

# AM03

## Notice of administrator's proposals



Companies House

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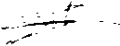

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COMPANIES HOUSE

<b>1</b>	<b>Company details</b>	
Company number	0 8 4 6 3 1 8 7	<b>→ Filling in this form</b> Please complete in typescript or in bold black capitals.
Company name in full	ACL 2020 Limited (Formerly Axminster Carpets Limited)	
<b>2</b>	<b>Administrator's name</b>	
Full forename(s)	Benjamin John	
Surname	Wiles	
<b>3</b>	<b>Administrator's address</b>	
Building name/number	c/o Duff & Phelps Ltd.	
Street	The Shard	
	32 London Bridge Street	
Post town	London	
County/Region		
Postcode	S E 1 9 S G	
Country	United Kingdom	
<b>4</b>	<b>Administrator's name <sup>1</sup></b>	
Full forename(s)	Geoffrey Wayne	
Surname	Bouchier	
	<b><sup>1</sup> Other administrator</b> Use this section to tell us about another administrator.	
<b>5</b>	<b>Administrator's address <sup>2</sup></b>	
Building name/number	c/o Duff & Phelps Ltd.	
Street	The Shard	
	32 London Bridge Street	
Post town	London	
County/Region		
Postcode	S E 1 9 S G	
Country	United Kingdom	
	<b><sup>2</sup> Other administrator</b> 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						
7		Sign and date							
Administrator's Signature		<div>Signature</div> <div></div>		<div></div>					
Signature date		<div><div>d</div><div>0</div></div>	<div><div>d</div><div>3</div></div>	<div><div>m</div><div>0</div></div>	<div><div>m</div><div>4</div></div>	<div><div>y</div><div>2</div></div>	<div><div>y</div><div>0</div></div>	<div><div>y</div><div>2</div></div>	<div><div>y</div><div>0</div></div>

# 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	Sophie Thomas
Company name	Duff & Phelps Ltd.
Address	The Shard
32 London Bridge Street	
Post town	London
County/Region	
Postcode	S E 1 9 S G
Country	United Kingdom
DX	
Telephone	020 7089 4700



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

**This form is available in an alternative format. Please visit the forms page on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)**

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# DUFF & PHELPS

## Statement of Proposals

3 April 2020

**ACL 2020 Limited**  
**(Formerly Axminster Carpets Limited)**  
**(In Administration)**

Joint Administrators' Statement of Proposals for the period from 19  
February 2020 to 1 April 2020

Duff & Phelps Ltd.  
The Shard  
32 London Bridge Street  
London  
SE1 9SG

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## **1. Introduction**

The Joint Administrators were appointed on 19 February 2020 by an order of the High Court of Justice Business and Property Courts of England and Wales, Company & Insolvency List (ChD). The court reference number is 1244 of 2020. The application to the court was made by IGF, the holder of a qualifying floating charge.

This report is the Joint Administrators' statutory Statement of Proposals. It sets out the circumstances leading up to their appointment and their strategy for achieving the purpose of the Administration.

You will find other important information in this report such as the proposed basis and quantum of the Joint Administrators' remuneration.

A glossary of the abbreviations and definitions used throughout this document is attached at Appendix 10.

Please also note that an important legal notice about this statement of Proposals is attached at Appendix 11.

The Statement of Proposals is deemed delivered to creditors when first made available on the Creditors Portal, in accordance with the Rules.

## **2. Creditor summary**

### **Events leading up to Administration**

The Company's working capital was predominantly funded by IGF in the form of an invoice discounting facility. IGF also provided loan facilities against the Company's plant and machinery and inventory / stock. The Company also had a debenture with H Dawson in respect of a supply agreement for supply of goods (understood to be largely raw materials) from H Dawson to the Company and Robert Day in respect of a £750,000 loan facility.

Uncertainty across all the market sectors, particularly as a result of the uncertainty around Brexit, led to a decline in sales during the summer and autumn of 2019 while H Dawson, a key raw materials supplier, entered into a CVA which caused a reduction in credit available to the Company. In addition, the Company had significant arrears with HMRC. Accordingly, the Directors sought advice in respect of the Company's financial position in October 2019.

Further details can be found at Section 4.

### **Appointment**

Benjamin Wiles and Geoffrey Bouchier of Duff & Phelps were appointed Joint Administrators of the Company on 19 February 2020, by IGF, the holder of a qualifying floating charge over the Company's assets. The functions of the Joint Administrators may be exercised by either of them.

Further details can be found at Section 4.

### **Trading**

The Joint Administrators gave consideration to whether it would be possible to trade the Company in Administration, but this was not deemed appropriate. However, the Company's raw material and stock positions were wound down while a purchaser for certain of the Company's business and assets was sought.

Further details can be found at Section 7.

### **Asset realisations**

The Axfelt business and the Factory Outlet Shop were marketed for sale and sold via pre-packaged sales on 19 February and 21 February 2020 respectively. Further details can be found at section 7 of this report and at Appendix 12 – SIP16 Disclosure Report, which was issued to creditors on 5 March 2020 in accordance with SIP 16.

The Axminster business was sold on 4 March 2020. Further details on the sale of the Axminster business and the remaining assets can be found in the remainder of this report.

Further details can be found at section 7.

### **Fees and expenses**

The basis of the Joint Administrators' fees and fee estimate will be subject to the approval by the Secured Creditors and do not form part of the Proposals.

Further details can be found at section 9.

### **Dividends**

#### *Secured Creditors*

On the basis of current information, it is likely that there will be sufficient asset realisations to enable a distribution to IGF under its fixed and floating charges. It is anticipated IGF will not be repaid in full.

On the basis of current information, it is likely that there will be insufficient asset realisations to enable a dividend to be paid to H Dawson and Robert Day.

#### *Preferential Creditors*

On the basis of current information, it is likely that there will be insufficient asset realisations to enable a dividend to be paid to preferential creditors.

#### *Non-Preferential Unsecured Creditors*

On the basis of current information, it is likely that there will be insufficient asset realisations to enable a dividend to be paid to non-preferential unsecured creditors.

Further details can be found at section 10.

### **Anticipated exit from Administration**

The Joint Administrators have left the choice of exit route from Administration open so that an alternative strategy can be adopted, should this prove more appropriate at the time. However, it is anticipated that the most likely exit route will be dissolution. Further details can be found in the remainder of this report at section 11.

### **Approval of Proposals**

The Joint Administrators' Proposals will be deemed approved and a creditors' decision on the approval of these Proposals will not be sought by the Joint Administrators as they are currently of the opinion that the Company will have insufficient property to enable a distribution to be made to preferential and non-preferential unsecured creditors, other than by virtue of the Prescribed Part (if any), as detailed in section 10.

On the expiry of eight business days from the date that the Proposals are delivered to the creditors, the Joint Administrators' Proposals will be deemed to have been approved by the creditors unless creditors whose debts amount to at least 10% of the total debts of the Company request that a decision procedure is convened.

Further details can be found at section 12.

This document in its entirety is the Joint Administrators' Statement of Proposals. A summary list of the Proposals is included in section 9, together with the relevant statutory information by way of appendices. Unless otherwise stated, all amounts in these Proposals are stated net of VAT.

### **3. Background**

The Company was incorporated on 26 March 2013 and specialised in the manufacturing of high-quality carpets, rugs and underlay (being the Axfelt brand). The Company also operated the Factory Outlet Shop, situated close to the Company's trading premises which sold the Company's products directly to consumers.

The Company was set up to acquire the business and assets of ACL in April 2013. Benjamin Wiles, Geoffrey Boucher and David Whitehouse of Duff & Phelps were appointed Joint Administrators of ACL.

The Company employed 89 employees as at the Appointment Date.

It is understood that the Company made approximately 20 employees redundant at the end of September 2019 in an attempt to reduce costs.

The Company's main trading addresses were Gamberlake, Woodmead Road, Axminster, Devon, EX13 5PQ, where the factory and offices are based, and Abbey Gate, Musbury Road, Axminster, EX13 8TJ, where the Factory Outlet Shop and showroom is based.

The draft statutory accounts prepared by the Company show that the Company had losses before tax of £273,474 for the year ending 28 February 2019 and losses before tax of £499,061 were made for the 10 months ending 31 December 2020 as shown in the management accounts prepared by the Company. Please refer to Appendix 1 for historical financial information.

The Company maintained its business bank account with Barclays.

### **4. Events leading up to the Administration**

#### **4.1 Summary of key events**

The Company's working capital was predominantly funded by IGF in the form of an invoice discounting facility. IGF also provided loan facilities against the Company's plant and machinery and inventory / stock. The Company also had a debenture with H Dawson in respect of a supply agreement for supply of goods from H Dawson to the Company and Robert Day in respect of a £750,000 loan facility.

It is understood that the Company had substantial arrears with HMRC as at January 2020 and that HMRC intended to issue a winding up petition unless an agreement could be made in respect of the arrears. As the Company was unable to make payments as requested by HMRC, the Directors filed a NOI on 7 January 2020, which protected the Company by way of a moratorium, giving it protection from any creditor action for a period of ten business days while a buyer for the business and assets was sought. This process was led by Armstrong Watson. A further NOI was filed on 22 January 2020, when the first NOI expired, while the sale process continued.

On 31 January 2020, Duff & Phelps was formally instructed to replace Armstrong Watson to carry out the marketing process and subsequent Administration.



Upon instruction, Duff & Phelps commenced negotiations with interested parties, however, the second NOI was due to expire on 4 February 2020 and therefore to allow sufficient time to liaise with these interested parties, the Directors filed a third NOI on 5 February 2020 which was due to expire on 18 February 2020.

The Company was placed into Administration on 19 February 2020, with Benjamin Wiles and Geoffrey Bouchier of Duff & Phelps being appointed Joint Administrators.

#### **4.2 Actions prior to appointment**

Wary of the Company's financial position and their fiduciary duties as directors, the Directors sought professional insolvency advice from Armstrong Watson. Armstrong Watson undertook a review of the Company's cash flow and commenced a marketing process with the intention of selling the Company's business and assets via a pre-packaged Administration. The Company's share capital was also marketed in the event that a solvent sale transaction was possible.

#### **4.3 Pre-Administration work**

Duff & Phelps was approached by IGF on 30 January 2020 to undertake a review of the Company's position and the ongoing sale process. IGF does not have any relationship with the Company or the Directors, other than the provision of loan facilities.

Upon formal instruction, on 31 January 2020, Duff & Phelps took over negotiations with interested parties. Duff & Phelps also provided guidance to the Directors with regards to their fiduciary duties. As detailed above, a third NOI was filed to allow this process to continue. At no time did Duff & Phelps' employees take over responsibility for management of the Company, nor did any of its employees take directorship or undertake a role that could be considered a shadow director. All responsibility for the running of the Company, including payments made and key business decisions stayed with the Directors.

#### **4.4 Appointment of Joint Administrators**

Following the above, it was concluded that the Company was unable to pay its debts as and when they fell due and was consequently insolvent.

Given the financial situation of the Company, the most appropriate action was to place the Company into Administration and pursue a sale of the Company's business and assets, either via pre-packaged sales which had been agreed in the lead up to the Administration or as business and asset sales following the appointment.

The Joint Administrators considered their position prior to accepting the appointment and having regard to the Insolvency Practitioners Association's ethical guidelines, considered that there were no circumstances preventing them from accepting the appointment.

Accordingly, the Joint Administrators were appointed on the Appointment Date by IGF.

### **5. Strategy and progress of the Administration to date**

#### **5.1 Purpose of the Administration**

The statutory purpose of an Administration is to achieve one of the following hierarchical objectives:

- rescuing the company as a going concern; or
- 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
- realising property in order to make a distribution to one or more secured or preferential creditors.

The first objective will not be achieved as there are insufficient funds and assets available to rescue the Company as a going concern.

It is noted that a better result for the Company's creditors as a whole could be considered to have been achieved than if the Company had been wound up without first being in Administration for the following reasons:

- the pre-packaged sale has preserved value in certain of the Company's assets, notably the value within the Axfelt business which realised significantly more than its valuation. A delay in this process may have led to Ulster reducing / withdrawing its offer and it was therefore in the best interests of creditors to proceed with this offer regardless of the rest of the UK private investors;
- the sale of the business and assets has maintained continuity of the Company's customer base and supply chain, which has preserved the value in the Company's business and book debts. Additionally, the winding down the stock position preserved goodwill in rest of the business, which allowed a sale of the remaining business lines; and
- the pre-packaged sale has preserved the employment of six employees, thus reducing both preferential and non-preferential unsecured creditor claims in the Administration.

However, the Joint Administrators are not able to achieve this objective without a distribution to preferential and non-preferential creditors. Consequently, the Joint Administrators are pursuing the third objective as distributions will be made to IGF under its fixed charge and via book debt collections. Accordingly, the transactions, together with the Joint Administrators' strategy for the residual assets has enabled the statutory purpose of an Administration to be achieved.

In accordance with SIP 16, the SIP 16 Disclosure, which outlines the details of the pre-packaged sales to the Purchasers, as well as a summary of the sale process undertaken by the Joint Administrators, should be issued with the first correspondence to creditors, within seven days. Insolvency Practitioners are also guided that the Proposals should also be issued within this time frame and where it is not met, an explanation should be provided.

The Joint Administrators comment as follows: The SIP 16 Disclosure could not be issued with the first communications to creditors (being the creditor letter dated 25 February 2020) as the sales process for the remaining business and assets was ongoing. The SIP 16 Disclosure contains financially sensitive information, which had it been released within seven days could have prejudiced the ongoing sale process. The Proposals were not issued with the SIP 16 Disclosure as additional information, such as the wind-down period and other asset sales, which are usually not applicable in a SIP 16 scenario, had to be incorporated which takes time to prepare an accurate position. The above is for guidance / best practice purposes only and no statutory deadlines have been missed.

The Joint Administrators' Proposals for achieving the purpose of the Administration are set out in the remainder of this report.

## **6. Statement of Affairs**

The Joint Administrators have requested that the Directors provide a SOA; however, the Directors are yet to provide a final version of the SOA. The Directors are in the process of completing the SOA and are expected to provide this to the Joint Administrators in due course.

Once received the SOA will be filed with the Registrar of Companies.

In the absence of an SOA, the Joint Administrators attach an Estimated Outcome Statement ("EOS") at Appendix 3.

The information has been extracted from the Company's books and records and the estimated to realise balance refers to the Joint Administrators' anticipated realisations. The Joint Administrators have not carried out any audit or detailed verification work on the book values provided and the figures do not include the costs of the Administration. It should be noted that once the costs of the Administration are taken into account the position of each class of creditors will change.

A creditor listing is also attached at Appendix 3 which has been taken from the Company's records. Some creditor amounts shown may differ from the actual amount owed. This does not affect creditors' ability to claim.

## **7. Progress of the Administration**

The manner in which the affairs and business of the Company have been managed since the appointment of Joint Administrators, and will continue to be managed and financed, are set out below.

### **7.2.1 Initial actions**

Due to restrictions on funding it was not possible to trade the business in the short term and the Joint Administrators looked to achieve a sale of certain of the Company's business and assets via pre-packaged sales. Two such sales completed on or shortly after the Appointment Date.

All 83 employees not associated with these sales (being the Factory Outlet Shop and Axfelt) were made redundant on the Appointment Date.

The Joint Administrators elected to wind down the Company's stock and raw material positions ensure continuity of business, to retain value in the remaining business and assets and continue invoicing to the benefit of the Administration while a purchaser was sought for the remaining business and assets.

### **7.2.2 Trading**

The Joint Administrators did not trade the Company for the following reasons:

- **Termination of Contracts** – It was likely that upon notification of Administration, customers would seek to terminate agreements with the Company and instruct rivals to undertake future projects. Although a market leader, the Company has a number of competitors capable of taking on its contracts. Had a trading Administration been sought then the Administration would be public knowledge and competitors would likely attempt to lure the Company's customers given the uncertain financial situation of the Company. A pre-packaged Administration allows a continuation of trade and customers to be assured of the Company's financial position by the Purchaser.
- **Funding** – IGF made it clear to Duff & Phelps in the lead up to the Administration that it was not prepared to fund a trading Administration (other than pre-Administration wages as a goodwill gesture to employees, if required). Given the short timeframe in which to source alternative financing, the costs associated with such financing and consideration of the risks noted above, an alternative funder was not sought.
- **Work In Progress** – It was clear in the lead up to the Administration that the Company had insufficient work in progress to make a trading Administration viable for a significant length of time. Although the Company had work in progress for most of its order book it required additional materials that the Company could not fund. In addition, the key suppliers would also likely demand ransom payments, meaning that trading at a profit would be unlikely and therefore reduce any benefit to the Administration. Therefore, the Company was only able to trade on a significantly reduced basis, with raw material on site and selling stock available on site. This would only be viable for a short period of time as orders would not be able to be fulfilled which would reduce goodwill of customers.

For the reasons above, coupled with associated risks to any appointed Administrator of trading the business, it meant that it would not be possible for the Joint Administrators to trade the business and seek a going-concern sale during the Administration process.

Given that the pre-packaged Administration only covered two of the Company's service lines, the Joint Administrators did continue to wind-down parts of the business on a significantly reduced basis to honour customer orders where possible, and for a significantly shorter period than had a full trading Administration strategy been pursued. The shorter time frame retained the goodwill of customers as it provided increased certainty of an outcome in a short time period. The wind down was on a significantly reduced basis (14 former employees were assisting the Joint Administrators) and the majority of the work being undertaken was in respect of dispatching stock and carpets woven and in the finishing stage of the manufacturing cycle. The only costs associated with this are hauliers (the key hauliers were paid up to date at appointment) and staff wages. The purpose of this strategy was to retain goodwill in the remaining business lines to assist a possible sale in the future. Had all production ceased, customers would likely have sourced alternative suppliers, reducing the value in the remaining business.

### **Sale Process**

Armstrong Watson initiated a sale process of the business and assets of the Company as a going concern on 10 January 2020 with a deadline for offers on 20 January 2020.

An opportunity summary document was prepared and circulated by Armstrong Watson to targeted interested parties. All parties who registered an interest were asked to complete and return a non-disclosure agreement for which, in return, further information would be provided by Armstrong Watson on the Company via an online data room.

Armstrong Watson received seven offers which were under review at the time Duff & Phelps was instructed by the Company.

Duff & Phelps reviewed the marketing process undertaken by Armstrong Watson and considered this to be exhaustive and therefore Duff & Phelps did not undertake a further full marketing campaign but focused on reviewing the offers received at that time and negotiating with the most appealing offers without further delay.

A sale of the Axfelt Business and the Factory Outlet Shop was achieved via a pre-packaged Administration sale, details of which can be found in the remainder of this section and within the SIP16 Disclosure.

While continuing negotiations with interested parties that expressed an interest in the Axminster business, the Joint Administrators engaged with new interested parties that came forward following the Administration and further awareness of the sale process, as well as specifically targeted interested parties by the Joint Administrators. Details of the sale of the Axminster business can be found in the remainder of this section.

### 7.2.3 Sale of part of the Company's certain line of business and certain assets via a Pre-Packaged Administration

#### Axfelt Business

The Axfelt Business was sold to Ulster on the Appointment Date. The assets included in the pre-packaged sale are as follows:

Asset	Apportionment (£)	Fixed or Floating
Equipment, plant and machinery	399,992	Fixed – Specifically Pledged
Goodwill	1	Fixed Charge
Intellectual Property Rights	1	Fixed Charge
Business Information	1	Fixed Charge
Stock	1	Floating Charge
Pre-payments	1	Floating Charge
Supplier Contacts	1	Floating Charge
Customer Contracts and WIP	1	Floating Charge
IT Equipment	1	Floating Charge
<b>Total Consideration</b>	<b>400,000</b>	

The consideration for the assets sold to the Ulster in the amount of £400,000 was received in full and is shown in the Receipts and Payments accounts at Appendix 2.

The three employees working at the Axfelt plant transferred to the Purchaser under TUPE. Accordingly, Ulster will also be liable for any arrears due to these employees as well as all future liabilities.

The Joint Administrators and the Agents are satisfied that the sale to the Ulster was at the best price achievable for the Axfelt business in the circumstances.

#### The Factory Outlet Shop

The factory outlet shop business was sold to Factory Outlet on the 21 February 2020. The assets included in the pre-packaged sale are as follows:

Asset	Apportionment (£)	Fixed or Floating
Stock	24,997	Floating charge
Equipment	1	Floating Charge
Goodwill	1	Fixed Charge
Domain Name	1	Fixed Charge
	<b>25,000</b>	

The consideration for the assets sold to Factory Outlet Shop in the amount of £25,000 was received in full and it is shown in the Receipts and Payments accounts at Appendix 2.

The three employees working at the factory outlet shop transferred to the Purchaser under TUPE. Accordingly, Factory Outlet Shop will also be liable for any arrears due to these employees as well as all future liabilities.

The Joint Administrators are satisfied that the sale to Factory Outlet was at the best price achievable for the factory outlet shop business in the circumstances.

## 7.2.4 Assets excluded from the sale via the pre-package Administration

### Axminster Business

It was expected that the Company's remaining business and assets, being the Axminster brand and associated plant and machinery and stock would also be sold via a pre-packaged sale. However, just prior to the Administration, the proposed purchaser, being ACL Carpets, was not in a position to complete the transaction.

Accordingly, upon the Joint Administrators' appointment they pursued a sale of the remaining assets. Negotiations continued with ACL Carpets as well as a number of other interested parties, including leading global brands within the industry.

On 4 March 2020 a sale of the Axminster business was completed. The assets included in the sale are as follows:

Asset	Apportionment (£)	Fixed or Floating
Business Information	1	Fixed charge
Customers Contracts	1	Floating charge
Information Technology	1	Floating charge
Intellectual Property Rights	25,000	Fixed charge
Equipment	165,000	Fixed charge
Goodwill	25,000	Fixed charge
Stock	118,497	Floating charge
	<b>333,500</b>	

The consideration for the assets sold to ACL Carpets in the amount of £333,500 was received in full and it is shown in the Receipts and Payments accounts at Appendix 2. The Joint Administrators and the Agents are satisfied that the outcome of this sale is the best price achievable in the circumstances.

It should be noted that, as part of this transaction, the Company's name was changed to ACL 2020 Limited and ACL Carpets changed its name to Axminster Carpets Limited on 18 March 2020.

Details of the full marketing process, including a summary of the offers received in the lead up to the Administration, and the justification of the Joint Administrators pursuing the offers that they did can be found in the SIP 16 Disclosure, which can be found at Appendix 12 of this report, however a summary is provided below:

Bidder	Offer (£)	Comments
Bidder A	955,000	Offer from the UK private investors for all of the Company's business and assets, which includes the Purchasers. The remaining asset sales completed on 4 March 2020. Within the offer, there is an option to purchase further plant and machinery for a further £350k within the next nine months.
Bidder B	125,001	Offer for the Company's share capital referred to above. The offer consisted of £1 for the share capital and £125k for the H Dawson debt.
Bidder C	361,000	Offer for the retail aspect of the Company's business. Of this amount, only £50k was guaranteed. £166k related to stock which had diminished by the Appointment Date and up to £145k were royalties based on the Company's performance.
Bidder D	650,000	Indicative offer of £500k for the Company's sales, marketing and brand rights. A further £150k for the finished goods over the next five months.
Bidder E	225,000	Offer for retail business including all useful tufted stock.
Bidder F	600,000	Offer for all of the Company's business and assets, of which £500k was deferred over ten months.

Bidder A consists of a group of private investors including the Purchasers. ACL Carpets and ACL Retail Creditors will note from the above that the offer is significantly in excess of the next highest offer, with up to a further £350k potentially still to be paid in respect of the Wilton assets.

All purchasers were able to complete a transaction in short order and with the exception of the Wilton Looms (please see below) there was no deferred consideration involved, all of which was beneficial to the sale process.

#### Wilton Looms

As part of the sale, the Joint Administrators have entered into a lease agreement and option to purchase with ACL Carpets in respect of the Wilton Looms for a period of nine months and with rent of £2,778 payable each month plus a premium of £25,000 payable upon completion.

At any stage up to the expiry of the lease agreement, ACL Carpets has an option to purchase the Wilton Looms for a pre-agreed sales price of £350,000, plus an exit fee of £50,000. The Joint Administrators also have a right to terminate the lease agreement should a higher offer be submitted. This amount exceeds the Agent's valuation of these assets and no other offers of this quantum have been submitted.

The first instalment of £2,778 and the premium of £25,000 was received upon completion and the Joint Administrators will continue to collect monthly instalment as and when due.

A further update will be provided within the next progress report.

#### SIP13

SIP13 covers the disposal of assets to connected parties in an insolvency process and states that an office holder should provide creditors and other interested parties with sufficient information such that a reasonable and informed third party would conclude that the transaction was appropriate, and that the office holder has acted with due regard for the creditors' interests.

In this instance, SIP13 applies as Gary Bridge, being a director of ACL Carpets, is also one of the Directors and holds a minority shareholding in the Company. As noted above, details of why the offer from ACL Carpets was accepted, in the best interests of the Company's creditor body, can be found above and within the SIP16 Disclosure.

#### Stock

Further stock totalling £38,500 was sold to Factory Outlet Shop and £58,000 to ACL Retail Limited on 3 March 2020 and 5 March 2020, all of which has been received in full.

The stock was valued by the Agent in the lead up to the Administration and the sale of the stock was subject to a final stock count prior to the sale, based on the level of stock on site at the date of the transactions.

No further realisations are expected in this regard.

#### Book Debts

In accordance with the invoice discounting agreement between IGF and the Company, the Company's book debts are specifically pledged to IGF.

As at the Appointment Date, the Company's book debt ledger totalled c£731k, of which c£500k is estimated to be recoverable.

The Company's credit control team is continuing to collect the Company's book debts.

The collections since the Appointment Date total £348,880. The overall outcome from the collections exercise is uncertain given the number of debtors, the typical level of queries raised and the underlying contractual relationships. As part of the sale agreement, ACL Carpets agreed to honour warranties raised

post sale and therefore this is expected to assist with the book debt collections. Further information will be provided in the next report to creditors.

#### Cash at Bank and Petty Cash

As at the Appointment Date, the Company had four bank accounts with Barclays, two in Sterling, one in US Dollars and one in Euros.

As at the Appointment Date, an amount of c£82k was held in these bank accounts. The balances on these accounts are in the process of being transferred to the Administration bank account. An update will be provided within the next progress report. Please note that payment of certain wages totalling £15,745 were paid to the Company's weekly staff from the pre-Administration bank account upon appointment.

As at the Appointment Date, the Company had petty cash totalling £2,839 which was collected and banked into the Administration bank account shortly after the Appointment Date. No further realisations are expected in this regard.

In addition, it is understood that Barclaycard Merchant Service currently holds c£26k received through PDQ machines. These funds are currently held to cover the chargebacks for sales conducted prior to the Appointment Date and will be held for a period up to 120 days. The Joint Administrators will continue to liaise with Barclaycard Merchant Services and will provide an update within the next progress report.

#### Laptops / Chattels

Laptops and other IT devices were used by employees during the normal course of business. These will be valued by the Agents in due course and marketed for sale.

#### Wind Down Process

As previously advised, the Joint Administrators wound down certain parts of the business on a significantly reduced basis to honour customer orders where possible.

During the trading period, c£79k of invoicing was dispatched. Certain invoices have been assigned to IGF under the terms of their invoice discounting agreement and certain amounts (being pro-forma invoicing, overseas invoicing and shop sales) will be paid directly to the Company in Administration.

A Receipts and Payment account for the wind-down period can be found at Appendix 2.

It should be noted that the Joint Administrators are in the process of finalising costs but it is anticipated that a surplus has been achieved from the trading period. An update will be provided within the next progress report.

In addition, further amounts are expected from the Purchasers and ACL Carpets in respect of raw materials purchased by the Company prior to the sale completions as well as wages paid on their behalf for the employees transferred under TUPE. Negotiations remain ongoing and an update will be provided within the next progress report.

#### **Joint Administrators' Receipts and Payments Accounts**

The Receipts and Payments accounts for the Administration and the wind down period are provided at Appendix 2, which are considered self-explanatory.

To date, the largest cost to the Administration estate has been the payment of wages to staff, including the payment of arrears of wages to all staff of c£69k.

Summaries of the most significant costs, which are largely professional costs, are provided later in this report, as well as at the expenses schedule at Appendix 7.



## **8. Investigations**

The Joint Administrators have a statutory obligation to file a report with BEIS regarding the conduct of any director that held office in the three years prior to the Administration (including any shadow directors). This report must be filed within three months from the Appointment Date and the content of this report is confidential.

The Joint Administrators also have a duty to investigate the Company's affairs in order to maximise the return to creditors.

The Joint Administrators also have a duty to investigate antecedent transactions which include:

- Transactions at an undervalue, under Section 238 of the Act
- Preferences, under Section 239 of the Act, and
- Transactions to defraud creditors, under Section 423 of the Act

The Joint Administrators are in the process of requesting certain information from the Company, the directors who held office in the three years prior to the Appointment Date, the Bank and professional advisors, all of which will be reviewed during the statutory investigations.

If any creditor has any information concerning the Company's affairs that they would like to bring to the Joint Administrators' attention, please do so by writing to [Sophie.Thomas@duffandphelps.com](mailto:Sophie.Thomas@duffandphelps.com) or Duff & Phelps Ltd., The Shard, 32 London Bridge Street, London SE1 9SG. This information would be gratefully received.

Further information regarding the submission of the Joint Administrators' report to BEIS regarding the conduct of the Directors will be provided to creditors in the Joint Administrators' first six-month progress report to creditors.

## **9 Joint Administrators' Costs**

### **9.1 Estimated fees and expenses**

#### **9.1.1 Fees**

It is proposed that the Joint Administrators' fee basis is based on time costs.

The amount proposed to be drawn in fees over the first year of the Administration by the Joint Administrators is shown in Appendix 5 - Fee Estimate. The total amount of £216,645 effectively acts as a cap on the level of fees to be drawn by the Joint Administrators for this period.

The time costs already charged since the date of appointment are analysed at Appendix 4. Time is charged in six-minute units. Total time costs incurred to date are £122,966 representing 357 hours at an average hourly rate of £344 per hour.

A breakdown of the tasks undertaken since the Appointment Date can be found at Appendix 6.

The Joint Administrators propose to seek approval from the Secured Creditors for the fee basis and quantum, the approval of which does not form part of these Proposals.

### 9.1.2 Expenses

The Joint Administrators estimate the expenses of the Administration to total approximately £78,355 as detailed in the Expenses Estimate at Appendix 7. This illustrates the estimated expenses for the whole of the Administration and is for information purposes only. No approval is required by any class of creditor. This estimate may change over the course of the Administration, but creditors will be informed of any variations with associated reasons in future progress reports.

### 9.1.3 Disbursements

To date, the Joint Administrators have incurred Category 1 Disbursements of £1,032. Category 1 Disbursements are costs incurred paid to an independent third party and largely relate to travel and lodging costs incurred by Duff & Phelps staff attending the Company's trading premises. No approval is required from any class of creditor for these to be drawn, and they will be paid in due course.

The Joint Administrators have incurred no Category 2 Disbursements during the Administration. These are internal and incidental costs and consist of fuel costs incurred by Duff & Phelps staff attending the Company's premises. Approval for the drawing of Category 2 Disbursements will be sought from the Secured Creditors in due course; however, it is not envisaged that any Category 2 Disbursements will be incurred.

A summary of the Joint Administrators' disbursements and statutory expenses incurred and expected to be incurred can be found at Appendix 5.

### 9.1.4 Additional information

Also attached at Appendix 6 is the "Fee Narrative", a summary of key issues, to assist creditors in understanding the strategy of the Joint Administrators, the associated costs and expenses of the related activities. The fee narrative also includes a detailed analysis of the work undertaken to date and the associated costs, the future work required with an estimated cost of this work. It also notes the financial benefit to creditors from this work.

Details of the estimated return to creditors, if any, can be found at section 7 of this report.

Details of how to obtain further information relating to the fees and disbursements of the Joint Administrators is set out in Appendix 8.

## 9.2 Statement of pre-Administration costs

Pre-Administration costs are fees, charges and expenses incurred by the Joint Administrators or their firm, or another person qualified to act as an insolvency practitioner, before the Company entered Administration but with a view to it doing so.

The pre-Administration time costs incurred by Duff & Phelps for the period leading up to the Appointment Date total £105,073 representing 202 hours at an average charge out rate of £520 per hour.

The majority of the time costs incurred by Duff & Phelps for the period leading up to the Appointment Date mainly relates to negotiating with the interested parties and stakeholders in order to achieve a sale of the business and assets, as well as assisting the Directors with their fiduciary duties, as outlined earlier in this report. The work carried out by Duff & Phelps has been in addition to rather than a repetition of work undertaken by Armstrong Watson prior to Duff & Phelps' engagement.

A detailed breakdown of the pre-Administration time costs incurred by Duff & Phelps, together with the associated expenses, is detailed at Appendix 4.

Total pre-Administration costs incurred by Duff & Phelps total £154,857 as outlined below

Pre-Administration costs	Paid (£)	Unpaid (£)	Total (£)
Duff & Phelps Ltd time costs and disbursements	Nil	£108,574	£108,574
Shoosmiths fee and disbursements	Nil	£25,827	£25,827
SIA	Nil	£16,256	£16,256
Spreckley	Nil	4,200	4,200
<b>Total</b>	<b>Nil</b>	<b>£154,857</b>	<b>£154,857</b>

#### Shoosmiths

Shoosmiths assisted Duff & Phelps with legal matters including the preparation of the SPAs, the Joint Administrators' appointment and ad-hoc matters as required prior to the Appointment Date

#### SIA

SIA assisted Duff & Phelps with the valuation of the Company's assets in preparation of the sale process and has also assisted the Joint Administrators with recommendations of the successful offers

#### Spreckley

Spreckley assisted Duff & Phelps in dealing with the media following news that circulated prior to the Appointment Date

Total pre-Administration costs incurred by Armstrong Watson total £93,194 as outlined below

Pre-Administration costs	Paid (£)	Unpaid (£)	Total (£)
Armstrong Watson time costs and disbursements	Nil	£75,363	£75,363
Schofield Sweeney	Nil	£4,850	£4,850
Sanderson Weatherall	Nil	£12,981	£12,981
<b>Total</b>	<b>Nil</b>	<b>£93,194</b>	<b>£93,194</b>

#### Armstrong Watson

As previously advised, Armstrong Watson was engaged to deal with the sale process of the Company's business and assets until 31 January 2020 when Duff & Phelps was engaged to replace Armstrong Watson in the sale process. A breakdown of their costs can be found at Appendix 4 and a narrative of the work undertaken can be found at Appendix 13

#### Schofield Sweeney

Schofield Sweeney were solicitors instructed by Armstrong Watson to provide ad-hoc legal advice and deal with the potential sale of the business and assets

#### Sanderson Weatherall

Sanderson Weatherall were agents instructed by Armstrong Watson to deal with the valuation of the assets of the Company

It was vital that this work was carried out prior to the Administration rather than post-Administration to allow the sale of certain business and assets via pre-packaged sales, the benefit of which has been noted earlier in this report as well as the SIP 16 Disclosure

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**DUFF & PHELPS**

The Joint Administrators confirm that payment of the unpaid pre-Administration costs, as an expense of the Administration, is subject to approval under rule 3.52 of the Rules, and not part of the Proposals subject to approval under Paragraph 53 of Schedule B1 of the Act.

The Joint Administrators will seek approval of these fees to be drawn from the assets of the Company from the Secured Creditors.

## **10. Dividend prospects**

### **10.1 Secured Creditors**

#### IGF

In consideration for the monies advanced under the invoice discounting agreement the Company granted a debenture to IGF, which confers fixed and floating charges over all of the assets of the Company. The debenture also granted IGF a specific pledge over the Company's book debts, meaning that all book debts flow to IGF. The charge was created on 31 August 2018 (delivered on 6 September 2018).

The indebtedness to the IGF as at the Appointment Date was approximately £1,332,990, subject to accruing interest and charges.

At this stage it is anticipated that there will be distributions to IGF under its fixed charge and under its specific pledge over the Company's book debts, however it is anticipated that there will be insufficient realisations to repay IGF in full.

#### H Dawson

In consideration for the monies advanced under the debenture agreement the Company granted a fixed and floating charge to H Dawson, which confers fixed and floating charges over all of the assets of the Company. The charge was created on 5 April 2013 (delivered on 11 April 2013).

The indebtedness to the H Dawson as at the Appointment Date was approximately £6,092,318 subject to accruing interest and charges.

At this stage it is anticipated that there will be insufficient realisations to allow a distribution to H Dawson.

#### Robert Day

In consideration for the monies advanced under the debenture agreement the Company granted a fixed and floating charge to Robert Day, which confers fixed and floating charges over all of the assets of the Company. The charge was created on 11 March 2015 (delivered on 26 March 2015).

The indebtedness to the Robert Day as at the Appointment Date was approximately £750,000, subject to accruing interest and charges.

At this stage it is anticipated that there will be insufficient realisations to allow a distribution to Robert Day.

### **10.2 Preferential Creditors**

Preferential creditor claims consist of employee claims for arrears of holiday pay, the majority of which are likely to be subrogated to the BEIS following payment to the employees by the RPS. As noted above, the Joint Administrators settled the employees' arrears of wages up to the Appointment Date which has significantly reduced the preferential claims in the Administration. The Joint Administrators therefore anticipate that preferential creditor claims will be approximately £23k.

Following the sale of the business and assets to Ulster and Factory Outlet Shop six employees were transferred under TUPE and as a result the anticipated preferential claims are reduced

The RPS is yet to submit a claim in the Administration

It is anticipated that there will be insufficient funds available to enable a distribution to Preferential Creditors

### 10.3 Non-Preferential Unsecured Creditors

According to the Company's records, non-preferential unsecured creditors total £1,765,089 as at the Appointment Date and can be summarised as follows

Creditor	£
HMRC	543,855
Trade and expense creditors	1,204,950
Employees (unsecured element)	16,284
<b>Total</b>	<b>1,765,089</b>

Based on the current information available to the Joint Administrators, it is anticipated that there will be insufficient realisations to enable a distribution to the non-preferential unsecured creditors of the Company. This is due to a high proportion of the sales consideration being fixed charge realisations and therefore flowing directly to IGF.

#### 10.3.1 Prescribed part

The Prescribed Part is calculated as a percentage of net property as follows -

Net property less than £10,000	50% unless the Joint Administrator considers that the costs of making a distribution to the non-preferential unsecured creditors would be disproportionate to the benefits
Net property greater than £10,000	50% up to £10,000 plus 20% thereafter to a maximum of £600,000.

As the Company granted floating charges to the Secured Creditors, the Prescribed Part provisions will apply. However, it is currently expected that there will be insufficient floating charge net property to pay a dividend via the Prescribed Part. It is anticipated that the costs expected to be incurred during the Administration will exceed any floating charge realisations.

Please note that the estimates detailed on the SOA do not affect creditors' rights to submit a claim.

If not already done so, creditors of the Company should complete the appropriate proof of debt form at Appendix 9 and return this to the Joint Administrators with evidence to support their claim to [sophie.thomas@duffandphelps.com](mailto:sophie.thomas@duffandphelps.com) or Duff & Phelps Ltd, The Shard, 32 London Bridge Street SE1 9SG.

An update will be provided in the Joint Administrators' next progress report.

## **11. End of Administration**

### **11.1 Exit from Administration**

The options available to the Joint Administrators for the exit from the Administration are as follows

- Compulsory Liquidation
- Creditors Voluntary Liquidation (CVL)
- Company Voluntary Arrangement
- Return of control to the Directors
- Dissolution of Company

You will note from the Proposals section 9 below that the Joint Administrators have left the choice of exit route from Administration open so that an alternative strategy can be adopted should this prove more appropriate at the time

However, at this stage the Joint Administrators anticipate that the most likely exit route will be dissolution for the reasons set out below

The Joint Administrators have formed the view that once all the outstanding Administration matters have been finalised, and all liabilities incurred during the Administration have been discharged, there will be insufficient funds available to allow a distribution to non-preferential unsecured creditors other than from the prescribed part (if any)

### **11.2 Discharge of liability**

The Joint Administrators propose to seek approval from Secured Creditors that they will be discharged from liability in respect of any actions as Joint Administrators upon filing their final Receipts and Payments accounts with the Registrar of Companies or their appointment otherwise ceasing.

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

Should the circumstances of the Administration change, the Joint Administrators reserve the right to revert to the unsecured creditors in order to obtain discharge of liability

## **12. Joint Administrators' Proposals**

### **12.1 Approval of Proposals**

The Joint Administrators' Proposals will be deemed approved and a creditors' decision on the approval of these Proposals will not be sought as the Joint Administrators are currently uncertain as to whether there will be sufficient property to enable a distribution to be made to non-preferential unsecured creditors other than by virtue of the Prescribed Part as detailed in section 10

On the expiry of eight business days from the date that the Proposals are delivered to the creditors the Joint Administrators' Proposals will be deemed to have been approved by the creditors unless creditors whose debts amount to at least 10% of the total debts of the Company request that a decision procedure is convened

Further information of the steps required to convene a procedure are detailed at Appendix 8, Statement of Creditors' Rights

## 12.2 Creditors' Committee

A Creditors' Committee will not be established unless requested by the creditors and sufficient creditors are willing to act as members of the committee.

The minimum number of committee members is three and the maximum is five.

The Creditors' Committee represents the interest of the creditors as a whole rather than the interests of individuals.

The statutory function of the Creditors' Committee is to assist the Joint Administrators with discharging their responsibilities, including the approval of:

- The basis of remuneration.
- The drawing Category 2 Disbursements.
- The payment of unpaid pre-Administration costs.
- The discharge from liability of any actions taken as Joint Administrators.

Please note that members of the Creditors' Committee are not paid for their time. In order to enable creditors to make an informed decision, a guidance note on the rights, duties and the functions of Committees can be found at the following link: <https://www.duffandphelps.co.uk/-/media/assets/pdfs-international/uk/creditors-guide/a-guide-for-creditors-march-2017.ashx?la=en-gb&hash=33FCAF379D2B3977216E2D41DB2FFC2F762522E1>.

If you would prefer to be sent a paper copy, please contact Sophie Thomas of this office.

## 12.3 Creditors' rights

The Joint Administrators will use a decision procedure to seek approval of their Proposals if requested by creditors whose debts amount to at least 10% of the total debts of the Company and the relevant procedures are followed.

Creditors who meet one of the thresholds set out in the Insolvency Act 1986 may, within five business days from the date of delivery of this notice, require a physical meeting to be held to consider the proposed decision(s). The statutory thresholds for requesting a meeting are 10% in value of creditors, 10% in number of creditors, or 10 creditors.

Further information on creditors' rights to request a decision or physical meeting and the relevant procedures required is provided on Appendix 8: Statement of Creditors' Rights.

In addition, the statement also sets out information on the remuneration and disbursements of the Joint Administrators.

## 12.4 Summary of Proposals

In addition to the specific itemised proposals detailed below, this document in its entirety constitutes the Joint Administrators' Proposals.

The Joint Administrators propose the following:

### 12.4.1 General

- To continue to deal with such outstanding matters in relation to the Company as the Joint Administrators consider necessary until such time as the Administration ceases to have effect.
- To do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Act, as they, in their sole and absolute discretion, consider desirable or expedient in order to achieve the purpose of the Administration.

- To investigate and, if appropriate, pursue any claims the Company may have for the benefit of the Company's creditors; and
- Seek an extension to the Administration period if considered necessary.

#### 12.4.2 Distributions

- To make distributions to the Secured Creditors where funds allow
- To make distributions to the non-preferential unsecured creditors from the Prescribed Part, where applicable
- To make further distributions to the non-preferential unsecured creditors over and above the Prescribed Part, if funds become available and apply to court for authority to do so, where applicable

#### 12.4.3 End of Administration

That the Joint Administrators might use any or a combination of the following exit route strategies in order to bring the Administration to an end:

- Apply to Court for the Administration order to cease to have effect from a specified time and for the return of control to the Directors
- Place the Company into Creditors' Voluntary Liquidation if deemed appropriate. It is proposed that the Joint Administrators, currently Benjamin John Wiles and Geoffrey Wayne Bouchier of Duff & Phelps would act as Joint Liquidators should the Company be placed into Creditors' Voluntary Liquidation. The creditors may nominate a different person as the proposed Liquidator, provided the nomination is received at this office prior to the approval of these Proposals. Any action required or authorised under any enactment to be done by the Joint Liquidators is to be done by all or any one or more of them.
- Petition the Court for a winding-up order placing the Company into Compulsory Liquidation if deemed appropriate. It is proposed that the Joint Administrators, currently Benjamin John Wiles and Geoffrey Wayne Bouchier of Duff & Phelps would act as Joint Liquidators should the Company be placed into Compulsory Liquidation without further recourse to creditors. Any action required or authorised under any enactment to be done by the Joint Liquidators is to be done by all or any one or more of them.
- Take the necessary steps to give notice of move from Administration to dissolution with the Registrar of Companies if the Joint Administrators consider that Liquidation is not appropriate because (1) the Company has no remaining property which might permit a distribution to its creditors; and (2) all outstanding matters have been satisfactorily completed.

Alternatively, the Joint Administrators may allow the Administration to end automatically.

The Joint Administrators will be seeking specific agreement to the following Proposals from the Secured Creditors which do not form part of these Proposals:

#### 12.4.4 Remuneration and pre-Administration costs

- That the Joint Administrators' remuneration be fixed by reference to the time properly given by them and their staff in attending to matters arising in the Administration.
- That the Joint Administrators' Fee Estimate provided in Appendix 5 in the total sum of £216,645 is approved.



- That the Joint Administrators be authorised to draw their company's internal costs and expenses in dealing with the Administration ("Category 2 Disbursements") which have been charged in accordance with Duff & Phelps policy as set out in Appendix 8.
- That Duff & Phelps and their agents' unpaid pre-Administration costs totalling £154,857 as detailed in the Joint Administrators' statement of pre-Administration costs is approved for payment as an expense of the Administration.
- That Armstrong Watson's and their agents' unpaid pre-Administration costs totalling £93,194 as detailed in the Joint Administrators' statement of pre-Administration costs is approved for payment as an expense of the Administration.
- Where a Creditors' Committee is formed, The Joint Administrator's will seek to obtain approval from the Creditors' Committee.

#### 12.4.5 Discharge of liability

- That the Joint Administrators be discharged from all liability in respect of any actions as Joint Administrators upon filing their final Receipts and Payments accounts with the Registrar of Companies or their appointment otherwise ceasing.
- Where a Creditors' Committee is formed, The Joint Administrator's will seek to obtain approval from the Creditors' Committee.

#### 13. Deemed Approval

The Joint Administrators' Proposals will be deemed approved by the creditors unless creditors whose debts amount to at least 10% of the total debts of the Company request the Joint Administrators to seek a specific decision from the Company's creditors.

Further information is provided at Appendix 6, Statement of Creditors' Rights.

#### 14. Other Matters

The Joint Administrators' next progress report will be issued by 17 September 2020, covering the six-month period from 19 February 2020 to 18 August 2020.

If you require further information or assistance, please do not hesitate to contact Sophie Thomas on [Sophie.Thomas@duffandphelp.com](mailto:Sophie.Thomas@duffandphelp.com)

Yours faithfully  
For and on behalf of  
ACL 2020 Limited (Formerly Axminster Carpets Limited)

  
**Benjamin Wiles**  
Joint Administrator

Enc

The affairs, business and property of the Company are being managed by the Joint Administrators, Benjamin John Wiles and Geoffrey Wayne Boucher, who act as agents for the Company and without personal liability. Both are licensed by the Insolvency Practitioners Association.

## Appendix 1 – Statutory information

### COMPANY INFORMATION

<b>Company and trading name</b>	Axminster Carpets Limited	
<b>Date of incorporation</b>	26 March 2013	
<b>Registered Number</b>	08463187	
<b>Company Directors</b>	Gary Bridge Jo Harry Dawson Jonathan Young	
<b>Company Secretary</b>	N/A	
<b>Shareholders</b>	H Dawson	57,800
	Robert Day	11,798
	Natalie Marshall	10,088
	Emily Hargrove	10,088
	Joshua Duffield	1,708
	Simon Wright	4,270
	Gary Bridge	1,708
	Total	97,460
<b>Trading address</b>	<b>Factory</b> Gamberlake Woodmead Road Axminster EX13 5PQ  <b>Shop</b> Abbey Gate Musbury Road Axminster EX13 8TJ	
<b>Registered office</b>	<b>Current:</b> The Shard 32 London Bridge Street London SE1 9SG  <b>Former:</b> Gamberlake Woodmead Road Axminster EX13 5PQ	
<b>Any Other trading names</b>	Axminster Carpets Limited Axminster Carpets Factory Outlet Shop	

## ADMINISTRATION INFORMATION

<b>Administration Appointment</b>	The Administration appointment granted in the High Court of Justice, Business and Property Courts of England and Wales, Company and Insolvency List (ChD) CR-001244 of 2020
<b>Appointor</b>	IGF
<b>Appointment Date</b>	19 February 2020
<b>Joint Administrators</b>	Benjamin John Wiles (IP Number 10670) and Geoffrey Wayne Bouchier (IP Number 9535)
<b>Original purpose</b>	Manufacture of woven or tufted carpets and rugs
<b>Functions</b>	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2) of Schedule B1
<b>Current Administration expiry date</b>	18 February 2021
<b>Prescribed Part</b>	The Prescribed Part is applicable in this case. However, it is anticipated that there will be insufficient net asset realisation from the floating charge to enable a distribution under prescribed part.
<b>Application of EC Regulations</b>	EC Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC Regulations

## Financial Information

### Balance Sheet

	Draft Balance Sheet for 30 November 2019	Draft Accounts for year ended 28 February 2019	Audited Financial Statements as at 28 February 2018
<b>Fixed Assets</b>			
Negative goodwill	£ (407,209.00)	£ (447,294.00)	£ (500,740.00)
Tangible assets	£ 1,774,676.00	£ 1,968,549.00	£ 2,078,639.00
	<b>£ 1,367,467.00</b>	<b>£ 1,521,255.00</b>	<b>£ 1,577,899.00</b>
<b>Current Assets</b>			
Stock	£ 1,826,570.00	£ 2,348,193.00	£ 3,094,315.00
Debtors	£ 986,335.00	£ 1,645,768.00	£ 1,131,950.00
Cash at bank and in hand	£ 111,423.00	£ 130,869.00	£ 28,817.00
	<b>£ 2,924,328.00</b>	<b>£ 4,124,830.00</b>	<b>£ 4,255,082.00</b>
<b>Current Liabilities</b>			
Creditors - amount falling due within one year	£ (8,861,278.00)	£ 9,570,093.00	£ 10,089,689.00
<b>Net Current Liabilities</b>	<b>£ (5,936,950.00)</b>	<b>£ (5,445,263.00)</b>	<b>£ (5,834,607.00)</b>
<b>Total Assets less Current Liabilities</b>	<b>£ (4,569,484.00)</b>	<b>£ (3,924,008.00)</b>	<b>£ (4,256,708.00)</b>
Creditors - amount falling due after more than one year	£ (2,934,320.00)	£ 3,054,391.00	£ 2,597,252.00
<b>Net Liabilities</b>	<b>£ 7,503,802.00</b>	<b>£ (6,978,399.00)</b>	<b>£ (6,853,960.00)</b>
<b>Capital and Reserves</b>			
Called up share capital	£ 9,746.00	£ 9,746.00	£ 9,746.00
Retained earnings	£ (7,513,548.00)	£ (6,988,145.00)	£ (6,863,706.00)
	<b>£ (7,503,802.00)</b>	<b>£ (6,978,399.00)</b>	<b>£ (6,853,960.00)</b>

## Financial Information

### Profit and Loss

	Management Accounts as of 31 December 2019	Draft Accounts for year ended 28 February 2019	Audited Financial Statements as at 28 February 2018
Turnover	£ 8 136 336.00	£ 11 169 393.00	£ 10 105 406.00
Costs of Sales	£ 5 339 022.00	£ 6 431 913.00	£ 5 873 450.00
<b>Gross Profit</b>	<b>£ 2,797,314.00</b>	<b>£ 4,737,480.00</b>	<b>£ 4,231,956.00</b>
<b>Operating Profit</b>	<b>£ (325,524.00)</b>	<b>£ 11 850.00</b>	<b>£ (733 250.00)</b>
Interest and similar expenses	£ (173 537.00)	£ (285 324.00)	£ (261 808.00)
<b>Loss Before Tax</b>	<b>£ (499,061.00)</b>	<b>£ (273,474.00)</b>	<b>£ (993,136.00)</b>
Corporation Tax	£	£ (149 035.00)	£ (394,397.00)
<b>Retained Profit/(Loss) for the Year</b>	<b>£</b>	<b>£ (124,439.00)</b>	<b>£ (598,739.00)</b>

**Appendix 2 – Receipts and Payments Accounts**

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**ACL 2020 Limited (Formerly Axminster Carpets Limited)**  
**(In Administration)**

**Joint Administrators' Trading Receipts and Payment Account**

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**For the Reporting Period  
from 19 February 2020 to  
1 April 2020**

	(£)
<b>Income</b>	
Administration sales (unassigned)	-
	<hr/>
<b>Other Direct Costs</b>	
Direct Labour	(7,635.85)
	<hr/>
	<b>(7,635.85)</b>
 <b>Trading Expenditure</b>	
Deduction of Earnings	(36.44)
Haulage Costs	(4,717.91)
PAYE/NI	(3,676.83)
Payroll	(1,055.01)
	<hr/>
	<b>(9,486.19)</b>
 <b>Trading surplus / (deficit)</b>	<hr/>
	<b>(17,122.04)</b>

**Note**

Administration sales have been paid to the Company's pre-Administration bank account and are in the process of being transferred to the Administration Estate. Certain invoices have been assigned to IGF and have been paid directly to IGF.

# ACL 2020 Limited (Formerly Axminster Carpets Limited) (In Administration)

## Joint Administrators' Receipts and Payment Account

Statement of  
Affairs  
Estimated to  
Realise Values

For the Reporting Period  
from 19 February 2020 to  
1 April 2020

(£)	(£)
<b>Asset Realisations - Specifically Pledged</b>	
Book Debts	341,754.32
Post-Administration Sales	7,125.36
	<b>348,879.68</b>
<b>Cost of Realisations</b>	
Facility Fees and Interest	(2,610.25)
VAT Receivable	216.32
	<b>(2,393.93)</b>
<b>Secured Creditors</b>	
IGF	346,053.07
	<b>346,053.07</b>
<b>Asset Realisations - Fixed Charge</b>	
Goodwill, Business Information	50,006.00
Plant and Equipment - Axminster	399,992.00
Plant and Machinery - Axminster	165,000.00
Wilton Looms - Lease Payments	2,777.77
Wilton Looms - Option Fee	25,000.00
	<b>642,775.77</b>
<b>Secured Creditors</b>	
IGF	-
Fixed Bank Account	<b>642,775.77</b>
<b>Floating Charge Asset Realisations</b>	
Bank Interest - Gross	31.76
Customer Contracts and WIP	2.00
IT Equipment	3.00
Petty Cash	2,839.02
Prepayments	1.00
Stock	239,995.00
Suppliers' Contracts	1.00
Trading Surplus (Deficit)	(17,122.04)
VAT Receivable on Facility Fees	216.32
	<b>225,967.06</b>
<b>Floating Charge Costs of Realisation</b>	
Stationery and Postage	(624.59)
Stationery, Advertising	(94.50)
VAT Payable on Administration Sales	(1,224.22)
	<b>(1,943.31)</b>
<b>Preferential Creditors</b>	
Arrears of Wages	(69,140.67)
	<b>(69,140.67)</b>
<b>Total</b>	<b>797,658.95</b>
<b>Represented By</b>	
Fixed Bank Account	642,775.77
Floating Main Current Account	174,105.76
VAT Payable	(19,300.00)
VAT Receivable	1,085.32
VAT Payable on Administration Sales	216.32
VAT Receivable on Facility Fees	1,224.22
<b>Total</b>	<b>797,658.95</b>

## Notes

The book debts have been paid directly to IGF under the terms of its invoice discounting facility and have therefore not been paid into the Administration Estate. The entries within the R&P are shown to reflect these collections charges. There have been some collections in foreign currency and these have been converted to sterling for reporting purposes.



**Appendix 3 –Schedule of Creditors and Estimated Outcome Statement**

**ACL 2020 Limited (Formerly Axminster Carpets Limited) (In Administration)****Estimated Statement of Financial Position****As at 30 March 2020****NBV****Estimated to  
Realise****£****Assets Specifically Assigned**

Book Debts - GBP	731,708	500,000
Administration Sales	45,402	36,000
	<b>777,110</b>	<b>536,000</b>

**Assets Available to IGF****536,000**

Indebtedness to IGF	(1,332,990)	(1,332,990)
---------------------	-------------	-------------

**Surplus/(Shortfall) to IGF****(555,880)****(796,990)****Assets Subject to Fixed Charge**

Brand, IP Goodwill	(407,209)	50,006
Plant & Machinery	1,774,676	1,014,992
	<b>1,367,467</b>	<b>1,064,998</b>

**Assets Available to IGF****1,064,998**

Indebtedness to IGF c/d	(555,880)	(796,990)
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**Surplus/(Shortfall) to IGF****-****268,008****Assets Available to H. Dawson****811,587****268,008**

Indebtedness to H. Dawson	(6,092,318)	(6,092,318)
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**Surplus/(Shortfall) to H Dawson****(5,836,612)****(5,824,310)****Assets Subject to Floating Charge**

Cash at Bank / on Hand / Barclaycard	-	100,000
Stock	2,495,000	239,995
Residual Asset Realisations from Sale	-	6
Prepayments	246,743	1
Other Debtors	4,992	-
Trading Surplus	-	5,000

**Estimated Funds Available to Preferential Creditors****2,746,735****345,002**

Preferential Employee Claims - Arrears of Wages & Holiday Pay		(109,000)
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**Net Property****236,002**

Prescribed Part		(50,200)
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**Estimated Funds Available to Floating Charge Holders****185,802**

Shortfall to IGF		-
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Shortfall to H. Dawson		(5,824,310)
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**Surplus / (Shortfall) Available from Floating Charge****(5,638,509)**

Add Back: Prescribed Part		50,200
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**Estimated Funds Available to Non-Preferential Creditors (Prescribed Part)****50,200****Estimated Surplus/(Shortfall) to Non-Preferential Creditors****(1,748,805)**

Issued and called up capital	(97,460)	(97,460)
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**Estimated Surplus/(Shortfall) to Shareholders****(1,846,265)**



**Appendix 4 – Analysis of time charged**

**Analysis of Duff & Phelps' time costs and expenses for pre-Administration period**

## ACL 2020 Limited (Formerly Axminster Carpets Limited) (In Administration)

### Analysis of Duff & Phelps' Time Costs for the Pre-Administration Period

	Managing Director	Hours			Total Hours	Time Costs £	Avg Hourly Rate £
		Manager	Senior	Assistant			
<b>Administration and Planning</b>							
Cashiering and Accounting	0.00	0.00	13.50	0.00	13.50	5,130.00	380.00
Dealings with Notice of Intention to Appoint	0.00	0.50	1.60	0.00	2.10	830.50	395.48
Dealings with Directors and Management	0.00	4.60	10.00	0.50	15.10	5,947.00	393.84
Financial Review	0.00	15.80	0.70	0.00	16.50	7,297.00	442.24
Insurance	0.00	0.00	0.30	0.00	0.30	114.00	380.00
Statutory Matters (Meetings, Reports and Notices)	0.00	0.00	5.50	1.00	6.50	2,290.00	352.31
Statutory Planning and Control	54.00	38.10	14.00	5.90	112.00	68,048.50	607.58
Tax Compliance/Planning	0.00	0.00	0.30	0.00	0.30	114.00	380.00
<b>Creditors</b>							
Communications with Creditors/Employees	1.00	5.60	0.50	0.00	7.10	3,420.50	481.76
Secured Creditors	0.00	0.10	1.00	0.00	1.10	424.50	385.91
<b>Realisation of Assets</b>							
Book Debts	0.00	0.30	0.00	0.00	0.30	133.50	445.00
Freehold and Leasehold Property	0.00	1.20	0.00	0.00	1.20	534.00	445.00
Sale of business	0.00	13.40	12.70	0.00	26.10	10,789.00	413.37
<b>Total Hours:</b>	<b>55.00</b>	<b>79.60</b>	<b>60.10</b>	<b>7.40</b>	<b>202.10</b>		<b>519.90</b>
<b>Total Fees Claimed: £</b>	<b>41,250.00</b>	<b>39,400.50</b>	<b>22,838.00</b>	<b>1,584.00</b>		<b>105,072.50</b>	

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**ACL 2020 Limited (Formerly Axminster Carpets Limited) (In Administration)**

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**Analysis of Duff & Phelps' Disbursements for the Pre-Administration Period**

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**Category 1 Disbursements**

	<b>Incurred (£)</b>	<b>Amount Paid (£)</b>
Accommodation	439.17	
Travel	2,649.96	-
Subsistence	411.82	-
<b>Total</b>	<b>3,500.95</b>	-

**Category 2 Disbursements**

There were no Category 2 Disbursements incurred during the pre-Administration period

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**ACL 2020 Limited (Formerly Axminster Carpets Limited) (In Administration)**

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**Analysis of Pre-Administration Costs**

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<b>Duff &amp; Phelps</b>	<b>£</b>
Duff & Phelps Time Costs	105,072.50
Duff & Phelps Disbursements	3,500.95
Shoosmiths Time Costs	25,821.50
Shoosmiths Disbursements	5.00
SIA Time Costs	15,450.00
SIA Disbursements	806.29
Spreckley Time Costs	4,200.00
Total	<u>154,856.24</u>
 <b>AW</b>	
AW Time Costs	74,027.80
AW Disbursements	1,335.47
Scofield Sweeney	4,850.00
Sanderson Weatherall	12,981.00
	<u>93,194.27</u>
 <b>Total Pre-Administration Costs</b>	 <b><u><u>248,050.51</u></u></b>



**Armstrong Watson Time Costs**

Statement of Insolvency Practice - SIP 9

Case: **AXMINSTER CARPETS LIMITED (ADM) - 71184**

		Insolvency Practitioner	Manager	Other Senior Professional	Assistant and Support Staff	Total	Average Hourly Rate
Admin - Administration	Hrs	1.20	13.40	48.60	1.60	<b>64.80</b>	264
	Val	480.00	4,355.00	11,947.50	310.00	<b>17,092.50</b>	
Admin - Cashiering	Hrs	0.50			0.70	<b>1.20</b>	269
	Val	200.00			122.50	<b>322.50</b>	
Admin - File Review	Hrs	0.80				<b>0.80</b>	400
	Val	320.00				<b>320.00</b>	
Admin - Forms & Reports	Hrs	3.30				<b>3.30</b>	400
	Val	1,320.00				<b>1,320.00</b>	
Admin - Planning	Hrs	21.70	7.30	12.50	0.20	<b>41.70</b>	341
	Val	8,680.00	2,372.50	3,125.00	45.00	<b>14,222.50</b>	
<b>Administration &amp; Reporting</b>	<b>Hrs</b>	<b>27.50</b>	<b>20.70</b>	<b>61.10</b>	<b>2.50</b>	<b>111.80</b>	
	<b>Val</b>	<b>11,000.00</b>	<b>6,727.50</b>	<b>15,072.50</b>	<b>477.50</b>	<b>33,277.50</b>	
Assets - Land & Buildings	Hrs	0.20		0.20	0.10	<b>0.50</b>	305
	Val	80.00		50.00	22.50	<b>152.50</b>	
Assets - Other Assets	Hrs			3.00		<b>3.00</b>	237
	Val			712.50		<b>712.50</b>	
Assets - P&M, F&F, MV	Hrs	0.40		0.10		<b>0.50</b>	370
	Val	160.00		25.00		<b>185.00</b>	
Assets - Stock	Hrs	0.50				<b>0.50</b>	400
	Val	200.00				<b>200.00</b>	
<b>Realisation of Assets</b>	<b>Hrs</b>	<b>1.10</b>		<b>3.30</b>	<b>0.10</b>	<b>4.50</b>	
	<b>Val</b>	<b>440.00</b>		<b>787.50</b>	<b>22.50</b>	<b>1,250.00</b>	
Creditors - Secured	Hrs	2.90	0.50	2.90		<b>6.30</b>	325
	Val	1,160.00	162.50	725.00		<b>2,047.50</b>	
Creditors - Stakeholders	Hrs			0.10		<b>0.10</b>	250
	Val			25.00		<b>25.00</b>	
Creditors - Unsecured	Hrs	2.60				<b>2.60</b>	400
	Val	1,040.00				<b>1,040.00</b>	
<b>Creditors</b>	<b>Hrs</b>	<b>5.50</b>	<b>0.50</b>	<b>3.00</b>		<b>9.00</b>	
	<b>Val</b>	<b>2,200.00</b>	<b>162.50</b>	<b>750.00</b>		<b>3,112.50</b>	
Employee - Claims and Queries	Hrs			0.10		<b>0.10</b>	250
	Val			25.00		<b>25.00</b>	
<b>Employees</b>	<b>Hrs</b>			<b>0.10</b>		<b>0.10</b>	
	<b>Val</b>			<b>25.00</b>		<b>25.00</b>	
Trading - Sale of Business	Hrs	14.70	35.60	22.30		<b>72.60</b>	317
	Val	5,880.00	11,570.00	5,575.00		<b>23,025.00</b>	
Trading - Supervision	Hrs	1.40		8.30		<b>9.70</b>	272
	Val	560.00		2,075.00		<b>2,635.00</b>	
<b>Trading &amp; Sale of Business</b>	<b>Hrs</b>	<b>16.10</b>	<b>35.60</b>	<b>30.60</b>		<b>82.30</b>	
	<b>Val</b>	<b>6,440.00</b>	<b>11,570.00</b>	<b>7,650.00</b>		<b>25,660.00</b>	
<b>Total</b>	<b>Hrs</b>	<b>50.20</b>	<b>56.80</b>	<b>98.10</b>	<b>2.60</b>	<b>207.70</b>	
	<b>Val</b>	<b>20,080.00</b>	<b>18,460.00</b>	<b>24,285.00</b>	<b>500.00</b>	<b>63,325.00</b>	

Note

This statement has been provided by Armstrong Watson

**Analysis of the Joint Administrators' time costs for the Reporting Period**

ACL 2020 Limited (Formerly Axminster Carpets Limited) (In Administration)

Analysis of the Joint Administrators' Time Costs for the Reporting Period

	Hours				Total Hours	Time Costs £	Avg Hourly Rate £
	Managing Director	Manager	Senior	Assistant			
<b>Administration and Planning</b>							
Case Review & Case Diary Management	0.00	2.10	3.80	2.40	8.30	2,770.50	333.80
Cashiering & Accounting	0.00	6.00	6.10	13.50	25.60	7,709.00	301.13
Dealings with Directors and Management	0.00	3.70	0.50	1.50	5.70	2,076.50	364.30
IPS Set Up & Maintenance	0.00	0.40	0.00	1.60	2.00	462.00	231.00
Insurance	0.00	0.20	1.50	0.00	1.70	659.00	387.65
Statement of Affairs	0.00	1.60	0.50	0.40	2.50	966.00	386.40
Statutory Matters (Meetings, Reports & Notices)	0.00	14.10	32.20	28.20	74.50	23,262.50	312.25
Strategy, Planning & Control	1.50	10.20	13.40	16.00	41.10	13,824.00	336.35
Tax Compliance - Planning	0.00	0.20	0.20	0.70	1.10	277.00	251.82
<b>Creditors</b>							
Communications with Creditors / Employees	0.00	5.50	19.50	37.90	62.90	16,449.50	261.52
Non-Preferential Creditors - Employee Claims	0.00	0.00	0.00	0.20	0.20	40.00	200.00
Preferential Claims Adjudication and Distribution	0.00	0.00	0.70	0.00	0.70	266.00	380.00
Secured Creditors	0.00	8.60	0.20	0.00	8.80	3,903.00	443.52
<b>Investigations</b>							
Financial Review & Investigations (£238,239 etc)	0.00	0.00	0.00	0.50	0.50	80.00	160.00
<b>Realisation of Assets</b>							
Book Debts	0.00	1.90	6.60	0.00	8.50	3,353.50	394.53
Freehold & Leasehold Property	0.00	1.80	0.00	0.70	2.50	913.00	365.20
Hire Purchase & Lease Assets	0.00	0.40	1.40	0.00	1.80	710.00	394.44
Other Intangible Assets	0.00	0.00	0.50	0.00	0.50	190.00	380.00
Other Tangible Assets	0.00	0.60	2.20	0.00	2.80	1,103.00	393.93
Sale of Business	0.00	35.10	9.20	0.30	44.60	19,163.50	429.67
<b>Trading</b>							
Trading - Accounting	0.00	0.30	5.00	0.00	5.30	2,033.50	383.68
Trading - Employees	0.00	4.00	5.20	2.10	11.30	4,092.00	362.12
Trading - Operations	0.00	29.30	13.20	0.00	42.50	18,054.50	424.81
Trading - Retention of Title & Claims Handling	0.00	0.00	1.60	0.00	1.60	608.00	380.00
<b>Total Hours:</b> 1.50 126.00 123.50 106.00 357.00 344.44							
<b>Total Fees Claimed:</b> 1,125.00 56,455.00 46,930.00 18,456.00 122,966.00							

**Appendix 5 – Fee estimate**

# **ACL 2020 Limited (Formerly Axminster Carpets Limited) (In Administration)**

## **Analysis of the Joint Administrators' Fee Estimate for the Administration Period**

	Hours					Total	Time Costs	Hourly Rate
	Managing Director	Manager	Senior	Assistant	Support	Hours	£	£
<b>Administration &amp; Planning</b>								
Case Review & Case Diary Management	1.00	3.00	5.00	5.00	-	14.00	4,955.00	356.07
Cashflow & Accounting	0.30	7.00	10.00	15.00	-	32.30	15,140.00	313.93
Dealings with Directors & Management	-	5.00	3.00	2.00	-	10.00	3,765.00	376.50
PS Set Up & Maintenance	-	0.80	1.00	5.00	-	6.80	1,756.00	258.25
Insurance	-	4.00	7.00	1.30	-	12.30	2,600.00	383.56
Statement of Affairs	-	2.00	1.00	1.50	-	4.50	1,570.00	348.89
Statutory Matters (Meetings, Reports & Notices)	5.00	20.00	35.00	40.00	-	100.00	35,950.00	359.50
Strategy Planning & Control	23.00	8.00	15.00	21.00	-	66.00	35,510.00	462.27
Tax Compliance Planning	-	3.00	4.00	5.00	-	12.00	3,850.00	321.25
	<b>29.30</b>	<b>52.80</b>	<b>76.00</b>	<b>94.80</b>	<b>-</b>	<b>252.90</b>	<b>93,311.00</b>	<b>368.96</b>
<b>Creditors</b>								
Communications with Creditors / Employees	-	9.00	20.00	40.00	-	69.00	15,605.00	224.73
Non Pref Creditors - Employee Claims Handling	-	-	-	10.00	-	10.00	2,000.00	200.00
Preferential Claims Adjudication & Distribution	-	-	-	10.00	-	10.00	2,000.00	200.00
Secured Creditors	-	15.00	8.00	-	-	23.00	5,715.00	422.39
	<b>-</b>	<b>24.00</b>	<b>28.00</b>	<b>60.00</b>	<b>-</b>	<b>112.00</b>	<b>33,320.00</b>	<b>297.50</b>
<b>Investigations</b>								
ODD & Reports & Communication	1.00	4.00	15.00	10.00	-	30.00	10,230.00	341.00
Financial Review & Investigations	-	5.00	10.00	10.00	-	25.00	8,025.00	321.00
	<b>1.00</b>	<b>9.00</b>	<b>25.00</b>	<b>20.00</b>	<b>-</b>	<b>55.00</b>	<b>18,255.00</b>	<b>331.91</b>
<b>Realisation of Assets</b>								
Book Debts	-	10.00	20.00	-	-	30.00	12,050.00	401.67
Freehold & Leasehold Property	-	2.00	1.00	5.00	-	8.00	2,270.00	283.75
Goodwill & Intellectual Property Rights	-	1.00	1.00	3.00	-	5.00	1,425.00	285.00
Share Purchase & Lease Assets	-	1.00	2.00	1.40	-	4.40	1,485.00	337.50
Other Intangible Assets	-	0.80	1.00	1.00	-	2.80	936.00	334.29
Other Tangible Assets	-	5.00	7.00	3.00	-	15.00	5,485.00	365.67
Plant & Machinery & Fixtures & Motor Vehicles	-	3.00	2.00	-	-	5.00	2,065.00	413.00
Sale of Business	-	37.00	12.00	1.00	-	50.00	21,225.00	424.50
	<b>-</b>	<b>59.80</b>	<b>45.00</b>	<b>14.40</b>	<b>-</b>	<b>120.20</b>	<b>46,971.00</b>	<b>390.77</b>
<b>Trading</b>								
Trading - Accounting	-	0.30	5.00	-	-	5.30	2,033.50	383.68
Trading - Employees	-	4.00	5.20	2.10	-	11.30	4,092.00	362.12
Trading - Operations	-	29.30	13.20	-	-	42.50	16,054.50	424.81
Trading - Retention of Title & Claims Handling	-	-	1.60	-	-	1.60	506.00	380.00
	<b>-</b>	<b>33.60</b>	<b>25.00</b>	<b>2.10</b>	<b>-</b>	<b>60.70</b>	<b>24,788.00</b>	<b>408.37</b>
<b>Total Hours:</b>	<b>30.30</b>	<b>179.20</b>	<b>200.00</b>	<b>191.30</b>	<b>-</b>	<b>600.80</b>		<b>360.59</b>
<b>Total Fees Claimed (£)</b>	<b>22,725.00</b>	<b>79,744.00</b>	<b>76,000.00</b>	<b>38,260.00</b>	<b>-</b>		<b>216,645.00</b>	

## **Appendix 6 – Fee narrative**

Benjamin Wiles and Geoffrey Boucher were appointed Joint Administrators of the Company on 19 February 2020

### **Introduction**

The following information is provided to creditors to enable them to consider the Joint Administrators' remuneration. It is a summary of key issues to assist creditors in understanding the strategy of the Joint Administrators, the associated costs and expenses of the related activities and the financial benefit to creditors.

This document should be read in conjunction with the Joint Administrators' Report to Creditors and Statement of Proposals which provide further details of the assets, liabilities and estimated return to creditors, if any.

### **Estimated Fee and Expenses**

The Joint Administrators propose that their fees be based on Duff & Phelps' time costs.

The ability for the Joint Administrators to draw fees is dependent on asset realisations and the authority of creditors. The Secured Creditors will be asked to approve the basis of the fees and the fee estimate, which will effectively act as a cap on the fees that can be drawn (subject to the Joint Administrators' ability to seek an increase in the approved amount from creditors if appropriate).

The amount expected to be incurred in time costs by the Joint Administrators over the life of the Administration, assuming the Administration will close by the automatic end date on 18 February 2021 is detailed at Appendix 5 – Fee Estimate.

Appendix 7 illustrates the estimated expenses for the whole of the Administration and is for information purposes (and does not require approval by any class of creditor). This estimate may change over the course of the Administration, but creditors will be informed of any variations with associated reasons in the Joint Administrators' Progress Reports.

### **Strategy**

#### Administration and Planning

The role of an Administrator is highly regulated, being required to conform to insolvency legislation, industry best practice policies (Statements of Insolvency Practice) and relevant case law. Consequently, the Joint Administrators are obliged to undertake many activities that do not provide a financial benefit to creditors.

The Joint Administrators have incurred £52,007 in respect of administration and planning, representing 163 hours at an average charge out rate of £319.

To date, these time costs have included:

- Monitoring and reviewing the Administration strategy
- Briefing staff on the Administration strategy and matters in relation to workstreams
- Advertising the Administration appointment and notifying all relevant stakeholders
- Complying with anti-money laundering checks, bribery act and ethical checks
- Setting up the Administration on our internal systems and on the Creditors' Portal website
- Companies House and Court filings
- Calculating and obtaining the Insolvency Practitioners' Bond
- Setting up Administration bank accounts
- Undertaking treasury functions in respect of receipts and payments of the Administration to date
- Preparation of this report and the SIP 16 Disclosure
- Completing internal compliance reviews and checklists.

Future time costs are expected to total £41,304 and are likely to include the following tasks

- Internal strategic discussions and meetings and completing case reviews at regular intervals
- *General case oversight by senior team members over key issues including statutory matters*
- Filing notices with Companies House at relevant intervals
- Dealing with tax compliance and returns
- Preparing and issuing the Joint Administrators' six month progress report and Final Report to creditors
- Regularly reconciling the Administration bank accounts
- Dealing with queries arising during the appointment
- Reviewing matters affecting the outcome of the Administration
- Liaising with legal advisors regarding various instructions
- Complying with internal filing and information recording practices, including documenting strategy decisions

It is expected that all grades will be involved in these tasks and therefore the average charge out rate is expected to be in line with the average expected charge out rate for the Administration

#### Creditors

Time costs incurred in relation to creditors total £20,659 representing 73 hours at an average charge out rate of £283. This has included the following tasks

- Drafting of initial creditor letter and associated documents and issuing to creditors
- Responding to enquiries from creditors regarding the Administration and submission of their claims
- Reviewing and dealing with creditor correspondence received
- Dealing with enquiries from employees of the Company
- Updating the non-preferential unsecured creditor details on our internal systems
- Uploading documents to the Creditors' Portal
- Reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records
- Providing updates to the Secured Creditors regarding the progress of the Administration and cases strategy

Future time costs in relation to creditors are expected to total £12,661 and are likely to comprise the following

- Continuing to deal with creditor claims and queries from creditors
- Providing updates to the Secured Creditors
- Distributing funds to IGF (and other Secured Creditors if realisations allow)
- Liaising with the Company's pension provider in relation to the Administration

Time costs in this category do not have a direct benefit for creditors except where they relate to dealing with distributions; however these time costs are necessary to keep creditors informed about the Administration and deal with their queries

It is expected that these tasks will be undertaken by lower level grades and therefore the average charge out rate is less than the average expected charge out rate for the Administration

#### Investigations

It is a statutory requirement that the Joint Administrators provide a report to the BEIS on the conduct of the directors in their management of the Company to determine their fitness to act in such a role. This will entail a broad level of investigation to ensure that best practice standards are met, and the fee estimate reflects this standard



These investigations may or may not lead to further asset recovery so creditors should not assume that this activity will provide a monetary benefit to the Administration estate

Time costs incurred in relation to investigations total £80, representing half an hour at an average charge out rate of £160. This has included the following tasks

- Writing to the Company's former professional advisors requesting certain information and reviewing and documenting the information provided
- Preliminary analysis of bank statements provided by Barclays

Future time costs are expected to total £18,175 and are likely to include the following tasks

- Obtaining a backup of the Company's financial and IT records
- Liaising with Barclays to obtain the Company's bank statements and company credit card statements
- Analysis of the Company's bank statements for the three-year period leading up to the appointment
- A review of the Company's other relevant financial records, including statutory accounts, management accounts
- Review of any other information provided by creditors and/or third parties
- Liaising with solicitors in the event of potential asset realisations
- Submission of the Joint Administrators' statutory report on the directors' conduct to the BEIS

It is expected that these tasks will be undertaken by lower level grades and therefore the average charge out rate is less than the average expected charge out rate for the Administration

#### Realisation of Assets

The fundamental duty of an Administrator is that of the recovery and realisation of the assets: the Joint Administrators' powers are designed to ensure the effective discharge of this duty. The Joint Administrators must recover the assets of the Company for the benefit of the creditors and must realise the same to affect the best possible distribution.

The Joint Administrators have incurred £25,433 in relation to the realisation of assets of the Company representing 61 hours at an average charge out rate of £417. This has related largely to the sale of the Company's business and assets and has included the following

- Reviewing Non-Disclosure Agreements and following up with interested parties in respect of the Axminster business
- Discussions with interested parties in relation to the Company and providing further information where required
- Negotiations with interested parties and reviewing offers received
- Liaising with solicitors on matters relating to the sale of the Axminster business, including the sale and purchase agreement and other legal issues
- Completion of the sale of the Factory Outlet Shop
- Sale of further stock to ACL Retail and Factory Outlet
- Communicating details of the sale to all relevant parties
- Dealing with post-completions matters with Ulster Factory Outlet and ACL Carpets
- Monitoring the book debt collection on behalf of IGF
- Liaising with Barclays in respect of cash at bank
- Facilitating the return of third party assets (such as leased vehicles)

These time costs have resulted in a direct benefit for creditors, as they have achieved a sale of the Company's business and assets and resulting in realisations for the Administration estate

Future time costs are expected to total £21,538 and are likely to include the following

- Continuing to liaise with Ulster Factory Outlet and ACL Retail in relations to matters arising post-completion

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- Liaising with ACL Carpets in relation to matters arising post-completion
- Continuing to monitor the book debt collection and updating IGF in this respect
- Dealing with the realisation of the remaining assets such as cash at bank and IT equipment (please refer to section 7 for further details)

It is expected that these tasks will be undertaken by higher level grades and therefore the average charge out rate is higher than the average expected charge out rate for the Administration. This is required to ensure that the best result is achieved for the benefit of the creditors

#### Wind down

Time costs incurred in respect of trading total £24 788 representing 61 hours at an average charge out rate of £408

Time costs in this category include the following

- Preparing forecasts of the likely costs to be incurred during the trading period and regularly reviewing these
- Communicating with staff in relation to the Administration and liaising with staff in relation to matters arising during the trading period
- Liaising with customers while on site in respect of certain orders
- Liaising with the haulage companies to distribute stock to customers
- Working with management to determine which orders could be dispatched during this period
- Liaising with the landlord with regards to property matters

These time costs have resulted in a direct benefit for creditors, as they have achieved a sale of the Company's business and assets and resulted in realisations for the Administration estate

No future time costs are expected to be incurred

These tasks have been undertaken by higher level grades and therefore the average charge out rate is higher than the average expected charge out rate for the Administration. This is required to ensure that the best result is achieved for the benefit of the creditors

**Appendix 7 – Expenses estimate**

ACL 2020 Limited (Formerly Axminster Carpets Limited) (In Administration)

Least Squares Estimates: Estimated Parameters for the Advertising Model

Notes	Description	Type Of Expense	Amount	Fee Basis	Estimated Total Cost	Amount Incurred	Amount Paid	Balance To Estimate
	Purchase of A.O. 578							
	<b>Subscriptions</b>							
	Spectraley							
	Tax Advisors / To Be Confirmed							
	<b>Other Costs</b>							
	Accurate Trading Services Ltd.							
	Courts Advertising Ltd.							
	Toth Oak Management Limited							
	Involuntary Risk Services							
	<b>Total Expenses</b>					70,354.50	46,675.92	23,678.58
	<b>Disbursements</b>							
	<b>Category 1 Disbursements</b>							
	Bond Premium							
	<b>Total</b>					2,025.00	1,031.76	1,000.00
	<b>Category 2 Disbursements</b>							
	<b>Total</b>					80,679.50	47,707.68	32,971.82

### Appendix 12: Expenses Schedule

## **Appendix 8 – Statement of Creditors' rights**

*Rule numbers refer to Insolvency (England & Wales) Rules 2016 (as amended)*

*Section or paragraph numbers refer to Insolvency Act 1986*

If you require a copy of any relevant rule or section, please contact Sophie Thomas at  
sophie.thomas@duffandphelps.com

### **Information for creditors on remuneration and disbursements of Administrators**

Information regarding the fees and disbursements of Administrators, including details of Duff & Phelps disbursements policy and hourly charge out rates for each grade of staff that may undertake work on this case, is in a document called 'A Creditors' Guide to Administrators' Fees'. This can be viewed and downloaded from Duff & Phelps' website at

<https://www.duffandphelps.co.uk/-/media/assets/pdfs-international/uk/creditors-guide/administration-a-creditors-guide-to-insolvency-practitioner-fees-updated.ashx?la=en-gb&hash=007D99D0FCC2E1AAADA98AA36B09E2D94292DBA9>

Should you require a copy, please contact this office

### **Creditors may requisition a physical meeting of creditors for approval of the Joint Administrators' Proposals under Rule 15.6 of the Insolvency (England and Wales) Rules 2016**

The Joint Administrators shall summon a physical meeting (1) if asked to do so by (a) creditors whose debts amount to at least 10% of the total debts of the Company or (b) 10% in number of creditors, or (c) 10 creditors, and (2) if the following procedures are followed

The request for a requisitioned physical meeting must be made within five business days of the date on which the Joint Administrators' Proposals were delivered and include either:

(a) a statement of the requesting creditor's claim together with—

- a list of the creditors or contributories concurring with the request and of the amounts of their respective claims or values, and
- confirmation of concurrence from each creditor; or

(b) a statement of the requesting creditor's debt and that that alone is sufficient without the concurrence of other creditors

Creditor/s may be requested to meet the costs of a requisitioned decision and a deposit will be required for this purpose. These costs may be ordered to be paid as an expense of the Administration if the creditors so resolve.

If you wish to request a physical creditors' meeting, please complete and return the physical meeting requisition form available on the portal.

### **Creditors may requisition a decision to be made by all of the creditors for approval of the Joint Administrators' Proposals under para 52(2) Schedule B1 Insolvency Act 1986**

The Joint Administrators shall seek a decision from the Company's creditors as to whether they approve the Proposals if requested by creditors of the Company, whose debts amount to at least 10% of the total debts of the Company. Such a request must be received by the Joint Administrators within eight business days of the date on which the Joint Administrators' Proposals is delivered.

The request for a requisitioned decision must include a statement of the purpose of the proposed decision and either—

(a) a statement of the requesting creditor's claim together with—

- a list of the creditors or contributories concurring with the request and of the amounts of their respective claims or values, and
- confirmation of concurrence from each creditor, or

(b) a statement of the requesting creditor's debt and that that alone is sufficient without the concurrence of other creditors

Creditor/s may be requested to meet the costs of a requisitioned decision and a deposit will be required for this purpose. These costs may be ordered to be paid as an expense of the Administration if the creditors so resolve.

A requisitioned decision must be made within 28 days of receiving the deposit or the expiry of 14 days without the Administrator informing the requesting creditor of the deposit sum.

**Appendix 9 – Proof of Debt form**

Rule 14.4  
IR 2016

**PROOF OF DEBT - GENERAL FORM**

<p align="center"><b>Axminster Carpets Limited (In Administration)</b> <b>Company Registration No. 08463187</b></p>		
<p align="center">Date of Administration 19 February 2020</p>		
1	Name of Creditor (If a company please also give company registration number and if non-UK country of registration)	
2	Address of Creditor for correspondence	REF
	Contact telephone number of creditor	
	Email address of creditor	
3	Total amount of claim including any Value Added Tax as at the date of administration, less any payments made after this date in relation to the claim, any deduction under R14 20 of the Insolvency (England & Wales) Rules 2016 and any adjustment by way of set-off in accordance with R14 24 and R14 25	
4	Details of any documents by reference to which the debt can be substantiated (please attach)	
5	If amount in 3 above includes outstanding uncapitalised interest please state amount	£
6	Particulars of how and when debt incurred (If you need more space append a continuation sheet to this form)	
7	Particulars of any security held, the value of the security, and the date it was given	
8	Particulars of any reservation of title claimed, in respect of goods supplied to which the claim relates	
9	Signature of creditor or person authorised to act on his behalf	
	Name in BLOCK LETTERS	DATE
	Are you the sole member of the creditor?	YES / NO
	Position with or in relation to creditor _____ Address of person signing (if different from 2 above)	
Admitted to vote for £		Admitted for dividend for £
Date		Date
Administrator		Administrator



## Appendix 10 – Definitions

Word or Phrase	Definition
ACL	ACL 123 Limited (company number 00324654) (Formerly Axminster Carpets Limited) (In Creditors' Voluntary Liquidation)
ACL Carpets	ACL Carpets Limited (company number 12443969), the purchaser of the certain parts of the business and certain assets of the Company on 4 March 2020
ACL Retail	ACL Retail Limited (company number 12451108) the purchaser of certain stock from the Company on 5 March 2020
the Act	The Insolvency Act 1986 (as amended)
the Agent	SIA Group Asset Ingenuity Limited, independent agents who were instructed to value and assist with the sale of the Company's assets
the Appointment Date	19 February 2020, being the date of appointment of the Joint Administrators
Armstrong Watson	Armstrong Watson LLP, insolvency practitioners previously instructed to assist with the sale of the Company
Axfelt / Underlay	The Company's underlay manufacturing business which was sold to Ulster on the Appointment Date
the Bank	Barclays Bank Plc, with whom the Company banked
BEIS	Department for Business, Energy & Industrial Strategy
Category 1 Disbursements	The Joint Administrators' external costs and expenses in dealing with the Administration
Category 2 Disbursements	The Joint Administrators' internal costs and expenses in dealing with the Administration
the Company	ACL 2020 Limited (Formerly Axminster Carpets Limited) (In Administration) (Company Number: 08463187)
the Creditors' Portal	The Joint Administrators have chosen to deliver the majority of documents to creditors by making them available for viewing and downloading at the website <a href="http://www.ips-docs.com">www.ips-docs.com</a> . Additionally, creditors can also submit their claim via the Creditors' Portal
CVA	Creditors' Voluntary Arrangement
CVL	Creditors' Voluntary Liquidation
the Directors	Mr Gary Bridge, Mr Jo Harry Dawson and Mr Jonathan Young, being the directors of the Company as at the Appointment Date
Duff & Phelps	Duff & Phelps Ltd, The Shard, 32 London Bridge Street, London SE1 9SG

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EC Regulation	EC Regulation on Insolvency Proceedings 2000
Factory Outlet	Axminster Carpets (Factory Outlet) Limited (company number 12452625), the purchaser of the certain parts of the business and certain assets of the Company, via a pre-packaged Administration sale on 21 February 2020
Factory Outlet Shop	The Company's sales shop and showroom which sold the Company's product range direct to consumers
H Dawson	H Dawson Sons and Company (Wool) Limited (under CVA) the holder of a second ranking fixed and floating charge over the Company's assets
HMRC	HM Revenue and Customs
IGF	IGF Business Credit Limited, being the provider of an invoice discount facility and the holder of a first ranking fixed and floating charge over the Company's assets
IP	Intellectual Property
the Joint Administrators	Benjamin Wiles and Geoffrey Bouchier of Duff & Phelps
the Landlord	ACL Properties (2013) Limited, the landlord of the Company's trading premises. The trading premises was divided into a number of leases for the different service lines, including the Factory Outlet Shop and the Underlay business, being the aspects of the business sold via a pre-packaged Administration
M&A	Mergers and acquisitions
NOI	Notice of Intention to Appoint Administrators
Prescribed Part	Pursuant to Section 176A of the Act where a floating charge is created after 15 September 2003 a designated amount of a company's net property (floating charge assets less costs of realisation) shall be made available to non-preferential unsecured creditors
the Purchasers	Ulster and Factory Outlet, the purchasers of certain parts of the business and certain assets of the Company, via a pre-packaged Administration
the Reporting Period	The period from the Appointment Date to 1 April 2020
Robert Day	Mr Robert Day, being the holder of a third ranking fixed and floating charge over the Company's assets
RPS	Redundancy Payments Service
the Rules	The Insolvency (England & Wales) Rules 2016 (as amended)
the Secured Creditors	IGF, H Dawson and Robert Day, the holders of fixed and floating charges over the Company's assets
SIP 9	Statement of Insolvency Practice 9 – Industry best practice for Insolvency Practitioners in relation to disclosure of remuneration and disbursements

SIP 13	Statement of Insolvency Practice 13 – Industry best practice for Insolvency Practitioners in relation to the acquisition of assets of insolvent companies by connected parties
SIP 16	Statement of Insolvency Practice 16 – Industry best practice for Insolvency Practitioners in relation to the requirement for disclosure of information with respect to a Pre-Packaged sale of business and/or assets of the Company
the SIP 16 Disclosure	The Joint Administrators' Disclosure in accordance with Statement of Insolvency Practice 16 "Pre-Packaged" Sales in Administrations, in accordance with SIP 16, dated 5 March 2020
the Solicitors	Shoosmiths LLP, the legal advisors to the Joint Administrators and to Duff & Phelps in the lead up to the Administration
SPAs	The Sale and Purchase Agreements, between the Company, the Joint Administrators and the Purchasers, dated 19 February 2020 and 21 February 2020 respectively
Spreckley	Spreckley Partners Limited, PR agents instructed to liaise with the media
TUPE	The Transfer of Undertaking (Protection of Employment) Regulations 2006
Ulster	Ulster Carpets Mills (Holdings) Limited (Company Number NI1001207) the purchaser of the certain parts of the business and certain assets of the Company via a pre-packaged Administration on 19 February 2020

## **Appendix 11 – Notice about this Statement of Proposals**

This Statement of Proposals has been prepared by Benjamin John Wiles and Geoffrey Wayne Bouchier the Joint Administrators of the Company, solely to comply with their statutory duty under Paragraph 49 Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their Proposals for achieving the purpose of the Administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purposes, or in any other context.

These proposals have not been prepared in contemplation of them being used, and are not suitable to be used, to inform any investment decision in relation to the debt of any financial interest in the Company or any other company in the same group.

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.

Any person that chooses to rely on these proposals for any purpose or in any context other than under Paragraph 49 Schedule B1 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint administrators do not assume any responsibility and will not accept any liability in respect of these proposals.

Benjamin John Wiles and Geoffrey Wayne Bouchier are authorised to act as Insolvency Practitioners by the Insolvency Practitioners Association.

The Joint Administrators are bound by the Insolvency Code of Ethics.

The Joint Administrators act as agent for the Company and contract without personal liability. The appointment of the Joint Administrators is personal to them and, to the fullest extent permitted by law, Duff & Phelps Ltd. does not assume any responsibility and will not accept any liability to any person in respect of these proposals or the conduct of the Administration.

**Appendix 12 – SIP 16 disclosure report**

**Disclosure in Accordance with Statement of Insolvency Practice 16 “Pre-Packaged Sales in Administrations”**

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# SIP 16 Statement to Creditors

5 March 2020

## **Axminster Carpets Limited (In Administration)**

Joint Administrators' report on the Pre-Packaged sale of the  
business and assets of the Company in accordance with SIP 16.

Duff & Phelps Ltd.  
The Shard  
32 London Bridge Street  
London  
SE1 9SG

## Definitions

Word or Phrase	Definition
ACL	ACL 123 Limited (Formerly Axminster Carpets, Limited) (In Creditors' Voluntary Liquidation)
the Act	The Insolvency Act 1986 (as amended)
the Agent	SIA Group Asset Ingenuity Limited, independent agents who were instructed to value and assist with the sale of the Company's assets
the Appointment Date	19 February 2020, being the date of appointment of the Joint Administrators
Armstrong Watson	Armstrong Watson LLP, insolvency practitioners previously instructed to assist with the sale of the Company
Axfelt / Underlay	The Company's underlay manufacturing business which was sold to Ulster on the Appointment Date
the Bank	Barclays Bank Plc, with whom the Company banked
BEIS	Department for Business, Energy & Industrial Strategy
Category 1 Disbursements	The Joint Administrators' external costs and expenses in dealing with the Administration
Category 2 Disbursements	The Joint Administrators' internal costs and expenses in dealing with the Administration
the Company	Axminster Carpets Limited (In Administration) (Company Number: 08463187)
the Creditors' Portal	The Joint Administrators have chosen to deliver the majority of documents to creditors by making them available for viewing and downloading at the website, <a href="http://www.ips-docs.com">www.ips-docs.com</a> . Additionally, creditors can also submit their claim via the Creditors' Portal
CVA	Creditors' Voluntary Arrangement
CVL	Creditors' Voluntary Liquidation
the Directors	Mr Gary Bridge, Mr Jo Harry Dawson and Mr Jonathan Young, being the directors of the Company as at the Appointment Date
Duff & Phelps	Duff & Phelps Ltd., The Shard, 32 London Bridge Street, London SE1 9SG
EC Regulation	EC Regulation on Insolvency Proceedings 2000
Factory Outlet	Axminster Carpets (Factory Outlet) Limited (company number 12452625), the purchaser of the certain parts of the business and certain assets of the Company, via a pre-packaged Administration on 21 February 2020

## Definitions

Word or Phrase	Definition
Factory Outlet Shop	The Company's sales shop and showroom which sold the Company's product range direct to consumers
H Dawson	H Dawson Sons and Company (Wool) Limited (under CVA), the holder of a second ranking fixed and floating charge over the Company's assets
HMRC	HM Revenue and Customs
IGF	IGF Business Credit Limited, being the provider of an invoice discount facility and the holder of a first ranking fixed and floating charge over the Company's assets
IP	Intellectual Property
the Joint Administrators	Benjamin Wiles and Geoffrey Bouchier of Duff & Phelps
the Landlord	ACL Properties (2013) Limited, the landlord of the Company's trading premises. The trading premises was divided into a number of leases for the different service lines, including the Factory Outlet Shop and the Underlay business, being the aspects of the business sold via a pre-packaged Administration
M&A	Mergers and acquisitions
NOI	Notice of Intention to Appoint Administrators
Prescribed Part	Pursuant to Section 176A of the Act where a floating charge is created after 15 September 2003 a designated amount of a company's net property (floating charge assets less costs of realisation) shall be made available to non-preferential unsecured creditors
the Purchasers	Ulster and Factory Outlet, the purchasers of certain parts of the business and certain assets of the Company, via a pre-packaged Administration
Robert Day	Mr Robert Day, being the holder of a third ranking fixed and floating charge over the Company's assets
RPS	Redundancy Payments Service
the Rules	The Insolvency (England & Wales) Rules 2016 (as amended)
the Secured Creditors	IGF, H Dawson and Robert Day, the holders of fixed and floating charges over the Company's assets
SIP 9	Statement of Insolvency Practice 9 – Industry best practice for Insolvency Practitioners in relation to disclosure of remuneration and disbursements



## Definitions

Word or Phrase	Definition
SIP 16	Statement of Insolvency Practice 16 – Industry best practice for Insolvency Practitioners in relation to the requirement for disclosure of information with respect to a 'Pre-Packaged' sale of business and/or assets of the Company
the SIP 16 Disclosure	The Joint Administrators' Disclosure in accordance with Statement of Insolvency Practice 16 "Pre-Packaged" Sales in Administrations in accordance with SIP 16, being this report to creditors
the Solicitors	Shoosmiths LLP, the legal advisors to the Joint Administrators and to Duff & Phelps in the lead up to the Administration
SPAs	The Sale and Purchase Agreements, between the Company, the Joint Administrators and the Purchasers, dated 19 February 2020 and 21 February 2020 respectively
TUPE	The Transfer of Undertaking (Protection of Employment) Regulations 2006
Ulster	Ulster Carpets Mills (Holdings) Limited (Company Number: NI1001207), the purchaser of the certain parts of the business and certain assets of the Company, via a pre-packaged Administration on 19 February 2020

## **Axminster Carpets Limited (In Administration)**

### **Joint Administrators' Statement on the pre-packaged Sale of the Company's Business and Assets**

Benjamin Wiles and Geoffrey Bouchier were appointed Joint Administrators of the Company on 19 February 2020, by IGF, the holder of a qualifying floating charge over the Company's assets. The functions of the Joint Administrators may be exercised by either of them.

The appointment was filed in the High Court of Justice, Business and Properties Court of England and Wales, Insolvency and Companies List (ChD) and the Court reference number is 1244 of 2020.

Outlined below are details of the sale of the business and assets of the Company to the Purchasers on 19 February 2020 (Ulster) and 21 February 2020 (Factory Outlet) via pre-packaged sale transactions via the Administration.

This statement is made in order to comply with the Joint Administrators' responsibilities under SIP 16, the latest version of which is effective from 1 November 2015. Statements of Insolvency Practice are guidance notes issued by the insolvency regulatory authorities with a view to maintaining standards by setting out required practice and harmonising practitioners' approach to aspects of insolvency.

SIP 16 concerns arrangements where the sale of all or part of a company's business and assets is negotiated with a purchaser prior to the appointment of an administrator, who effects the sale immediately on, or shortly after, their appointment.

A full copy of SIP 16 can be located via this link to the R3 website: <https://www.r3.org.uk/technical-library/england-wales/sips/more/29131/page/1/sip-16-pre-packaged-sales-in-administrations/>

### **General explanatory points on pre-packaged sales**

Creditors should be aware of the differing roles of an Insolvency Practitioner associated with an Administration that involves a pre-packaged sale of a company's business and assets. Prior to the formal appointment, the Insolvency Practitioner will have been instructed by the company and / or a secured creditor to provide advice, although will act at all times independent of the company's management who will remain responsible for the affairs of the company. That advice will normally include consideration of potential insolvency exit strategies and to assist management meet their fiduciary duties and obligations when running a company with particular attention being paid to any proposed pre-packaged administration sale scenario where this is applicable.

On formal appointment, the Administrator, who is an officer of the Court and acts as an agent of the company, will manage the company's affairs, business and property for the benefit of the creditors as a whole.

### **Background Information**

The Company was incorporated on 26 March 2013 and specialised in the manufacturing of high-quality carpets, rugs and underlay (being the Axfelt brand). The Company also operated the Factory Outlet Shop, situated close to the Company's trading premises which sold the Company's products directly to consumers.

The Company was set up to acquire the business and assets of ACL in April 2013. Benjamin Wiles, Geoffrey Bouchier and David Whitehouse of Duff & Phelps were appointed Joint Administrators of ACL and subsequently appointed Joint Liquidators on 27 February 2014.

The Company employed 89 employees as at the Appointment Date.

The Company's main trading addresses were Gamberlake, Woodmead Road, Axminster, Devon, EX13 5PQ, where the factory and offices are based, and Abbey Gate, Musbury Road, Axminster EX13 8TJ, where the Factory Outlet Shop is based.

The Company's working capital was predominantly funded by IGF in the form of an invoice discounting facility. IGF also provided loan facilities against the Company's plant and machinery and inventory / stock. The Company was in default of the terms of the invoice discount facility as at the Appointment Date due to insolvency, based on the filing of a NOI. The Company also had a debenture with H Dawson in respect of a supply agreement for supply of goods (understood to be largely raw materials) from H Dawson to the Company and Robert Day in respect of a £750,000 loan facility.

In 2016, the Company was sold to the current owners, and since then a strategy based around diversification of markets and sustainable manufacturing, moving from a predominantly residential carpet business to a business model where sales were spread across residential, contract and transportation markets was undertaken delivering a significantly improved performance. However, uncertainty across all the market sectors, particularly as a result of the uncertainty around Brexit, led to a decline in sales during the summer and autumn of 2019. In addition, H Dawson, a key raw materials supplier, entered into a CVA which caused a reduction in credit available to the Company. This resulted in the Company having cash flow constraints and therefore the Directors approached Armstrong Watson in October 2019 to discuss options available to the Company, including insolvency.

It is understood that the Company had substantial arrears with HMRC as at January 2020 and that HMRC intended to issue a winding up petition unless an agreement could be made in respect of the arrears. As the Company was unable to make payments as requested by HMRC, the Directors filed a NOI on 7 January 2020, which protected the Company by way of a moratorium, giving it protection from any creditor action for a period of ten business days, while a buyer for the business and assets was sought. This process was led by Armstrong Watson. A further NOI was filed on 22 January 2020, when the first NOI expired, while the sale process continued.

Duff & Phelps was approached by the Head of Portfolio of IGF on 30 January 2020 to undertake a review of the Company's position and the ongoing sale process. On 31 January 2020, Duff & Phelps was formally instructed to replace Armstrong Watson in the marketing process and subsequent Administration. IGF does not have any relationship with the Company or the Directors, other than the provision of loan facilities.

Upon instruction, Duff & Phelps commenced negotiations with interested parties, however, the second NOI was due to expire on 4 February 2020. To allow sufficient time to liaise with these interested parties, the Directors filed a third NOI on 5 February 2020. During this time, between Duff & Phelps' formal instruction and the Appointment Date, Duff & Phelps also provided guidance to the Directors with regards to their fiduciary duties. At no time did Duff & Phelps' employees take over responsibility for management of the Company, nor did any of its employees take directorship or undertake a role that could be considered a shadow director. All responsibility for the running of the Company, including payments made and key business decisions stayed with the Directors.

The Company was placed into Administration on 19 February 2020, with Benjamin Wiles and Geoffrey Bouchier of Duff & Phelps being appointed Joint Administrators. Certain of the Company's business and assets were sold to Ulster on the same date and to Factory Outlet on 21 February 2020. Details of the agreed transactions, the assets involved in the sale, and the sale considerations are provided in more detail in the remainder of the SIP 16 Disclosure.

### **Initial Introduction and Pre-Appointment Considerations**

Duff & Phelps' initial contact with the Company was on 31 January 2020 following contact from IGF who requested Duff & Phelps to review the Company's financial position and the appropriateness of the marketing process undertaken by Armstrong Watson.

The Joint Administrators were two of the appointed administrators of ACL during the acquisition of ACL's business and assets by the Company. The Joint Administrators considered their position prior to accepting this appointment and concluded that there was no conflict of interest in accepting their appointment. None of the Company's assets have been purchased from an Insolvency Practitioner in the last 24 months.

Following Duff & Phelps' initial review (in accordance with the signed letter of engagement with the Company dated 31 January 2020), Duff & Phelps confirmed that, given the financial situation of the Company, the most appropriate action was to continue to pursue a pre-packaged sale of the Company's business and assets which was initiated by Armstrong Watson. In accordance with their duties, Duff & Phelps considered other options in the lead up to the Administration as follows:

### **Share Sale**

Armstrong Watson also marketed the Company's shares in an attempt to rescue the Company as a going concern. However, there were no viable offers received for the Company's shares. Therefore, this option was not viable (further details of the sole offer for the Company's shares are noted below).

### **Trading Administration**

Consideration was given to whether it would be possible to trade the Company in Administration, but this was not deemed appropriate for the following reasons:

- **Termination of Contracts** – It was likely that upon notification of Administration, customers would seek to terminate agreements with the Company and instruct rivals to undertake future projects. Although a market leader, the Company has a number of competitors capable of taking on its contracts. Had a trading Administration been sought then the Administration would be public knowledge and competitors would likely attempt to attract the Company's customers given the uncertain financial situation of the Company. A pre-packaged Administration allows a continuation of trade and customers to be assured of the Company's financial position by the Purchasers.
- **Funding** – IGF made it clear to Duff & Phelps in the lead up to the Administration that it was not prepared to fund a trading Administration (other than pre-Administration wages as a goodwill gesture to employees, if required). Given the short timeframe in which to source alternative financing, the costs associated with such financing and consideration of the risks noted above, an alternative funder was not sought.
- **Work In Progress** – It was clear in the lead up to the Administration that the Company had insufficient work in progress to make a trading Administration viable for a significant length of time. Although the Company had work in progress, for most of its order book it required additional materials that the Company could not fund. In addition, the key suppliers were generally creditors, and would also likely demand ransom payments, meaning that trading at a profit would be unlikely and therefore reduce any benefit to the Administration. Therefore, the Company was only able to trade on a significantly reduced basis, using raw material on site and selling stock available on site. This would only be viable for a short period of time as orders would not be able to be fulfilled which would reduce goodwill of customers.

For the reasons above, coupled with associated risks to any appointed Administrator of trading the business, it meant that it would not be possible for the Joint Administrators to trade the business and seek a going-concern sale during the Administration process.

Given that the pre-packaged sales only covered two of the Company's service lines, the Joint Administrators did continue to wind down parts of the business on a significantly reduced basis to honour customer orders where possible, and for a significantly shorter period than had a full trading Administration strategy been pursued. The shorter time frame tends to retain the goodwill of customers as it provides increased certainty of an outcome in a short time period. This wind down has been on a significantly reduced basis (14 former employees have assisted the Joint Administrators) and the majority of the work being undertaken is in respect of dispatching stock and carpets woven and in the 'finishing' stage of the manufacturing cycle. The only costs associated with this are hauliers (the key hauliers were paid up to date at appointment) and labour costs. The purpose of this strategy was to assist with the sale of the remaining assets, not subject to a pre-packaged Administration (this sale completed on 4 March 2020). Had all production ceased, customers would likely have sourced alternative suppliers, reducing the value in the remaining assets.

### **CVL**

Consideration was given to placing the Company into CVL, however, due to the following reasons, it was deemed inappropriate to take this course of action.

- The break-up valuation of the Company's assets would be significantly less than if the assets of the Company were sold in-situ.
- The value in the debtor ledger would have been significantly eroded due to probable contractual counter claims from customers for business disruption and cessation of trade. The retaining of key customer service staff and credit control staff is expected to minimise the disruption to the book debt ledger and therefore increase the return to IGF; and
- A CVL would mean all of the Company's 89 employees would be made redundant. The redundancy and associated claims of the Company's employees would worsen the position for creditors as a whole. The pre-packaged Administration has allowed six employees to transfer to the Purchasers under TUPE.

### **CVA**

Consideration was given by the Joint Administrators to a CVA, however, the Company's ongoing working capital requirements and the timescales involved with delivering a CVA proposal made this option prohibitive.

A CVA would require notice to be given to and consultation with the Company's creditors. Therefore, the Company's position would become public knowledge, increasing the risk of suppliers withholding services or competitors seeking to transfer customers and / or staff.

Furthermore, the customer contracts would have become terminable upon entry into an insolvency process, which, should the customers exercise this right, would have a detrimental impact upon the Company's ongoing ability to trade and the repayment of creditors under a CVA.

### **Pre-Packaged Administration**

In the absence of any other viable options, Duff & Phelps confirmed the Company that a pre-packaged Administration sale of certain of the Company's business and assets as a going concern was the preferred strategy to maximise the realisable value of the Company's assets and therefore the outcome for the Company's creditors as a whole.

## Secured Creditors

The Company has the following outstanding charges registered against it at Companies House

Lender	Charge	Date of Creation	Date Delivered
IGF	Fixed charge over the book debts, the plant and machinery, the goodwill, unpaid and / or uncalled capital, the securities, the intellectual property. Floating charge over the all of the Company's undertaking, property, rights and assets.	31 August 2018	6 September 2018
H Dawson	Fixed and floating charge over the undertakings and all property and assets including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.	5 April 2013	11 April 2013
Robert Day	Fixed and floating charge over the properties, plant and machinery, shares and investments, insurance policies, goodwill and uncalled capital, intellectual properties.	11 March 2015	26 March 2015

Throughout this process, the Secured Creditors were kept abreast of correspondence between the Company and Duff & Phelps and were consulted in respect of major decisions, such as the sale process, NOIs and appointment timing. All Secured Creditors released their security in respect of the sales of the Company's business and assets to the Purchasers.

HMRC was also kept updated with regards to the Company's situation, given the arrears owed to HMRC.

Duff & Phelps did not seek to make remaining creditors, largely being trade creditors, aware of the process. Had this occurred it is likely that creditors would have spread the word of the Company's financial position to the market which risked leading to customers terminating contracts and reducing the Company's value. Staff were made aware of the situation by the management team

## Marketing of the Business and Assets

### Accelerated Marketing Process

As a result of the Company's deteriorating cash flow position, creditor pressure and lack of available funding, Armstrong Watson initiated a sale process of the business and assets of the Company as a going concern on 10 January 2020 with a deadline for offers on 20 January 2020.

An opportunity summary document was prepared and circulated by Armstrong Watson to c1,600 M&A contacts within its database and c255 international contacts within its international network. This marketing process was independent from the Company. The opportunity was also posted onto various social media channels and shared within wider Armstrong Watson clients as well as targeted carpet and flooring firms as recommended by the Directors.

All parties who displayed an interest were asked to complete and return a non-disclosure agreement for which, in return, further information would be provided by Armstrong Watson on the Company, including financial information, property and assets information, customers and employee information and management reports, via an online data room.

Armstrong Watson received seven offers which were under review at the time Duff & Phelps was instructed by the Company to review the Company's financial position and marketing process undertaken.

At the stage that Duff & Phelps was formally engaged by the Company, the Directors had already filed two NOIs with the second NOI due to expire on or around 4 February 2020. To allow Duff & Phelps to continue negotiations with interested parties, a further NOI was filed on 5 February 2020.

Duff & Phelps considered the marketing process undertaken by Armstrong Watson to be exhaustive and given the limited time available, Duff & Phelps did not undertake a further full marketing campaign for the business and assets for sale. However, Duff & Phelps did send marketing materials (following receipt of a non-disclosure agreement) to a number of specifically targeted potential purchasers.

Duff & Phelps made contact with the parties already expressed an interest with Armstrong Watson who had made the highest offers and continued liaising with these parties.

#### The Offers

Only one offer was received to acquire the entire share capital and the debt of one of the Secured Creditors on a solvent basis. This offer, to be viable, required the ongoing support of IGF for the continuation of the invoice discounting facility and loan facilities as well as a potential CVA needed after the sale.

IGF confirmed that it did not intend to offer ongoing support and furthermore, there was no guarantee that a CVA would be accepted amongst the creditors which, in any event, would have required time for negotiations, during which time creditors could have taken action against the Company, which could have consequently had a negative impact on the Company's assets.

In addition, it is understood that the interested party had never met with the current management team, which undermined its credibility.

Accordingly, Duff & Phelps did not pursue this offer.

Of the remaining offers, two offers were received for the entirety of the Company's business and assets and the other offers were for particular assets only. Duff & Phelps pursued the offers for the business and assets in priority of the offers received for certain assets / business lines only, as these provided a better return to the creditor body as a whole.

One offer for the business and assets of the Company was received from a group of UK private investors which included the support of certain of the management team and three other parties, including the Purchasers. Following the acceptance of this offer and shortly before the proposed appointment date, the parties purchasing the Axminster and Wilton looms, brand and residual stock elements of the business were not in a position to complete the transaction. However, in order to secure sales of certain assets, to provide continuity of two key parts of the business and due to the lack of any alternative viable offers, the Joint Administrators continued with the offers from the Purchasers.

The other remaining offer was less than that of the offer from these investors, and the Joint Administrators were confident the remaining assets could be sold during the Administration for a higher value than the other offer. Accordingly, the decision was made to continue with the sale of Axfelt and the Factory Outlet Shop to the Purchasers and continue the marketing of the other assets during the Administration.

The Purchasers both agreed leases with the Landlord prior to the Appointment Date, allowing the Joint Administrators to surrender the leases for these premises immediately upon appointment, and therefore reducing the costs of the Administration

The completion of these sales meant that the six employees associated with these business lines transferred under TUPE to the Purchasers, reducing preferential creditor claims in the Administration.

A further reason for proceeding with the offers from the Purchasers, without the remaining parties was due to the third NOI expiring on 18 February 2020. It was considered, together with the Directors, that a further NOI should not be filed, therefore, the Company was to be placed into Administration on or shortly after 18 February 2020. The Joint Administrators considered that due to the reasons noted above, it was in the best interests in creditors to proceed with the offers from the Purchasers

The sale of the Axfelt business to Ulster completed on the Appointment Date and the sale of the Factory Outlet Shop completed to Factory Outlet on 21 February 2020. These offers are summarised later in this report.

A summary of all offers received are shown below:

Bidder	Offer (£)	Comments
Bidder A	955,000	Offer from the UK private investors for all of the Company's business and assets, which includes the Purchasers. The remaining asset sales completed on 4 March 2020. Within the offer, there is an option to purchase further plant and machinery for a further £350k within the next nine months.
Bidder B	125,001	Offer for the Company's share capital referred to above. The offer consisted of £1 for the share capital and £125k for the H Dawson debt.
Bidder C	361,000	Offer for the retail aspect of the Company's business. Of this amount, only £50k was guaranteed. £166k related to stock which had diminished by the Appointment Date and up to £145k were royalties based on the Company's performance.
Bidder D	650,000	Indicative offer of £500k for the Company's sales, marketing and brand rights. A further £150k for the finished goods over the next five months.
Bidder E	225,000	Offer for retail business including all useful tufted stock.
Bidder F	600,000	Offer for all of the Company's business and assets, of which £500k was deferred over ten months.

The Joint Administrators reviewed the offers from the Purchasers, and it was considered that the best outcome would have been achieved by accepting this offer as:

- These offers from the Purchasers were the highest cash offers capable of acceptance with no deferred element for the respective business;
- All parties involved were in a position to transact immediately upon or shortly after the Appointment Date;
- All parties were aware of the process and the need to transact quickly;
- It secured the jobs of six employees by way of the employees working within the Underlay and Factory Outlet Shop service lines transferring to the Purchasers under TUPE; and
- The Joint Administrators were confident that there was sufficient interest for a sale of the remaining assets to be achieved for the total realisations to be in excess of that from Bidder D.

Full details of the remaining asset sales, which completed on 4 March 2020 will be provided within the Joint Administrators' Report to Creditors and Statement of Proposals ("the Proposals") which will be issued within the first eight weeks of the Administration. The Proposals are not being delivered with this report due to the additional reporting requirements surrounding the sale of the remaining assets and the Administration wind down period.



The Joint Administrators are not required to report on the remaining asset disposals in this SIP 16 Disclosure as these were not subject to a pre-packaged Administration, however, the Joint Administrators can confirm that the total realisations to date are in excess of the next highest offer from bidder D.

None of the directors of Ulster or Factory Outlet have given any guarantees in respect of the sales. All consideration was paid in full on completion.

### **Valuation of the Business and Assets**

On 3 February 2020, Duff & Phelps instructed the Agent to value the Company's assets. The Agent confirmed that it holds adequate levels of professional indemnity insurance and that they are independent to the Company. The lead staff member of the Agent is MRICS qualified.

The valuation was prepared on two bases of market value, as follows:

- **Ex-Situ**, which is the market value of the assets in the scenario of a properly promoted piecemeal private treaty and / or auction sale of the assets on a break-up basis.
- **In-Situ**, which is the market value of the assets on the assumption that they remain in place as part of a functioning business.

The rationale for obtaining the valuation on the above bases was to distinguish between the values of the asset to a successor business (in-situ) or on a breakup basis (ex-situ). In addition, the rationale for the above bases is for the apportionment of the sale consideration to ensure correct allocations to fixed and floating assets due to the impact this has on creditors.

Below is a summary of the valuation of the Company's assets, as provided by the Agent:

### **Plant and Machinery and Office Furniture and Equipment**

#### **Axfelt / Underlay**

According to the Agent's valuation report, the Company's plant and machinery in respect of the Underlay business was valued as follows:

Ex-Situ	In-Situ
£100,000	£160,000

The Joint Administrators achieved a sale value of £399,992 for the plant and machinery in respect of the Underlay business. This represents a significantly higher value than that indicated by the Agent, and therefore the offer was accepted, as recommended by the Agent.

#### **Factory Outlet Shop**

The Agents confirmed that the fixtures and fittings at the Factory Outlet Shop were minimal, and therefore a nominal sum of £1 was apportioned to this equipment from Factory Shop.

### **Stock**

#### **Axfelt**

The Company's stock was valued in accordance with the Company's stock listing as at 29 January 2020, provided to Duff & Phelps and reviewed by the Agent. The Agent advised that the stock / raw materials as at 29 January 2020 was valued at between £30,000 and £50,000 on an in-situ basis and £25,000 to £40,000 on an ex-situ basis. However, in the lead up to the Administration, the stock levels depleted, and Duff & Phelps was advised that minimal stock was held on appointment, and that raw materials were in short supply, and further raw materials were required for manufacturing to

continue. Accordingly, a value of £1 was apportioned to the stock due to the lack of any meaningful stock, in accordance with the offer from Ulster.

#### Factory Outlet Shop

The Joint Administrators were provided with a stock listing by the manager of the Factory Outlet Shop on 20 February 2020 which formed the basis of the sales consideration. Given that speed was of the essence to complete the transaction, the stock listing at this stage was not reviewed by the Agents.

However, guidance was given by the Factory Outlet Shop's manager as well as another industry expert as to a reasonable sale consideration. Following a review of the stock listing, the offer was accepted.

#### Pre-payments

Following discussions with management, it was confirmed that there were minimal pre-payments in respect of the Axfelt business line. Accordingly, a nominal amount of £1 has been allocated to pre-payments in the sale to Ulster. The Factory Outlet Shop had no pre-payments and therefore no sales consideration has been apportioned.

#### Intangible Assets

The Joint Administrators are of the view that the nature of the marketing campaign undertaken for the business and assets of the Company was sufficient in establishing the market value of the intangible assets of the Company.

#### Intellectual Property

##### Axfelt and Factory Outlet Shop

The Company had no registered trademarks. The Company held a Royal Warrant, however this is not transferable and in any case was associated with the woven carpets rather than the Underlay or the Factory Outlet Shop businesses. Accordingly, a nominal value of £1 was apportioned to intellectual property within the sale to Ulster, while a nominal amount of £1 was apportioned to the domain name in the sale to Factory Outlet.

#### Customer Contracts and Work in Progress ("WIP") and Supplier Contracts

##### Axfelt

A nominal value of £1 was assigned to the Company's underlay contracts with customers, WIP and supplier contracts, in the event that they existed. As noted previously, most contracts hold termination clauses in the event that either party enters an insolvency process. Accordingly, there was very little value in these contracts, and the Purchaser would require a new contract with the customers and suppliers for future sales (as far as contracts are required). As previously noted under the 'Stock' heading, the Company held minimal raw materials and therefore there was minimal WIP at the Appointment Date in relation to Axfelt.

##### Factory Outlet Shop

The Factory Outlet Shop had no WIP or supplier contracts (as this was supplied directly from the Company). The Factory Outlet Shop's only customer contracts were where customers had pre-paid for orders, and accordingly, held no value to Factory Outlet.

#### Goodwill / Business Information

Nominal amounts of £1 have been allocated to goodwill and business information in the sale to Axfelt and Factory Outlet (goodwill only). The Company's records indicate that goodwill and business information hold no value.

A breakdown of the sales consideration is shown below:

#### **Axfelt**

<b>Asset</b>	<b>Apportionment (£)</b>	<b>Fixed or Floating</b>
Equipment, plant and machinery	399,992	Fixed – Specifically Pledged
Goodwill	1	Fixed Charge
Intellectual Property Rights	1	Fixed Charge
Business Information	1	Fixed Charge
Stock	1	Floating Charge
Pre-payments	1	Floating Charge
Supplier Contacts	1	Floating Charge
Customer Contracts and WIP	1	Floating Charge
IT Equipment	1	Floating Charge
<b>Total Consideration</b>	<b>400,000</b>	

Ulster placed the majority of the value within the underlay business in the plant and machinery. The overall offer was in excess of any other offer received for the same part of the business.

#### **Factory Outlet Shop**

<b>Asset</b>	<b>Apportionment (£)</b>	<b>Fixed or Floating</b>
Stock	24,997	Floating Charge
Equipment	1	Floating Charge
Goodwill	1	Fixed Charge
Domain Name	1	Fixed Charge
	<b>25,000</b>	

Factory Outlet placed all of the business's value within the stock and the apportionment represents this. The overall offer was in excess of any other offer received for the same part of the business and as noted above, the sale price was based on the stock value as at the transaction date, with minimal other assets held by this part of the business.

There are no buy back agreements, deferred consideration or other conditions attached to either of the transactions, and as such, the consideration for the transactions will not vary from the purchase prices noted above. No security has been taken by the Joint Administrators as payment in full was made upon completion by both of the Purchasers. These transactions are part of a wider transaction (which has now completed), as detailed above. However, the sale of the Company's residual assets has not impacted these sales. Each party has transacted separately for separate business aspects. Factory Outlet also purchased further stock from the Joint Administrators following an agreement on 3 March 2020.

#### **The Transactions and Connected Party Transactions**

##### **Underlay Business**

The purchaser was Ulster Carpets Mills (Holding) Limited, a company registered in Northern Ireland under company registration number NI1001207.

Accordingly, the underlay business and related assets were sold to the Ulster on the Appointment Date, for a total sales consideration of £400,000, which was received in full upon completion of the transaction.

As part of the transaction, the Joint Administrators surrendered the Company's lease over the area where the underlay plant was located (the Company's premises was made up of a number of leases) and a new lease was agreed between Ulster and the Landlord.

Ulster has no prior relationship to the Company or any connected parties and the Directors and Secured Creditors will not be involved in the successor business. There was therefore no requirement for Ulster to approach the pre-pack pool and no viability statement has been produced.

#### The Factory Outlet Shop

The Purchaser is Axminster Carpets (Factory Outlet) Limited, a company registered in England and Wales under company registration number 12452625.

The business and assets of the Factory Outlet Shop were sold to Factory Outlet on 21 February 2020, for a total sales consideration of £25,000, which was received in full upon completion of the transaction.

As part of the transaction, the Joint Administrators surrendered the Company's lease over the Factory Outlet Shop and a new lease was agreed between Factory Outlet and the Landlord.

Factory Outlet has no prior relationship to the Company or any connected parties and the Directors and Secured Creditors will not be involved in the successor business. There was therefore no requirement for Factory Outlet to approach the pre-pack pool and no viability statement has been produced.

#### **Statutory Purpose**

The statutory purpose of an Administration is to achieve one of the following hierarchical objectives:

- rescuing the company as a going concern, or
- 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
- realising property in order to make a distribution to one or more secured or preferential creditors

The first objective will not be achieved as there are insufficient funds and assets available to rescue the Company as a going concern. As noted above, no viable offers for a sale as a going concern were received.

The Joint Administrators believe the second objective will be achieved as they believe that a better result for the Company's creditors as a whole will be achieved than if the Company had been wound up without first being in Administration for the following reasons:

- the pre-packaged sale has preserved value in certain of the Company's assets, notably the value within the Axfelt business which realised significantly more than its valuation. A delay in this process may have led to Ulster reducing / withdrawing its offer and it was therefore in the best interests of creditors to proceed with this offer regardless of the rest of the UK private investors;
- the sale has maintained continuity for part of the Company's customer base and supply chain, which has preserved the value in the Company's business and book debts, while the Administration and winding down the stock has preserved goodwill in rest of the business, increasing the chances of a sale in due course;
- the pre-packaged sale has preserved the employment of six employees, thus reducing both preferential and non-preferential unsecured creditor claims in the Administration.

In any event, there will be a distribution to IGF via ongoing book debt collections and therefore the third objective will be achieved. Consequently, the transactions, together with the Joint

Administrators' strategy for the residual assets has enabled the statutory purpose of an Administration to be achieved

The Joint Administrators have acted in the best interests of the creditors as a whole when negotiating this pre-packaged sale and consider that the sale price achieved was the best reasonably obtainable in all the circumstances, especially in respect of the Axfelt valuation where the purchase consideration was in excess of the valuation

The Joint Administrators will issue the Proposals, providing further information regarding the Company and their appointment, within eight weeks of appointment. This will include details of the other sale transactions which have recently completed and not subject to the SIP16 Disclosure.

The Proposals will be accessible through the Creditors' Portal, in accordance with the creditor letter dated 25 February 2020. The Joint Administrators have not been able to issue the SIP 16 Disclosure together with the initial creditor letter as this would have required issuing the SIP 16 Disclosure prior to the completion of the remaining asset sales, which may have prejudiced these sales.

Any queries relating to the content of this SIP 16 Disclosure should be directed to the Joint Administrators at Duff & Phelps Ltd., The Shard, 32 London Bridge Street, London SE1 9SG, or by telephone on 020 7089 4700.

Yours faithfully  
For and on behalf of  
Axminster Carpets Limited



**Benjamin Wiles**  
Joint Administrator

The affairs, business and property of the Company are being managed by the Joint Administrators, Benjamin John Wiles and Geoffrey Wayne Bouchier who act as agents for the Company and without personal liability. They are both licensed in the UK by the Insolvency Practitioners Association and are bound by the Insolvency Code of Ethics

**Appendix 13 – Armstrong Watson - narrative of work undertaken**

This narrative has been provided by Armstrong Watson LLP in respect of work carried out pre-Administration and has not been verified by Duff & Phelps or the Joint Administrators.

### **Axminster Carpets Ltd ("the Company")**

Following HMRC advising the Company that they would not agree to the terms of a time to pay arrangement ("TTP") proposed by the Company, and the imminent threat of a winding up petition being presented by HMRC, Armstrong Watson LLP ("AW") were engaged by the Company by way of two engagement letters dated 7 January 2020, one engaging the Restructuring, Recovery and Insolvency Team ("RRI") and a further engagement with AW Corporate Finance team ("CF"). The scope of work under each of these engagements is summarised below;

#### **RRI**

- Advise the Directors on whether the appointment of Administrators is expedient in the circumstances.
- Advise the Directors on which process will be appropriate for the appointment of Administrators.
- Discuss with the Directors the alternatives to an Administration process.
- If, following our discussions, the directors agree that it is in the best interests of the Company to be placed in Administration, we will work with Schofield Sweeney LLP, Solicitors, who will be responsible for preparing the appropriate forms and notices.
- We will be available to advise how to address any matters that arise in the period running up to Administration, as long as this does not compromise our independence.
- If a pre-packaged sale of the Company's business or assets is contemplated, we will provide information required by Statement of Insolvency Practice 16 to the Company under separate cover but will not provide advice to the directors on their personal position.
- We will assist the directors in dealing with secured creditors prior to making the Administration application.
- We will be available to attend the court hearing (if this is the appropriate route) to answer any queries the judge may have.
- Liaising with the secured creditor Independent Growth Finance Ltd with regard to critical payments and the drawdown of funds under their facility.

#### **CF**

- Issue of a full deliverables list (if required) and collation of information on the business;
- Identifying target purchaser characteristics;
- Undertake market research to identify a list of potential targets;
- Preparation of a one page flyer on the business and sharing with the Directors;
- Necessary amendments to the one page flyer and final sign off;
- Circulate the flyer to the target list, leveraging off further marketing channels, as necessary;
- Collation of responses, assessing level of interest and reporting back;
- Issue of confidentiality letters to all interested parties who are considered serious;
- On receipt of signed letters, provide interested parties with further information, as necessary (we potentially envisage the provision of further information via the use of a data room);
- Further contact with interested parties to assess their level of interest and availability of funding;
- Liaising with interested parties in relation to any additional information required;
- Maintenance of a control log of all correspondence and status of interested parties;
- Advice on the selection of preferred purchasers;
- Provide the preferred purchasers with any further information requested;

- Assist and advise in negotiations with preferred purchasers;
- Attend all key meetings, as necessary;
- Project management of the transaction through to completion; and

Advise and assistance on the completion process, as necessary.

Following engagement RRI began the process of monitoring the critical payments on a daily basis with the directors and the financial controller, and liaised with the secured creditor Independent Growth Finance ("IGF") to drawdown facilities on a daily basis. Regular conference calls took place with the directors and stakeholders of the Company to discuss the ongoing financial position, cash requirements and the progress of the offers for the sale of the business. IGF were updated via phone calls and copies of minutes of conference calls. RRI involvement was at the request of H. Dawson & Sons Ltd, the major unsecured creditor of the Company, who in addition to being the second chargeholder after IGF, is also the majority shareholder.

An exercise for the sale of the business and assets of the Company was commenced by both CF and RRI. A flyer was sent to the AW M&A database by CF to over 1,600 contacts, and was forwarded by CF to our International Network (MSI Global Network) for them to distribute on a global basis to additional member firms of c.255 contacts, plus those that are members of MSI's M&A Special Interest Groups. It was posted onto various social media channels inclusive of LinkedIn (and a number of M&A Groups (Deal Opportunities UK and Deal Opportunities Worldwide). The link was also circulated across the firm to be shared more widely. It was sent to Sanderson Weatherall ("SW") for them to share with their extensive database of contacts.

It was also shared with the UK200 Group, the UK's leading association of independent chartered accountants and law firms for them to share with all member firms.

It was shared with a number of carpet and flooring firms that had already been in dialogue with Axminster or with whom Axminster thought there might have been a suitable fit. There were a number of expressions of interest and non disclosure letters signed by interested parties, including competitors, turnaround specialists and private investors. This resulted in a number of site visits and receipt of offers, including a combination of sale of the business on a going concern and acquiring parts of the business on a break up basis.

SW were engaged to carry out a valuation of the business and assets and attended the sites in Axminster to prepare the valuation and schedule of assets. They also assisted in showing interested parties around the sites.

Schofield Sweeney solicitors were instructed to advise on a daily basis in connection with the legal position of the Company and the directors, and assisted the Company in liaising with HMRC regarding the threat of a winding up petition.

RRI and CF attended the site on 16 and 17 February to show a number of interested parties around the site and conducted onsite meetings with interested parties and the directors. CF engaged with interested parties following the site visits and coordinated offers from a number of interested parties for some or all of the business and assets. Numerous offers were received which were evaluated by CF, including interest from the directors and the landlord of the site in Axminster.

IGF subsequently instructed Duff & Phelps, Insolvency practitioners, to undertake the exercise of completing negotiations with the interested parties and to be appointed as Joint Administrators of the Company.