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Notice of administrator's progress report



Companies House

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31/01/2020

#243

COMPANIES HOUSE

1 Company details

Company number 0 9 3 1 9 9 0 9

Company name in full TFHC LIMITED

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Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) MARTIN C

Surname ARMSTRONG

3 Administrator's address

Building name/number ALLEN HOUSE

Street 1 WESTMEAD ROAD

Post town SUTTON

County/Region SURREY

Postcode S M 1 4 L A

Country

4 Administrator's name ①

Full forename(s) JAMES E

Surname PATCHETT

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number ALLEN HOUSE

Street 1 WESTMEAD ROAD

Post town SUTTON

County/Region SURREY

Postcode S M 1 4 L A

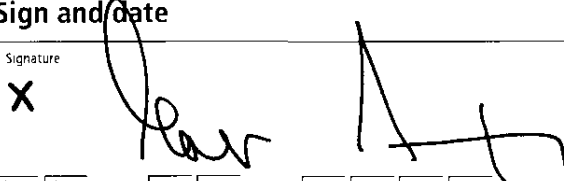
Country

② Other administrator

Use this section to tell us about
another administrator.

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6	Period of progress report															
From date	d	0	d	3	m	0	m	7	y	2	y	0	y	1	y	9
To date	d	0	d	2	m	0	m	1	y	2	y	0	y	2	y	0
7	Progress report															
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8	Sign and date															
Administrator's signature	Signature 															
Signature date	d	3	d	0	m	0	m	1	y	2	y	0	y	2	y	0

TFHC Limited (“the Company”) – In Administration

JOINT ADMINISTRATORS’ PROGRESS REPORT TO CREDITORS
For the six months ending 2nd January 2020

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1. EXECUTIVE SUMMARY

This is our report to members and creditors following the end of the six-month period since our appointment as Joint Administrators. This report should be read in conjunction with the Joint Administrators' proposals, a copy of which can be provided on request. The Joint Administrators' proposals provide creditors with a full background to the events leading to the Company being placed into Administration, however, in order to provide context to certain information included in this report, we have summarised this below.

The Company provided cosmetic surgery and aesthetics services and traded under the name "Transform". The Company operated in conjunction with a connected company, Combine Opco Limited, which also provided cosmetic surgery and aesthetics services and traded as "The Hospital Group". The Company had purchased the business and assets of Transform Medical Group (CS) Limited out of Administration in June 2015 whilst Combine Opco Limited had purchased the business and assets of The Hospital Group Healthcare Limited out of Administration in October 2016.

The Company experienced significant market downturn in the first half of 2019. The downturn was partly as a result of the lack of clarity following the 'Brexit' vote and the subsequent downturn in the UK economy. As a result, consumers had less disposable income available and were therefore spending less on 'discretionary' items, especially ones which were considered high cost, which many of the services that the Company offered were.

The Company historically carried a high proportion of fixed overheads and as such were unable to adapt quickly to the significant decline in revenue. The business undertook various operational restructuring projects, however, they were unable to reduce the fixed costs to a sufficient level, due in part to onerous leases.

The Company obtained £1.5m of lending from Aurelius Finance Company Limited ("AFC") in an effort to ease cash flow pressures which were faced as a result of the downturn experienced in the first half of 2019. In addition, during the first half of 2019 the business arranged a formal payment plan with HMRC to discharge its PAYE and VAT arrears, together with agreeing payments plans with various suppliers in respect of outstanding liabilities. Despite these efforts, and as a result of the prolonged nature of the consumer downturn, high fixed costs and onerous leases, the Company was not able to mitigate the decline in revenue sufficiently.

In addition to the above, the Company faced the risk of additional and substantial HMRC VAT liabilities and penalties arising from HMRC's decision to deem certain services provided by the Company over several years as subject to VAT. Despite the Company receiving professional advice that these services were not subject to VAT, it was likely that HMRC would raise assessments and penalties against the Company which could not be paid.

As a result of the above, it was considered that the Administration of the Company and the immediate sale of the Company's business and assets on pre-agreed terms would present the best outcome for all stakeholders. On 3rd July 2019, a pre pack sale of the Company's business and assets was undertaken to Transform Hospital Group Limited ("THGL").

The administration and pre-pack sale preserved the jobs of all 197 employees of the Company and avoided additional employee claims which would have arisen in liquidation. THGL agreed to honour all existing arrangements with the Company's patients which ensured that all booked procedures would proceed as planned whilst all patients continued to receive ongoing support and aftercare, neither of which would have been available in liquidation. Finally, the realisable value of the assets would have been significantly reduced on a forced sale, ex situ basis in liquidation.

James Patchett and I were therefore appointed as Joint Administrators of the Company on 3rd July 2019.

The detailed progress report is provided below, but in summary:

- Immediately following appointment, we sold the Company's business and assets to Transform Hospital Group Limited. This preserved the jobs of 197 staff thereby minimising claims in the Administration in respect of staff redundancies.
- In accordance with the terms of the Sale Purchase Agreement, we liaised with THGL in connection with the deferred sale consideration. The full sale consideration has been received in the reporting period.
- We have also sought to realise and deal with any refunds due to the Company.
- The actions taken by the Joint Administrators since appointed are detailed in Section 3 of this report.
- The actions taken by the Joint Administrators will enable distributions to the secured creditor, Aurelius Finance Company Limited under their fixed and floating charge.
- It is also anticipated that preferential creditors of the Company will be paid in full and a prescribed part distribution will be made to unsecured creditors. We are unfortunately unable to estimate the timing of these dividends, however, in any event, the dividends will be paid prior to the anniversary of Administration (unless it is deemed appropriate to seek an extension of the Administration).

2. STATUTORY INFORMATION

Company name:	TFHC Limited
Formerly known as:	BX3 Trading Limited
Court name and reference:	In the High Court of Justice Number 4173 of 2019
Registered office:	Allen House, 1 Westmead Road, Sutton, Surrey SM1 4LA
Former registered office:	Pines Hospital, 192 Altrincham Road, Manchester M22 4RZ
Registered number:	09319909
Joint Administrators' names;	James Patchett and Martin Armstrong

Joint Administrators' address:	Allen House, 1 Westmead Road, Sutton, Surrey SM1 4LA
Joint Administrators' date of appointment:	3 rd July 2019
Actions of Administrators	Any act required or authorised under any enactment to be done by an administrator may be done by either or both of the Administrators acting jointly or alone.

3. JOINT ADMINISTRATORS' ACTIONS SINCE APPOINTMENT:

Sale of Business and Assets

As advised above, the Company's business and assets were sold to THGL on 3rd July 2019 via a pre-pack sale. Full details of the sale were included in the Joint Administrators' SIP 16 disclosure previously provided to creditors. The total sale consideration payable was £432,500. In accordance with the terms of the sale agreement, initial consideration of £242,200 was paid on 3rd July 2019. The balance of £190,300 was to be payable either when THGL was granted approval by the Care Quality Commission ("CQC") or by a longstop date of 6 months following completion, whichever was sooner. The deferred sale consideration was received on 31st October 2019 following THGL's registration with the CQC.

In the period following appointment, we liaised with THGL and our solicitors regarding the sale completion and post-sale formalities and obtained regular updates in respect of THGL's registration with the CQC such that receipt of the deferred consideration could be monitored. Finally, we arranged for the initial and deferred consideration and proceeds to be remitted to the administration bank account.

Cash at Bank

The Company operated a banking facility with Barclays Bank Plc. Immediately upon appointment the Company's bankers were notified of the appointment. The balance as at appointment incorporated monies due to THGL (in respect of payments made by customers for procedures that THGL would be undertaking). In addition, a high volume of receipts were anticipated to be received into the Company's bank accounts which were to also be due to THGL (again, in respect of payments made by customers for procedures that THGL would be undertaking) until such time as arrangements had been made to transfer the existing merchant services accounts to THGL.

Arrangements were made with the Company's bankers and THGL to ensure that the receipts in question were remitted to THGL. In this regard, we have been required to undertake regular reconciliations of the Company's bank statements and cross reference the appropriate receipts with the schedules prepared by the Company's merchant service provider, First Data. We have also been required to complete and send regular payment requests to Barclays to arrange for the release of the relevant funds to THGL. Whilst it had initially been anticipated that the card terminals would be transferred imminently following appointment, THGL has experienced difficulties and delays in transferring their card terminals. In order to expedite the transfer, we have also liaised with the Company's card merchants, First Data.

Once the card terminals are transferred (which is expected to be imminently) the residual balance held, which is estimated at circa £34,000, will be transferred to the Administration estate.

Whilst creditors have not directly benefitted from the work undertaken in this regard, it was considered appropriate in the circumstances as, without the efficient transfer of the funds due to THGL, there was a risk that the deferred consideration could not be paid and/or that THGL could not undertake procedures for patients. Whilst this work has continued following receipt of the deferred consideration, the work required since that time has reduced significantly, and any future involvement is expected to be minimal.

Properties

The Company traded from 19 locations in the United Kingdom which were occupied subject to a lease or licence. Upon completion, the Joint Administrators afforded THGL a Licence to Occupy in respect of 16 of its premises. The Licence to Occupy allowed THGL to occupy the premises for 6 months from appointment whilst it sought to negotiate and agree separate arrangements for future use of the premises directly with the respective landlords. Some properties were not retained for the purposes of the Administration as they were not required by the Licensees.

THGL were unable to make direct arrangements with all affected landlords during the term of the initial Licence to Occupy and therefore requested an extension of 6 months. Whilst an extension to the Licence to Occupy was not, on the face of it, considered to provide any benefit to the Administration, it was considered appropriate on the basis that it would facilitate the ongoing services provided by THGL to its patients. It was also agreed that any legal costs incurred in connection with the Licence to Occupy would be paid by THGL and not borne as an expense of the Administration (albeit our solicitors agreed that due to nominal work involved they would not charge for preparing a new Licence to Occupy). Further, in accordance with arrangements made with landlords during the initial Licence to Occupy, THGL would continue to discharge rent payable to landlords directly (thus keeping the involvement of the Administrators to a minimum).

The following work has been undertaken with regards to the Company's properties and the Licences to Occupy:

- Notified landlords of those properties that are being retained under the Licences to Occupy;
- Notified landlords of those properties that were not required to be retained for the purpose of the Administration and requested their agreement to the surrender of the Company's tenancy;
- Requesting payments on account from THGL (for a period of 3 months until alternative payment arrangements were made directly with landlords);
- Reviewing rental invoices and arranging payments to landlords for post-appointment rent (and other obligations)(for a period of 3 months until alternative payment arrangements were made directly with THGL);
- Liaising with THGL regarding the occupation and vacation of certain properties and payment arrangements in respect of the occupied properties;
- Obtaining legal advice on proposed lease assignments;
- Negotiating and executing an extension to the Licence to Occupy entered into with THGL;

Retention of Title ("ROT") Claims

Following appointment, a number of creditors contacted this firm regarding assets sold to THGL which they claimed were subject to ROT. THGL assisted in identifying and delivering up items which were still held and not required by them or, alternatively, made arrangements with the creditors in question to acquire the items which were required for the continuation of business.

Medical Negligence Claims

A number of claims from former patients have been received in relation to medical negligence. The following work has been undertaken in this regard:

- Reviewing the details of the patients claims;
- Liaising with the patients and their representatives in connection with their claims;
- Liaising with the Company's insurers and our solicitors to devise and agree an appropriate strategy in respect of dealing with the claims;
- Issuing correspondence to patients and their representatives pursuant to the agreed strategy with the Company's insurers;
- Liaising with THGL in connection with requests made from patients for their medical records (which are being held by THGL);
- Reviewing arguments made by patients and their representatives in connection with their requests for the moratorium which arises under paragraph 43(6) of Schedule B1 to the Insolvency Act 1986 to be lifted for the purposes of pursuing their claim. This involved balancing the interests of the patients against the interests of creditors as a whole, liaising with solicitors in respect of the request and agreeing an appropriate response.

Financial Conduct Authority ("FCA") Deregistration

The Company offered credit facilities to patients for procedures and was therefore registered with the FCA. We were therefore required to liaise with the FCA in connection with the Administration and provide details in respect of the pre-pack sale. We were also required to undertake steps to cancel the Company's Part 4A permission and sought prior legal advice to ensure it was appropriate for us to do so.

Care Quality Commission ("CQC") Notification

The Company was a registered provider of a regulated activity with the CQC. We were therefore required to undertake steps to formally notify the CQC of the Administration of the Company and complete the required documentation.

Employees

All staff employed as at the date of appointment transferred to THGL thus preserving jobs and minimising claims in the administration. However, prior to administration, the Company had made 51 employees redundant.

The work undertaken in the reporting period in respect of the above was as follows:

- Corresponding with agents in respect of redundancies;
- Preparing notifications to be issued to employees;
- Dealing with ad hoc queries from employees (including both those made redundant and those whose employment transferred to THGL).

Although external agents were engaged to assist in dealing with the claims of redundant employees, we have also been required to liaise with employees regarding their claims and assist our agents with queries/requests for information.

Records

Arrangements were made for the delivery of the Company's books and records. In the reporting period, time has been spent coordinating their delivery, and listing and reviewing the records received.

Pensions

The Company operated three pension schemes and, whilst agents have been engaged to assist with our obligations in respect of these schemes, the following work has been required in the reporting period:

- Dealing with the formalities of the instruction of pension agents;
- Liaising with pension agents and dealing with queries raised;
- Liaising with pension agents and solicitors regarding unpaid pension contributions;
- Reviewing and authorising statutory notifications.

Litigation

Following appointment, we were contacted by Keoghs LLP who were instructed by the Company's insurers in relation to an ongoing inquest into the death of a former patient following surgery undertaken by the Company. Keoghs requested our consent to their continuance to act and prepare for and assist the coroner in relation to the inquest that was listed for October 2018.

The following work was undertaken in this regard:

- Liaising with Keoghs and the Company's insurers to ascertain what would be required from the Joint Administrators and to ascertain who would be liable for their costs;
- Liaised with our solicitors to ascertain whether it would be appropriate to provide Keoghs with our consent to their continuance to act;
- Engaged in conference calls with Keoghs, the Company's insurers and our solicitors to devise an appropriate strategy;
- Liaised with Keoghs during the inquest.

The conclusion of the five-day inquest saw that there was no evidence that the surgeries undertaken by the Company caused or contributed to the former patients death.

Tax Losses

In accordance with the terms of the sale agreement, the Company's ultimate beneficial owner (namely Aurelius Equity Opportunities SE & Co KGaA) were entitled to assume the Company's pre-Administration tax losses through other group entities in order to obtain group relief and, subsequently, tax savings. In return for the surrender of these losses, the consideration payable would be 10% of the tax capable of being saved.

A formal agreement to surrender the relevant losses were entered into as follows:

Transferee	Tax Loss Surrendered	Tax Saving for Transferee	Consideration
Warehouse Express Limited	£219,727.25	£41,748.18	£4,174.82

On the basis that amended tax returns were required to be prepared and submitted to reflect the above, it was agreed that our agents costs in doing so (up to an amount of £1,000 plus VAT) would be met by the Transferee.

Whilst the consideration agreed amounts to a relatively small percentage of the anticipated tax saving of the Transferee, these losses could not be surrendered to any party outside of the group, whilst this was the maximum that the group was willing to pay. It was therefore concluded that it was in the interest of creditors to accept the consideration proposed which formed part of the sale agreements and subsequently enter into a separate agreement in order to maximise the realisations for the benefit of creditors.

The work undertaken in respect of the above relates to the following:

- Correspondence with the ultimate beneficial owner, the Transferee and their representatives;
- Liaising with tax advisors;
- Seeking legal advice on the proposed agreement.

Secured Creditor

The following work has been undertaken in the reporting period in connection with the secured creditor:

- Obtaining legal advice regarding the validity of the security held by AFC and the treatment of asset realisations;
- Correspondence with AFC regarding their claims and proposed distributions;
- Correspondence with the Company's director and company secretary in connection with the treatment of assets during the course of trade (which affects the legal advice provided in connection with the validity of the security held by AFC);
- Preparation of estimated outcome statements.

Investigations

In accordance with Statement of Insolvency Practice 2, we undertook an initial investigation into the Company's affairs to establish whether there were any potential asset recoveries or conduct matters that required further investigation, taking account of the public interest, potential recoveries, the funds likely to be available to fund an investigation, and the costs involved. In addition, we have prepared and submitted our confidential report to the Secretary of State regarding the conduct of current and former directors. Further details of these investigations can be found in Section 8 of this report.

General

There is certain work that we are required by the insolvency legislation to undertake in connection with the Administration that provides no financial benefit for the creditors. A description of the routine work undertaken since our appointment as Joint Administrator is contained in Appendix 1.

4. RECEIPTS AND PAYMENTS ACCOUNT

Our Receipts & Payments Account for the period from 3rd July 2019 to 2nd January 2020 is attached at Appendix 2.

Since the reporting period end date the following transactions have taken place through the estate:

Date	Receipt/(Payment) Amount	Details
13/01/2020	(£810.00)	Payment of £675 + VAT to pension agent in connection with pension related matters
17/01/2020	£95.18	Gross bank Interest
22/01/2020	(£900.00)	Payment of £750 + VAT to tax advisor in connection with surrender of tax losses

The balance of funds are held in an interest bearing estate bank account.

5. ASSETS

The following assets were dealt with in the reporting period:

Tangible/Intangible Assets

As previously reported, the Company's tangible and intangible assets were sold to THGL for £432,500.

The table below shows the agreed sale consideration paid by THGL, the valuations attributed by the agents, and the amounts received:

Asset category	Valuation basis & amount (£)		Sale Consideration (£)	Realised in Reporting Period (£)
	e.g. In-situ	e.g. Ex-situ		
<u><i>Fixed charge assets*</i></u>				
Book Debts	32,500	Nil	32,500	32,500
Goodwill***	Nil	Nil	1	1
Intellectual Property	30,000	15,000	39,990	39,990
<u><i>Floating charge assets</i></u>				
Office Furniture and Equipment	30,000	15,000	30,000	30,000
Plant and Machinery	120,000	55,000	120,000	120,000
Fixtures and Fittings	50,000	Nil	Nil	Nil
Stock	271,000	116,000	210,000	210,000
Motor Vehicles	80,000	70,000	Nil	Nil
Books and Records**	Nil	Nil	1	1
Benefit subject to the burden of contracts**	Nil	Nil	1	1
Customer Deposits**	Nil	Nil	1	1
Database and Database Records*	Nil	Nil	1	1
Prepayments**	Nil	Nil	4	4

Total	613,500	271,000	432,500	432,500
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**The security held by AFC purports to create fixed charges over the assets stated. The assets to which the fixed charges apply is subject to ongoing legal advice.*

***Whilst it is understood that the Company did not own any of these assets (or they had no value), a nominal amount was allocated to these items at the request of THGL.*

The terms of the sale was broadly as follows:

- Consideration of £242,200 payable on completion (equating to 56% of the total consideration);
- Balance of £190,300 payable either when THGL was granted approval by the CQC, or by the longstop date of 6 months following completion, whichever is sooner.

In light of the fact that an element of the sale consideration was deferred, a debenture was granted by THGL in favour of the Company in order to protect its interest in the event that THGL defaulted and failed to adhere to the sale terms. Upon receipt of the full consideration, our solicitors were instructed to prepare a Deed of Release to formally release the debenture.

Gross Bank Interest

As previously reported, funds are held in an interest-bearing bank account. Gross bank interest totalling £125.40 has been received into this account in the reporting period. Gross bank interest totalling £95.18 has been received after the end of the reporting period.

6. LIABILITIES

Secured Creditors

An examination of the Company's mortgage register held by the Registrar of Companies, showed that the Company has granted the following charge:

Charge Holder: Aurelius Finance Company Limited

Created: 7th December 2018

Delivered: 14th December 2018

Description: Fixed and Floating Charge

Amount owed to Charge Holder: £2,857,000

Following appointment, we sought legal advice as to the validity of the security held; confirmation of the treatment of various assets; and the extent to which the charge held by AFC over them is fixed or floating (or that the asset is not subject to any charge). The position is in the process of being finalised and it is anticipated that a fixed charge distribution and floating charge distribution will be made shortly (once we have received conclusive legal advice regarding the charge held by AFC).

Preferential Creditors

The estimated outcome statement ("EOS") provided in our Proposals anticipated £40,800 would be owed to preferential creditors in respect of arrears of wages and holiday pay.

Following appointment, claims were received from former employees in respect of arrears of wages and outstanding holiday pay. These claims are understood to have been met by the Redundancy Payments Service to the extent required, however, no claim has been received to date for any amount paid.

Preferential claims have not yet been adjudicated upon, however, based on current information it is anticipated that preferential claims will be in line with detailed on the EOS.

Crown Creditors

The EOS included £362,658 owed to HMRC. HMRC's provisional claim of £513,816.80 has been received.

Non-preferential unsecured Creditors

A summary of the other non-preferential categories of unsecured creditors included in the EOS and the claims received in respect of these categories of creditors, is as follows:

Unsecured Creditors	Estimated Outcome Statement	Claims Received
Trade and Expense, Councils and Banks	£3,928,404	£3,517,328.56
Employees – redundancy pay, pay in lieu of notice and other payroll deductions	£75,403	-

We would comment on the above creditor categories as follows:

Trade and Expense, Councils and Banks

The list of creditors appended to the EOS included in our proposals included 305 non-preferential unsecured creditors with an estimated total liability of £3,928,404. We have received claims from 335 creditors at a total of £3,517,328.56. We have not received claims from 232 creditors with original estimated claims in the EOS of £2,274,096.53. It is therefore possible that claims from this creditor category will exceed the claims anticipated in the EOS.

The EOS was prepared based on financial information provided to me by the director of the Company and was the best information available at the time.

Employees

Following our appointment, claims from former employees of the Company were received in respect of outstanding redundancy pay and pay in lieu of notice. These claims are understood to have been met by the Redundancy Payments Service to the extent required, however, no claim has been received to date for any amount. A full review and reconciliation of unsecured employee claims will be undertaken in due course.

Whilst no unsecured claims have been formally adjudicated upon by the Joint Administrators, a preliminary review of claims is to commence shortly. If any creditor has not yet submitted their claim

in the Administration, they should do so by completing and returning the proof of debt form included at Appendix 3.

7. DIVIDEND PROSPECTS

Fixed charge creditors

In accordance with Statement of Insolvency Practice 14, we must apportion the costs incurred between fixed charge, floating charge and uncharged asset realisations. Due to the complexity of conducting such an apportionment, our reconciliation is not yet finalised. We will be in a position to provide creditors with details of the costs that are directly attributable to the realisation of the Company's assets subject to a fixed charge in our next report.

As previously reported, we have sought advice as to the validity of the security held by AFC; confirmation of the treatment of various assets; and the extent to which the charge held by AFC over them is fixed or floating (or that the asset is not subject to any charge). This is subject to ongoing legal advice and as such we are not yet able to advice on the quantum of fixed charge dividend.

Preferential creditors

Based on current information, it is anticipated that preferential claims (when received) will be paid in full. As stated above, no claims have been received to date (although they are expected).

Floating charge creditors

As above, in accordance with Statement of Insolvency Practice 14, we must apportion the costs incurred between fixed charge, floating charge and uncharged asset realisations. Due to the complexity of conducting such an apportionment, our reconciliation is not yet finalised. We will be in a position to provide creditors with details of the costs that are directly attributable to the realisation of the company's assets subject to a floating charge in our next report.

As previously reported, we have sought advice as to the validity of the security held by AFC; confirmation of the treatment of various assets; and the extent to which the charge held by AFC over them is fixed or floating (or that the asset is not subject to any charge). This is subject to ongoing legal advice and as such we are not yet able to advice on the quantum of floating charge dividend.

Non-preferential Unsecured creditors

Similarly, and as advised above, in accordance with Statement of Insolvency Practice 14, we must apportion the costs incurred between fixed charge, floating charge and uncharged asset realisations. Due to the complexity of conducting such an apportionment, our reconciliation is not yet finalised. We will be in a position to provide creditors with details of the costs that are directly attributable to the realisation of the company's uncharged assets in our next report.

As previously advised, the Company gave a floating charge to Aurelius Finance Company Limited on 7th December 2018 and the prescribed part provisions will apply. On the basis of realisations to date, together with estimated future realisations, and after taking into account the costs of the Administration to date, the net property of the Company is £305,178, and we estimate that the prescribed part of the net property for unsecured creditors is £41,377. However, these estimates do not take into account the future costs of the Administration, which will reduce the amount of the Company's net property. In addition, the

estimated prescribed part may increase once our reconciliation of the apportionment of costs mentioned previously has been completed.

8. INVESTIGATION INTO THE AFFAIRS OF THE COMPANY

We undertook an initial investigation into the Company's affairs to establish whether there were any potential asset recoveries or conduct matters that justified further investigation, taking account of the public interest, potential recoveries, the funds likely to be available to fund an investigation, and the costs involved. We are required by the Statements of Insolvency Practice to undertake such an initial investigation and the work detailed below has been undertaken in connection with that initial investigation.

Specifically, we recovered and listed the Company's accounting records; obtained and reviewed copy bank statements for the 6 months prior to Administration from the Company's bankers; and compared the information in the Company's last set of accounts with that contained in the statement of affairs lodged in the Administration and made enquiries about the reasons for the changes.

The following areas were identified, or brought to our attention by creditors, where we considered further investigations was required:

Bank Analysis

The analysis of the Company's bank accounts was a time consuming process due to the volume of transactions passing through the accounts on a daily basis. This analysis included a reconciliation of payments made to, and received from, the following:

- A connected company, Combine Opco Limited, which entered Administration on the same day and whose business and assets were also sold to THGL;
- The directors and other connected parties;
- The current and former charge holders;
- HMRC;
- Other companies in which the ultimate beneficial owner of the Company has an interest.

The above reconciliations were undertaken to establish whether any sums could be recovered for the benefit of creditors, however, no matters were identified that justified further investigation in the circumstances of this appointment.

Creditor Allegations

Various allegations were made in connection with the management of the business and the treatment of patients. Time has been spent investigating the concerns raised in line with the documentation and information available to me. We can confirm that our investigations into the concerns raised have now been concluded.

Conduct Report

Within three months of our appointment as Administrator, we are required to submit a confidential report to the Secretary of State to include any matters which have come to our attention during the course of our work which may indicate that the conduct of any past or present Director would make them unfit to

be concerned with the management of the Company. We would confirm that our report has been submitted.

9. PRE-ADMINISTRATION COSTS

On 7th August 2019 and 21st October 2019 the following pre-administration costs were approved by the preferential and secured creditors respectively:

Description	Total	Paid in Reporting Period	To be Paid
Joint Administrators' Remuneration	£22,500.00	£nil	£22,500.00
Valuation Agents/Marketing	£12,500.00	£12,500.00	£nil
Legal Fees	£23,158.06	£23,158.06	£nil
ERA Services	£325.00	£325.00	£nil
PR Services	£370.00	£nil	£nil*
Total	£58,853.06	£35,983.06	£22,500.00

*The agent providing PR services advised they would not be raising an invoice for work done pre-appointment on the basis the work undertaken was less than anticipated when quoted for.

As can be seen from the table above, £35,983.06 has been paid to date in respect of these costs, as detailed in the attached receipts and payments account, such that £22,500.00 remains outstanding. This will be paid in due course.

10. JOINT ADMINISTRATORS' REMUNERATION

Our remuneration was previously authorised by the preferential and secured creditors on 7th August 2019 and 21st October 2019 respectively.

Whilst preferential creditors authorised me to draw a fixed fee of £125,000 for our work in respect of all categories of work, namely Administration, Creditors, Realisation of Assets, Creditors (distributions) and Investigations, the secured creditor only agreed our remuneration as a fixed fee of £75,000.

We have not yet drawn any remuneration in respect of work done for which our fees were approved as a fixed fee.

Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>. A copy of 'A Creditors Guide to Administrators' Fees' also published by R3, together with an explanatory note which shows Turpin Barker Armstrong's fee policy are available at the link <https://www.turpinbainsolvency.co.uk/fees-and-links>. Please note that there are different versions of the Guidance Notes and in this case you should refer to the April 2017 version.

11. JOINT ADMINISTRATORS' EXPENSES

A summary of the expenses we estimated we would incur when our remuneration was authorised by the creditors, in addition to the actual expenses incurred and paid to 2nd January 2020, are as follows:

Type of Expense	Estimated Expense	Incurred in Reporting Period	Paid in Reporting Period
Specific Bond	£720.00	£276.00	£276.00
Statutory Advertising	£75.00	£75.00	£75.00
Conference Call Costs	£25.00	£39.39	£39.39
Legal Fees	£11,069.00	£14,764.15*	£9,981.75
Pension Services	£4,305.00	£1,175.00	£500.00
ERA Services	£2,525.00	£2,525.00	£2,525.00
PR Services	£277.50	£647.50	£647.50
Tax Advice/Assistance	£nil	£750.00**	£nil
Insurance	£nil	£3,836.00	£nil
Storage Costs	£1,000.00	£nil	£nil
Total	£19,996.50	£24,088.04	£14,044.64

**THGL provided a costs undertaking in respect of £500 plus VAT in connection with work our solicitors undertook in connection with a novation agreement;*

***All costs to be met by the Transferee as it relates to work in connection with the surrender of tax losses, as detailed earlier in this report.*

We have used the following agents or professional advisors in the reporting period:

Professional Advisor	Nature of Work	Basis of Fees
Russell Cooke LLP	Legal advice/assistance	Time costs + disbursements
Buzzacott LLP	Tax advice/assistance	Fixed fee
Clumber Consultancy Limited	Pension services	Fixed fee
Clumber Consultancy ERA Limited	ERA services	Fixed fee
Citigate Dewe Rogerson	PR services	Time costs

Legal Costs

Russell Cooke LLP are engaged to provide legal advice and assistance to the Joint Administrators throughout the Administration and in relation to a number of matters. The work undertaken in the reporting period can be summarised as follows:

- Providing advice as to the validity of the security held by AFC;
- Confirmation of the treatment of various assets and the extent to which the charge held by AFC over them is fixed or floating (or that the asset is not subject to any charge);
- Dealing with post-sale formalities;
- Assisting with clinical negligence claims, liaising with insurers and agreeing with an appropriate strategy in connection with claims.
- Advising on the inquest into the death of a former patient and liaising with solicitors instructed

- by the Company's insurers prior to Administration;
- Advising on property issues including queries raised by landlords, requests from landlords to lift the moratorium, and lease surrenders/assignments;
- Assisting with the extension to the Licence to Occupy;
- Reviewing agreements relating to the surrender of tax losses;
- Dealing with ad hoc queries as and when appropriate.

The costs incurred exceed our initial estimate because of a number of matters which have arisen which were not anticipated when our estimate was prepared. This includes, but is not limited to, matters relating to clinical negligence claims, the inquest into the death of a former patient, and the surrender of tax losses.

As previously mentioned, the costs incurred include work undertaken by Russell Cooke LLP in relation to the novation of an agreement to THGL. On the basis this benefited THGL they agreed to discharge the associated costs of £500 plus VAT.

Tax Advice/Assistance

Buzzacott LLP were instructed to provide tax advice to the Joint Administrators in respect of the surrender of tax losses reported previously. The work undertaken in the reporting period relates to the following:

- Review of agreements for surrender of tax losses for the year ended 31st December 2017 via group relief.
- Amending and submitting the tax return for the year ended 31st December 2017.

As reported previously, the Transferee has undertaken to pay Buzzacott's fees of £750 + VAT for the above work.

Pension Services

Clumber Consultancy Limited were instructed to assist the Joint Administrators in dealing with the Company's pension schemes and the associated obligations. The work undertaken in the reporting period relates to the following:

- Preparing pension scheme reports;
- Completion and submission of statutory Pensions Act notifications for all relevant schemes;
- Preparation and issue of statutory Pensions Act letters for Trust Based Schemes;
- Pensions research and liaising with third parties.

ERA Services

Clumber Consultancy ERA Limited were engaged to provide support and assistance in dealing with certain employee matters. The work undertaken in the reporting period relates to the following:

- Preparing and submitting RP14 and RP14a forms to the Redundancy Payments Service;
- Dealing with all employee queries in respect of the termination of their employment and any claims they are making to the Redundancy Payments Service.

PR Services

Citigate Dewe Rogerson were engaged to field calls and enquiries from various media outlets regarding the Administration in addition to assisting with the preparation of press releases.

The costs incurred exceed our initial estimate as addition unforeseen work was required in respect of a news and TV enquiry.

As at the date of this report then, as you can see from the information provided in this report, the expenses we have incurred in this matter have exceeded the total expenses we estimated we would incur when our remuneration was authorised by the preferential and secured creditors. The reasons we have exceeded the expenses estimate are as stated previously.

The choice of professionals used was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them. We have reviewed the fees charged and we are satisfied that they are reasonable in the circumstances of this case.

12. FURTHER INFORMATION

An unsecured creditor may, with the permission of the court or with the concurrence of 5% in value of the unsecured creditors (including the creditor in question) request further details of the Joint Administrators' remuneration and expenses, within 21 days of receipt of this report. Any secured creditor may request the same details in the same time limit.

An unsecured creditor may, with the permission of the court or with the concurrence of 10% in value of the unsecured creditors (including the creditor in question), apply to court to challenge the amount and/or basis of the Joint Administrators' fees and the amount of any proposed expenses or expenses already incurred, within 8 weeks of receipt of this report. Any secured creditor may make a similar application to court within the same time limit.

To comply with the Provision of Services Regulations, some general information about Turpin Barker Armstrong can be found at <https://www.turpinbainsolvency.co.uk/fees-and-links>.

13. SUMMARY

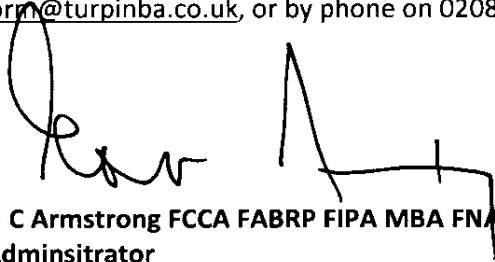
The Administration will remain open until the following matters have been finalised:

- Calculation and payment of a fixed charge dividend;
- Calculation and payment of a floating charge dividend;
- Calculation and payment of a preferential dividend;
- Calculation and payment of prescribed part dividend;
- Expiry of the extended Licence to Occupy.

We estimate that this will take approximately 6 months, and once these matters have been finalised the Administration will cease and our files will be closed.

Administration will cease and our files will be closed.

If creditors have any queries regarding the conduct of the Administration, or if they want hard copies of any of the documents made available on-line, they should contact this office by email at trasnform@turpinba.co.uk, or by phone on 0208 661 4008.

A handwritten signature in black ink, appearing to read 'Martin C Armstrong', written over the printed name and title.

Martin C Armstrong FCCA FABRP FIPA MBA FNARA
Joint Adminsitrator

The affairs, business and property of the Company are being managed by the Joint Administrators, James Patchett and Martin Armstrong. The Joint Administrators act as agents of the Company and contract without personal liability.

APPENDIX 1

A DESCRIPTION OF THE ROUTINE WORK UNDERTAKEN SINCE APPOINTMENT

Tel: 020 8661 4008
Ref: PD/RAR/JEP/MCA/XT0245

Turpin Barker Armstrong
Allen House
1 Westmead Road
Sutton
Surrey SM1 4LA

Appendix 1

1. Administration

This represents the work involved in the routine administrative functions of the case by the office holder and their staff, together with the control and supervision of the work done on the case by the office holder (and their managers). It does not give direct financial benefit to the creditors, but has to be undertaken by the office holder to meet their requirements under the insolvency legislation and the Statements of Insolvency Practice, which set out required practice that office holders must follow.

- Case planning - devising an appropriate strategy for dealing with the case and giving instructions to the staff to undertake the work on the case.
- Administration of electronic case files.
- Maintenance of the practice's electronic case management system and entering data.
- Issuing the statutory notifications to creditors and other required on appointment as office holder, including gazetting the office holder's appointment.
- Obtaining a specific penalty bond.
- Preparing, reviewing and issuing SIP16 disclosure to creditors and other relevant third parties.
- Preparing, reviewing and issuing Administrators' proposals to creditors and members.
- Filing the proposals at Companies House.
- Reporting on the outcome of the deemed approval of the proposals to creditors, Companies House and the Court.
- Dealing with all routine correspondence and emails relating to the case.
- Opening, maintaining and managing the office holder's estate bank accounts.
- Creating, maintaining and managing the office holder's cashbook.
- Undertaking regular bank reconciliations of the bank accounts containing estate funds.
- Reviewing the adequacy of the specific penalty bond on a monthly basis.
- Undertaking periodic reviews of the progress of the case.
- Overseeing and controlling the work done on the case by case administrators.
- Preparing, reviewing and issuing 6 monthly progress reports to creditors and members.
- Liaising with agents, The Pension Protection Fund and The Pension Regulator in respect of pension obligations.
- Reviewing and authorising statutory pension notifications.
- Dealing with Bribery, Anti Money Laundering and Code of Ethics requirements and considerations.

2. Creditors

Employees - The office holder needs to deal with the ex-employees in order to ensure that their claims are processed appropriately by the Redundancy Payments Office (RPO). The office holder is required to undertake this work as part of their statutory functions.

Claims of creditors - the office holder needs to maintain up to date records of the names and addresses of creditors, together with the amounts of their claims as part of the management of the case, and to ensure that notices and reports can be issued to the creditors. The office holder also needs to deal with correspondence and queries received from creditors regarding

their claims and dividend prospects as they are received. The office holder is required to undertake this work as part of his statutory functions.

A summary of the work undertaken is as follows:

- Liaising with agents and obtaining information from the case records (and former employees) about employee claims.
- Corresponding with agents regarding employee claims.
- Correspondence with employees regarding claims and queries.
- Reviewing documentation for submission to the Redundancy Payments Office.
- Dealing with creditor correspondence, emails and telephone conversations regarding their claims.
- Maintaining up to date creditor information on the case management system.
- Reviewing proofs of debt received from creditors.
- Requesting additional information from creditors in support of their proofs of debt.

APPENDIX 2

JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

Tel: 020 8661 4008
Ref: PD/RAR/JEP/MCA/XT0245

Turpin Barker Armstrong
Allen House
1 Westmead Road
Sutton
Surrey SM1 4LA

TFHC Limited
(In Administration)
Joint Administrators' Summary of Receipts & Payments
To 02/01/2020

S of A £	£	£
FIXED CHARGE ASSETS		
Included Debts	32,500.00	
Goodwill	1.00	
Intellectual Property	30,000.00	
		62,501.00
ASSET REALISATIONS		
Books & Records	1.00	
Business Names	4,995.00	
Contracts	1.00	
Customer Deposits	1.00	
Database & Database Records	1.00	
Domain Names & Websites	4,995.00	
Plant & Machinery	150,000.00	
Social Media Assets	1.00	
Stock	210,000.00	
Prepayments	4.00	
Sundry Refunds	1,030.82	
Gross Bank Interest	125.40	
Licence Fee - Transform Hospital Gro	104,650.99	
		475,806.21
COST OF ADMINISTRATION		
Specific Bond	276.00	
Statutory Advertising	75.00	
ERA Advisor's Fees - Pre Appointment	325.00	
PR Advisor's Fees - Post Appointment	647.50	
Pensions Agent's Fees - Post Appoint	500.00	
Valuation Agent's Fees - Pre Appointm	12,500.00	
ERA Advisor's Fees - Post-Appointme	2,525.00	
Legal Fees - Pre Appointment	23,158.06	
Legal Fees - Post Appointment	9,981.75	
Telephone Telex & Fax	39.39	
Rent Payable	86,159.06	
		(136,186.76)
		402,120.45
REPRESENTED BY		
Input VAT		28,428.57
Interest Bearing Account		373,691.88
		402,120.45

Note:

It should be noted that all figures stated in the Receipts and Payments Account are net of any applicable VAT.

APPENDIX 3
PROOF OF DEBT FORM

Tel: 020 8661 4008
Ref: PD/RAR/JEP/MCA/XT0245

Turpin Barker Armstrong
Allen House
1 Westmead Road
Sutton
Surrey SM1 4LA

Rule 14.4 The Insolvency (England and Wales) Rules 2016

Proof of Debt – General Form

IN THE

High Court of Justice

Number:

004173 of 2019

Name of Company in Administration:

TFHC Limited t/as "Transform"

Company Registration Number:

09319909

Date of Administration:

3rd July 2019

1 Name of creditor

(If a company, please also provide the company registration number).

2 Correspondence address of creditor (including any email address)

3 Total amount of claim (£)
(include any Value Added Tax)

4 If amount in 3 above includes (£)
outstanding uncapitalised interest, state amount.

5 Details of how and when the debt was incurred.
(If you need more space, attach a continuation sheet to this form)

6 Details of any security held, the value of the security and the date it was given.

7 Details of any reservation of title claimed in respect of goods supplied to which the debt relates.

8 Details of any document by reference to which the debt can be substantiated

9 Signature of creditor
(or person authorised to act on the creditor's behalf)

10 Address of person signing if different from 2 above

11 Name in BLOCK LETTERS:

12 Position with, or relation to, creditor

13 Date of signature

Admitted to vote for

Amount (£)

Date

Admitted for dividend for

Amount (£)

Date

Martin C Armstrong
Joint Administrator

Martin C Armstrong
Joint Administrator

Notes:

1. There is no need to attach them now but the office holder may ask you to produce any document or other evidence which is considered necessary to substantiate the whole or any part of the claim, as may the chairman or convenor of any qualifying decision procedure.

2. This form can be authenticated for submission by email by entering your name in block capitals and sending the form as an attachment from an email address which clearly identifies you or has been previously notified to the office holder. If completing on behalf of a company, please state your relationship to the company.