Rule 2 47

Form 2 24B(CH)

The Insolvency Act 1986

Administrator's progress report

Name of Company	Company Number
Manches Services Limited	08250846

In the	Court case number
High Court of Justice, Chancery Division, Companies Court (full name of court)	7092 of 2013

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

I / We (a) Mr Zelf Hussain and Mr David Robert Baxendale of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT and Stuart David Maddison of PricewaterhouseCoopers LLP, One Reading Central, 23 Forbury Road, Reading RG1 3JH

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

(b) Insert dates

from (b) 14 October 2013

to (b) 13 April 2014

Signed _____
Joint / Administrator(s)

Dated 12th MAY 2014

Contact Details:

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

Aidan Donaldson	
7 More London Riverside, London SE1 2RT	
	Tel
DX Number	DX Exchange

THURSDAY

A37XROC1
A10 15/05/2014 #79
COMPANIES HOUSE

When you have completed and signed this form please send it to the Registrar of Companies at

Companies House, Crown Way, Cardiff, CF14 3UZ **DX 33050 Cardiff**

pwc

Manches Services Limited – in Administration
High Court of Justice, Chancery Division, Companies Court
Case No. 7092 of 2013

Joint Administrators' progress report for the period from 14 October 2013 to 13 April 2014

12 May 2014

D420Nv2

Contents

Section		Pages
1	Joint Administrators' progress report for the period from 14 October 2013 to 13 April 2014	2 – 4
2	Statutory and other information	5
3	Statement of expenses incurred in the period from 14 October 2013 to 13 April 2014	6
4	Analysis of the Administrators' time costs and Category 2 disbursements for the period 14 October 2013 to 13 April 2014	7 – 10
5	Approval of pre-Administration costs	11
6	Statement of creditors' rights	12 – 13

1. Joint Administrators' progress report for the period from 14 October 2013 to 13 April 2014

Introduction

In accordance with Rule 2 47 of the Insolvency Rules 1986 ("IR86"), the Joint Administrators ("the Administrators") write to provide creditors with details of the progress of the Administration of Manches Services Limited ("the Company") in the six months since the Administrators' appointment on 14 October 2013

The Administrators are required to provide certain statutory information pursuant to Rule 2 47(1)(a) to (d) IR86, which is included in Section 2

The dividend to ordinary unsecured creditors is expected to be minimal and possibly nil

Background information

The Company was incorporated on 12 October 2012 as a service company with the purpose of supplying employees to Manches LLP ("LLP") and providing various other finance and management functions The Company relied solely on the LLP for funding to cover its operating costs through management recharges

The LLP was a law firm located in London, Reading and Oxford. The LLP provided legal services to high net worth individuals and corporates in the mid-market sector

During the last few years prior to Administration, LLP suffered from a fall in turnover This decline was further exacerbated in Autumn 2012 by the departure of one of its high fee generating members. In light of the falling turnover LLP took steps to reduce its cost base, however, this was not sufficient to offset the decline in revenue Consequently, this had a severe impact on cash flow

By the start of 2013, the strain on cash was increasingly evident as LLP struggled to meet its obligations to HM Revenue & Customs ("HMRC") (for unpaid members' personal tax liabilities, VAT and other tax) as and when they fell due

In May 2013, an overdraft increase was agreed with its bankers, Lloyds Banking Group plc ("LBG"), to avoid a breach of its facility and enable it to continue to trade, in the short term, with a view to addressing its cash flow difficulties

The Solicitors Regulation Authority ("SRA") became aware of LLP's position and began to closely monitor the situation

By September 2013, it became apparent that there was insufficient headroom in LLP's overdraft facility to settle critical payments such as rent, member tax and the annual renewal of its Professional Indemnity Insurance ("PII") cover

Given LLP's inability to meet its liabilities as they fell due, the members determined that LLP was insolvent and they sought advice from independent professional advisors The Company's reliance on LLP for funding meant it too was insolvent

LLP now faced the prospect of intervention by the SRA to safeguard client interests and files Following discussions with the SRA, a discrete marketing process was undertaken and a potential purchaser was identified A solvent merger was explored, but given the extent of LLP's financial difficulties it became clear that a sale of the business outside formal insolvency could not be achieved The SRA indicated that it would not object to a sale from an insolvency process

Upon the application of the members of LLP and directors of the Company, on 14 October 2013 the High Court granted an order appointing Zelf Hussain, David Baxendale and Stuart Maddison of PwC as Joint Administrators of LLP and the Company

Sale of business and certain assets

Following their appointment, the Administrators concluded that the most appropriate strategy was to sell LLP's business and assets immediately upon their appointment A lengthy post-appointment sales process would have led to a diminution in value and probable SRA intervention in the affairs of LLP and termination of the Company's services.

1. Joint Administrators' progress report for the period from 14 October 2013 to 13 April 2014

On the same day, LLP, acting by the Administrators, sold its business and certain assets, excluding book debts, to Penningtons Solicitors LLP (the "Purchaser") on a going concern basis The contracts of employment of all the Company's 226 employees were also transferred to Penningtons Services Limited under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE").

The transfer of the employment contracts was the only viable solution to preserve value, prevent the loss of 226 jobs and avoided potentially significant claims against the Company for pay in lieu of notice and redundancy pay

Following the sale, the Purchaser changed its name to Penningtons Manches LLP

Realisation of other assets

As per the directors' Statement of Affairs, the only recoverable asset of the Company is an intercompany debt due from LLP, for which the Company is an unsecured creditor Accordingly, it will receive a dividend from LLP from any Prescribed Part

The Administrators are currently unable to confirm the quantum or timing of any distribution to the Company, as its claim against LLP, and those of the other creditors of LLP, has yet to be agreed

Tax affairs

The Company held the PAYE registration for all staff used by LLP and computations have been provided to HMRC in order to establish its claim

The Administrators intend to request approval from HMRC to forego the need to provide corporation tax returns on the basis no further taxable realisations are expected and to avoid incurring unnecessary costs

Approval of the Administrators' proposals

On 2 December 2013 the Administrators circulated to creditors their proposals for achieving the purpose of administration

The Administrators stated in their proposals that they had formed the view that the Company had insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part to be set aside in accordance with Section 176A of the Insolvency Act 1986 ("IA86")

The proposals were approved by creditors without modification by a meeting by correspondence

Receipts and payments account

There have been no transactions during the period Therefore, a receipts and payments account has not been prepared

Expenses statement

A statement of the expenses incurred by the Administrators in the period 14 October 203 to 13 April 2014 is included at Section 3 of this report

The statement excludes any potential tax liabilities that may be payable as an expense of the Administration in due course because amounts due will depend on the position at the end of the tax accounting period

Due to the relationship between the Company and LLP, it is proposed that all expenses incurred by the Company will be settled out of LLP funds and will be reimbursed to LLP when realisations are made for the benefit of the Company

Administrators' remuneration

The Administrators' remuneration has been approved on a time costs basis in accordance with the resolutions passed by a meeting by correspondence

The time costs incurred in the period covered by this report are £47,477 The Administrators will only draw remuneration in the event that sufficient realisations are made

In accordance with the requirements of Statement of Insolvency Practice 9, a full analysis of the Administrators' time costs and Category 2

disbursements for the period 14 October 2013 to 13 April 2014 is provided in Section 4 of this report

Pre-Administration costs

Information regarding the approval of the unpaid pre-Administration costs previously detailed in the Administrators' proposals can be found at Section 5 of this report. As mentioned previously, all costs incurred by the Company will be settled out of LLP funds and will be reimbursed if and when realisations are made for the benefit of the Company

Creditors' rights

A statement of creditors' rights in relation to the Administrators' remuneration and expenses is set out at Section 6 of this report.

Outcome for creditors

The Company had no secured creditors. The transfer of all employees to the Purchaser has avoided any preferential creditor claims

The only potential recovery for the Administration estate is any distribution from LLP

In the event of any recovery, once any reimbursement is made to LLP, in respect of accrued expenses paid on the Company's behalf, and payment of other associated costs of the Administration is made, the Administrators anticipate that any distribution to creditors would be minimal, and possibly nil

The Administrators are also considering the most appropriate strategy for bringing the Administration to an end, taking into consideration any likely distribution and any tax implications. Creditors will be advised of the Administrators' decision in due course.

Next report

The Administrators anticipate that they will circulate their next report to creditors at the earlier of the conclusion of the Administration or in approximately six months



David Baxendale
Joint Administrator
Manches Services Limited

David Baxendale, Zelf Hussain and Stuart Maddison have been appointed as joint administrators of Manches Services Limited to manage its affairs, business and property as its agents and without personal liability The joint administrators are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales

The joint administrators are Data Controllers of personal data as defined by the Data Protection Act 1998 PricewaterhouseCoopers LLP will act as Data Processor on their instructions Personal data will be kept secure and processed only for matters relating to the administration

2. Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court Case number 7092 of 2013
Full name:	Manches Services Limited
Trading name:	Manches Services Limited
Registered number:	08250846
Registered address:	7 More London Riverside, London SE1 2RT
Company directors:	Melvin Pedro, Richard Smith, Krishna Vishnubhotla
Company secretary:	None
Shareholdings held by the directors and secretary:	None
Date of the Administration appointment:	14 October 2013
Administrators' names and addresses:	David Robert Baxendale and Zelf Hussain of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT and Stuart David Maddison of PricewaterhouseCoopers LLP, One Reading Central, 23 Forbury Road, Reading RG1 3JH
Details of any extension(s) to the initial period of appointment	None
Changes in office holder:	None
Appointor's / applicant's name and address:	High Court of Justice, Chancery Division, Companies Court upon the application of the directors of the Company
Objective being pursued by the Administrators:	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)
Division of the Administrators' responsibilities:	It is ordered that all of the functions of an administrator and in particular any act required or authorised under any enactment to be done by an administrator may be performed by any or all of the joint administrators
Proposed end of the Administration:	Likely to be either Creditors' Voluntary Liquidation, or distribution in administration, followed by dissolution
Estimated dividend for unsecured creditors:	Minimal, possibly nil after all expenses have been settled
Estimated values of the prescribed part and the company's net property:	Not applicable
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	Not applicable
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are main proceedings

3. Statement of expenses incurred from 14 October 2013 to 13 April 2014

	£
Paid*	
Statutory advertising	151
Printing & postage	2,658
Legal fees / disbursements	4,344
Sub total	7,153
Unpaid	
Administrators' unbilled time costs	47,477
Administrators' disbursements	25
Sub total	47,502
Overall total	54,655

*Paid on the Company's behalf by LLP and to be reimbursed out of any future realisations

4. Analysis of the Administrators' time costs and Category 2 disbursements for the period 14 October 2013 to 13 April 2014

Charge-out rate summary for the period

Aspect of assignment	Partner		Director		Senior Manager		Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)
Strategy & Planning	-	-	-	-	0 70	265	1 20	398	12 95	3,522	11 05	2,155	25 90	6,340
Statutory and compliance	3 00	1,734	2 50	1,254	11 00	4,166	0 40	133	62 75	17,068	9 15	1,784	88 80	26,139
Asset recovery	-	-	0 25	125	1 25	473	-	-	1 60	435	-	-	3 10	1,034
Investigations	-	-	-	-	0 10	38	-	-	6 00	1,632	9 05	1,765	15 15	3,435
Creditors	-	-	-	-	0 50	189	-	-	5 80	1,578	3 45	673	9 75	2,440
Accounting and treasury	-	-	-	-	0 50	189	-	-	1 50	408	1 10	215	3 10	812
Tax & VAT	-	-	-	-	0 60	267	-	-	14 10	4,567	14 40	2,063	29 10	6,897
Employees & pensions	-	-	-	-	-	-	-	-	1 40	381	-	-	1 40	381
Total	3 00	1,734	2 75	1,379	14 65	5,589	1 60	530	106 10	29,591	48 20	8,654	176 30	47,477

Set out below are the relevant charge-out rates per hour worked for the grades of the Administrators' staff involved on this assignment Time was charged by reference to actual work carried out on the assignment There was no allocation of any general costs or overhead costs

Grade	Maximum charge out rate applicable	
	London based (£)	All other UK (£)
Partner	578 00	408 00
Director	501 50	340 00
Senior Manager	378 75	297 50
Manager	331 50	233 75
Senior Associate	272 00	178 50
Associate	195 50	131 75

Specialist departments within the Administrators' firm, such as Tax, VAT, Property and Pensions charged a number of hours if and when the Administrators required their expert advice Such specialists' rates do vary but the figures below provide an indication of the maximum rate per hour

4. Analysis of the Administrators' time costs and Category 2 disbursements for the period 14 October 2013 to 13 April 2014

Grade	Maximum charge out rate From 1 July 2013 (£)
Partner	1075
Director	990
Senior Manager	755
Manager	545
Senior Associate	410
Associate	210
Support	120

Narrative of work carried out for the period 14 October 2013 to 13 April 2014

The key areas of work have been -

1. Strategy and planning

- Agree initial administration strategy;
- Conducting team meetings to review progress against strategy and discuss key issues,
- Discussions with internal professionals regarding work required and timings, and
- Preparing time cost budget variance reports and ongoing monitoring of costs

2. Statutory and Compliance

- Undertaking various procedures in compliance with legal requirements, professional regulations and internal risk management policies,
- Drafting, review and consult in respect of SIP16, including internal compliance input to drafting,
- Initial information collection and liaison with management for initial statutory notifications,
- Prepared, reviewed and circulated initial statutory notifications, letters and advertisements,
- Liaison with brokers regarding insurance cover for the Company's assets, and
- Draft, review and circulation of Administrators' Proposals for the administration

4. Analysis of the Administrators' time costs and Category 2 disbursements for the period 14 October 2013 to 13 April 2014

3. Asset recovery

- Review books and records and discussions with management to establish possible assets,
- Liaison with Purchaser regarding possible prepayments and refunds and collection options,
- Liaison with utilities suppliers and councils regarding responsibility for payment post-administration,
- Instructions to professional valuers to review assets and identify any potential asset recoveries, and
- Initial discussions with rates appeal agents regarding potential recoveries available

4. Investigations

- Initial discussions with management regarding pre-appointment history and key issues,
- Liaison with members regarding questionnaire completion and return,
- Review matters highlighted in questionnaires received,
- Investigate matters in line with statutory requirements, and
- Summarise findings and file relevant documents with the Insolvency Service

5. Creditors

- Recording claims received and dealing with general creditor enquiries,
- Liaison with former management to update ledgers and creditor balances;
- Seeking to allocate creditors between Manches LLP and Manches Services Limited,
- Liaise with suppliers and the Purchaser regarding return of leased assets or assignment of agreements, and

6. Accounting and treasury

- Setting up administration bank accounts,
- Liaison with various banks, including LBG, to establish any transfer of funds required for the benefit of the Company from Manches client accounts,
- Discuss and implement process for payment of expenses by LLP and any reimbursement, and
- Preparation and processing of receipts and payments to/from administration accounts, and updating accounting system;

7. Tax and VAT

- Initial discussions with Tax and VAT specialists to plan compliance requirements,

- Draft initial notifications to HMRC Tax inspectors to clarify responsibility in respect of Tax matters;
- Plan VAT timetable and information/data requirements,
- Liaise with former management regarding pre-appointment Tax and VAT information availability
- Liaise with HMRC regarding filing requirements,
- Collect details of employee deductions for P11Ds and liaison with HMRC regarding any claim, and
- Discussions with Tax specialists regarding request for HMRC approval to close

8. Employees and pensions

- Prepare initial communications to staff/members upon appointment and consultation with Purchaser and specialist staff on wording,
- Liaise with Purchaser regarding P35 and P45 information, and
- Prepare and file statutory notices in respect of administration appointment

Summary of legal and other professional firms instructed in the period 14 October 2013 to 13 April 2014

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal advice	CMS Cameron McKenna	Industry knowledge	Time costs

5. Approval of pre-Administration costs

The following costs which were incurred prior to the appointment of the Administrators, but with a view to the Company entering Administration, were approved for payment on 19 December 2013 and settled from funds held by LLP, to be reimbursed by the Company when realisations are made.

	Amount (£)
Legal expenses incurred by the Administrators	4,343.61
Total	4,343.61

6. Statement of creditors' rights

The IR86 provide for creditors to request further information and challenge the Administrators' remuneration and expenses The relevant provisions are as follows -

Rule 2.48A Creditors' request for further information

(1) If—

(a) within 21 days of receipt of a progress report under Rule 2 47—
  (i) a secured creditor, or
  (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
(b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor,

makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2.47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2)

(2) The administrator complies with this paragraph by either—

(a) providing all of the information asked for, or
(b) so far as the administrator considers that—
  (i) the time or cost of preparation of the information would be excessive, or
  (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
  (iii) the administrator is subject to an obligation of confidentiality in respect of the information,
  giving reasons for not providing all of the information.

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of—

(a) the giving by the administrator of reasons for not providing all of the information asked for, or
(b) the expiry of the 14 days provided for in paragraph (1),

and the court may make such order as it thinks just.

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2 109(1B) by such further period as the court thinks just ".

6. Statement of creditors' rights

Rule 2.109 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)

(1A) Application may be made on the grounds that—

(a) the remuneration charged by the administrator,
(b) the basis fixed for the administrator's remuneration under Rule 2 106, or
(c) expenses incurred by the administrator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate

(1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business]days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly

(3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

(a) an order reducing the amount of remuneration which the administrator was entitled to charge,
(b) an order fixing the basis of remuneration at a reduced rate or amount,
(c) an order changing the basis of remuneration,
(d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration,
(e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify;

and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report

(5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration