, full details of any offers were not shared with Company, but all information was provided to HSBC and its advisers.

Offer parties 1 and 4 were given the brief opportunity to meet the current management team via Microsoft Teams. It was after the second of these meetings that offer 5 informed us that they intended to form an insolvent bid for the business and assets of the Company.

One of these parties provided an offer for the share capital of the Company in two different scenarios. However, when BTGA approached the shareholders with the offer put forward, all four rejected and advised that they would not be selling their shares.

This party and two others submitted offers for an insolvent purchase of the Company. All offers received are set out in the table below.

Breakdown of Offers		
Offer	Assets	Offer (£)
1	Share capital	1
2	Share capital	1
3	All business and assets of the Company	500,000
4	All business and assets of the Company, subject to due diligence	3,200,000
5	All business and assets of the Company, excluding Chester. Unconditional and not subject to due diligence	2,610,000

As the shareholders rejected offers 1 and 2, BTGA shared the remaining three offers with HSBC and their advisers for further consideration as the Company's major creditor.

As offer 3 was significantly lower than 4 and 5 it was immediately discounted. This was the same party who put forward an offer for the share capital of the Company.

Offers 4 and 5 allocated similar value to the floating charge assets and therefore any difference would be captured by HSBC's fixed charge security.

Offer 4

This party originally put forward an offer for the trade and assets of the Company in the sum of £4.0m. This was subject to being offered a period of exclusivity to carry out due diligence and on the condition

that the existing management team would continue to undertake the day to day running of the business.

Following a meeting with the management, it became clear that management were looking to formulate their own bid for the trade and assets of the Company and, therefore, this interested party would potentially have to put its own management team in place.

Once this was made clear to the offering party, their offer was revised to £3.2m and was conditional upon the following:

- Successful assignment of, or entering into new leases, for all of the Company's sites;
- No further encumbrance on any other trade and assets being acquired;
- Potential deductions for other liabilities taken on such as retention of title, finance creditors and customer deposits of c.£285k; and
- Employee liabilities settled prior to the Administration or by the Administrators.

This interested party required a two-week exclusivity period as part of the offer to undertake the required due diligence.

Based on the above, this offer was not a certainty and carried risk that any due diligence may result in the headline price being significantly reduced.

Offer 5

Newly incorporated entity set up by the Company's management and certain shareholders. Offer 5 originally put forward an offer with consideration totalling £750k. However, later the same day, offer 5 came back with an unconditional offer for three of the Fazenda sites plus head office for £2.985m, of which £2.7m was cash consideration and £285k in respect of the customer voucher liability.

The offer extended to dealing with any potential retention of title issues and operating lease liabilities for the assets in the Edinburgh site.

A period of ten working days exclusivity within 24 hours was a stipulation of the offer to provide time for the new company to agree a position with each of the landlords for the Fazenda sites. This would be granted upon receipt of a £100k non-refundable deposit.

This offer was therefore considered to carry the least execution risk whilst retaining the best value for the creditors.

Following a discussion with HSBC and its advisers, we recommended that a period of exclusivity was agreed with offer 5 to progress through to completion of a transaction. HSBC did not object to the proposed strategy. The £100k non-refundable deposit was duly paid shortly prior to completion of an exclusivity agreement.

We were advised that the unconditional nature of the offer would have been removed had the exclusivity period not been granted immediately.

During the exclusivity period, the England's Government announced a phased four step plan to ease the lockdown restrictions. This included the re-opening of restaurants and bars from 17 May 2021. The Scottish Government also announced a return to the 'Tier' system as part of their phased easing of

restrictions. It is anticipated that the Edinburgh site will be able to open as and when it enters Tier 3.

Offer 5 identified issues arising from these announcements that added risk to the deal, as it has been working to a reopening date of 1 May 2021. This caused it concerns from a working capital perspective.

In addition, there was added risk identified in obtaining the Leeds site as part of the deal, which has historically been the most profitable for the Company, and the extension of the restrictions also meant that certain items of the perishable inventory included in the original offer would not be usable at opening date. Offer 5 were able to agree terms with the Liverpool landlord so subsequently added this site to their offer. There was no additional consideration as offer 5 had to pay a ransom payment in respect of rent arrears and took an additional TUPE liability of £133k in respect of the staff at that site.

As a result of the above, offer 5 indicated to us that they wished to reduce their headline offer price. Originally a significant reduction in price was requested; however, following a period of negotiation it was agreed that the price be reduced by £375k from £2.985m to £2.61m (including the customer voucher liability).

In addition, the sale contract was to include the transfer of the Coronavirus Job Retention Scheme ("CJRS") grant in respect of the February 2021 payroll. However, as £98k of this grant had already been received by the Company during the month of February, we needed to account for a transfer of value which HSBC had already received.

As £81k of the £98k CJRS grant received was in respect of the employees at sites which were included in the offer, goodwill was reduced by this sum (as it would have been payable to HSBC as fixed charge holder) in the contract. This has no impact on the value of the deal as HSBC already has these monies in the Company's former bank account, reducing the overdrawn position.

The adjustment to the sale consideration is set out below.

Sale Consideration	
Headline Offer	2,700,000.00
Customer Voucher Liability (non-cash transaction)	285,000.00
Less: Agreed Price Reduction	<u>(375,000.00)</u>
Revised Offer	2,610,000.00
Less: Allowance for CJRS already with HSBC	<u>(81,114.29)</u>
Total Consideration	<u><u>2,528,885.71</u></u>
Cash consideration on Completion	2,243,885.71
Non-cash customer voucher liability	<u>285,000.00</u>
Total Consideration	<u><u>2,528,885.71</u></u>

Whilst the price reduction was an amendment to the original unconditional offer, we believed the overall

transaction delivered an acceptable return to creditors, significantly in excess of overall net return to creditors on a break up basis. We considered that there was a material commercial risk in rejecting the revised offer and endeavouring to re-engage with other potential interested parties. We therefore recommended acceptance of the offer to HSBC prior to our appointment. HSBC did not object to the proposed strategy.

Matters arising shortly prior to Completion

At 21:53 on 28 February 2021 (the day prior to expected completion with offer 5), offer 4's advisers submitted a revised offer for the business and assets of the Company, changing the terms from a conditional to an unconditional offer for the same consideration of £3.2m.

This was considered internally on the morning of 1 March 2021 with our solicitors and shared with HSBC. Our considerations included:

- The Company was in a period of exclusivity with offer 4. By speaking further with offer 5 in respect of their revised offer would constitute a breach of the exclusivity agreement. There would have been potential damages and costs to consider, as well as the return of the £100k non-refundable deposit to offer 5;
- The sale agreement had been extensively worked on and agreed over the course of the weekend of 27 and 28 February 2021. If we had changed buyers, significantly more work would have been required, increasing the professional costs of all parties;
- During the period of exclusivity, offer 5 had agreed a number of deals with landlords which could be put in place in the event their offer was agreed; and
- The notice of intention to appoint an administrator ("NOI") was due to expire at midnight on 1 March 2021. Pursuing offer 4 would have likely resulted in a further NOI being required, delaying the deal and requiring extended use of the overdraft facility to facilitate payments to employees and other critical payments.

As a result of the considerable risk associated with pursuing the revised offer put forward by offer 4, we continued with our recommendation to HSBC that offer 5 should be accepted and proceed to completion on 1 March 2021, as originally anticipated. HSBC did not express any objections to our recommendation.

What valuations of the Company's undertaking and assets were obtained?

The assets of the Company were valued by Robert Wilkinson and Mark Rowlands of Sanderson Weatherall LLP ("SW") during February 2021. SW are independent valuation agents who act in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation Professional Standards.

SW was instructed as it possess both the knowledge of the particular market for the assets detailed below and the skills and understanding necessary to undertake the valuation competently.

SW has sufficient professional indemnity insurance in place in relation to the valuation provided and recommended acceptance of the offer from SWG.

Mr Wilkinson and Mr Rowlands provided the following valuation.

Asset Valuations

Site	Market Value (£) In-situ	Market Value (£) Ex-situ
Fazenda Leeds	35,000	20,000
Fazenda Manchester	40,000	24,000
Fazenda Edinburgh	50,000	28,000
Fazenda Liverpool	40,000	22,000
Fazenda Birmingham	50,000	28,000
Picanha Chester	40,000	23,000
Head office, Huddersfield	3,500	2,000
Total Fixtures & Fittings	258,500	147,000
Alcohol and Soft Drink Stock	156,000	108,000
Food Stock	12,750	3,825
Total Stock	168,750	111,825
Total	427,250	258,825

Due to the time constraints and availability of access to sites, SW attended the Leeds and Manchester sites only and prepared a desktop valuation for the remaining four sites.

Valuations were sought on both an in-situ and ex-situ basis in order that an effective comparison to a sale on a breakup basis could be made.

A sale on ex-situ would be subject to a period of marketing and sale costs. The costs of removal of the assets, rent, insurance and other costs would likely erode most of the value of the fixtures and fittings.

In addition, Craig Watson BSc MRICS of SW carried out a valuation of the current leaseholds which may attract a premium value. This was carried out via a desktop review of the leases and sites.

The table below provides the current market value of the leases.

Leasehold Valuations		
Site	Market Value (£)	Market Value (£) - 6 Months
Fazenda Leeds	75,000	Nil
Fazenda Manchester	Nil	Nil
Fazenda Edinburgh	Nil	Nil
Fazenda Liverpool	Nil	Nil
Fazenda Birmingham	Nil	Nil
Picanha Chester	Nil	Nil
Head office, Huddersfield	Nil	Nil
Leeds Depot	Nil	Nil
2 Cloth Hall Street, Leeds	Nil	Nil
Total	75,000	Nil

What security (if any) has the Company provided to its creditors?

The Company has granted four charges since the date of incorporation, three of which are registered as satisfied. Details of the outstanding charge is as follows:

HSBC has the benefit of a fixed and floating charge created on 22 February 2019 and registered at Companies House on 25 February 2019. This security is in respect of the revolving credit facility, term loan and overdraft facilities provided by HSBC.

What alternative courses of action were considered by Julian Pitts and Bob Maxwell?

All of the alternatives considered have been discussed above.

Why was it not appropriate to trade the business during the Administration in order to offer it for sale as a going concern?

This has been discussed above.

What requests were made to potential funders to fund working capital requirements during the Administration?

For the reasons set out earlier, this was not considered to be a realistic option, especially as the Company is in a forced closed position and only generating negligible income.

What efforts were made to consult major creditors?

HSBC are the Company's major creditor, with facilities totalling c.£7.2m as at the date of appointment. These facilities are secured by way of a fixed and floating charge over the Company's business and assets.

HSBC instructed an independent firm to act as its advisers as part of this process, as well as to monitor the Company's short-term cash position in order to manage the use of the overdraft facility.

The Company was fully engaged with HSBC at the time of BTGA's instruction to prepare the options review. Following completion of BTGA's option review engagement, the output was shared with HSBC and its advisers. At the time, the shareholders planned to introduce equity into the business alongside a potential CVA. As this did not come to fruition, we commenced an AMA process on behalf of the Company to try and find an investor or purchaser for the business. HSBC were made aware of BTGA's instruction to carry out an AMA and requested its advisers to review the process and progress made.

We have been in regular contact with HSBC's advisers, arranging daily meetings from instruction of the AMA process by the Company. HSBC and its advisers were provided with the full details of all offers as and when they were received.

Part way through the AMA process, the Company instructed Blacks to assist its directors with the preparation of the Notice of Intention to Appoint Administrators ("NOI") and file this at Court. HSBC were made aware of this action in advance, with the NOI filed in Court on 16 February 2021 and served on HSBC on the same day.

Following the conclusion of the deadline for offers, we arranged a meeting with HSBC and its advisers to run through the best two offers received. We recommended that the Company enter an exclusivity period with one interested party with the view of completing a transaction shortly thereafter. HSBC did not object to the proposed strategy.

What was the date of the transaction?

1 March 2021.

What were the assets sold and what was the nature of the transaction?

The transaction was a sale and purchase of the business and certain assets of the Company, executed by way of a Sale Agreement dated 1 March 2021.

The assets comprised of intellectual property, fixtures and fittings at the Leeds, Manchester, Edinburgh, Birmingham and Liverpool restaurants and stock.

What was the consideration for the sale, including payment terms, and other conditions of the contract that could materially affect the consideration?

The following assets of the Company were acquired for the total consideration of £2.61m, £2.244m of which was paid as cash on completion. The sale excluded the Chester fixtures and fittings and the book and other debts due to the Company.

As part of the sale, the employees' contracts and the associated liabilities for all sites excluding Chester and Birmingham also transferred to the purchaser. The TUPE liability transferring to the purchaser was reflected in the offer received for the Company's business and assets.

Apportionment of Consideration

Asset	Consideration (£)
Business Name	1.00
Business Rights	1.00
Goodwill	1,993,882.71
Intellectual Property	1.00
Customer Contracts	1.00
Plant	149,997.00
Stock	100,000.00
Records	1.00
Rights of Action	1.00
Total	2,243,885.71

Is the sale part of a wider transaction? If so a description of the other aspects of the transaction

No.

Who was the purchaser?

Southern Wind Group Limited (company number: 13198505)

Is there a connection between the purchaser and the directors, shareholders or secured creditors of the Company or their associates?

We have been made aware that the following directors and shareholders of the Company are connected to the purchaser, SWG:

- Terence Langley – director and ultimate shareholder of LLB
- Tomas Maunier – director and shareholder
- James Coubrough – shareholder of LLB
- Gareth Samples – former director

Are any directors, or former directors, of the Company or their associates involved in the management, financing or ownership of the purchaser, or of any other entity into which any of the assets have been transferred? If so, who are they?

From information obtained at Companies House and from information provided by the directors, we understand that current directors of the Company, Terence Langley and Tomas Maunier, as well as former director Gareth Samples are involved in the management of SWG.

The pre-pack pool

We made the purchaser aware of the availability of the pre-pack pool to consider the viability of the offer put forward by SWG. However, we are not aware that the pre-pack pool has not been approached by the purchaser.

The purchaser's viability statement

A copy of the purchaser's viability statement has been requested, but not provided by the purchaser to date.

Had any directors of the Company given guarantees for amounts due from the Company to a prior financier? Is that financier financing the new business?

The directors have informed us that a guarantee has been given to a prior financier, HSBC, in respect of an element of the CBILS loan secured to the Company. That financier is not financing the new business.

What options, buy-back arrangements, deferred consideration or other conditions are attached to the contract of sale?

None.