

# AM10 (Scot)

## Notice of administrator's progress report



Companies House

SATURDAY



SCT \*S87PB8Y9\* 15/06/2019 #219  
COMPANIES HOUSE

### 1 Company details

Company number S C 2 1 1 7 9 1

Company name in full Northwind Leisure Limited

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

### 2 Administrator's name

Full forename(s) Gary Paul

Surname Shankland

### 3 Administrator's address

Building name/number 31st Floor

Street 40 Bank Street

Post town London

County/Region

Postcode E 1 4 5 N R

Country

### 4 Administrator's name ①

Full forename(s) Kenneth Wilson

Surname Pattullo

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

### 5 Administrator's address ②

Building name/number Second Floor, Excel House

Street 30 Semple Street

Post town Edinburgh

County/Region

Postcode E H 3 8 B L

Country

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

# AM10 (Scot)

## Notice of administrator's progress report

### 6 Period of progress report

From date	<sup>d</sup> 0	<sup>d</sup> 2	<sup>m</sup> 1	<sup>m</sup> 1	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 1	<sup>y</sup> 8
To date	<sup>d</sup> 0	<sup>d</sup> 1	<sup>m</sup> 0	<sup>m</sup> 5	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 1	<sup>y</sup> 9

### 7 Progress report

☒ I attach a copy of the progress report

### 8 Sign and date

Administrator's  
signature

Signature

X

X

Signature date

<sup>d</sup> 1	<sup>d</sup> 3	<sup>m</sup> 0	<sup>m</sup> 6	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 1	<sup>y</sup> 9
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# AM10 (Scot)

## Notice of administrator's progress report



### Presenter information

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

Contact name	Gary Paul Shankland
Company name	Begbies Traynor (London) LLP
Address	31st Floor 40 Bank Street
Post town	London
County/Region	
Postcode	E 1 4 5 N R
Country	
DX	london@begbies-traynor.com
Telephone	020 7516 1500



### 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 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,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh.



### 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)

**Northwind Leisure Limited**  
**(In Administration)**  
**Joint Administrators' Summary of Receipts & Payments**

Statement of Affairs £		From 02/11/2018 To 01/05/2019 £	From 02/11/2015 To 01/05/2019 £
	<b>SECURED ASSETS</b>		
3,000,000.00	Freehold Land & Property	NIL	NIL
		NIL	NIL
	<b>SECURED CREDITORS</b>		
(5,497,092.00)	Santander UK Plc	NIL	NIL
		NIL	NIL
	<b>ASSET REALISATIONS</b>		
	Bank Interest Gross	863.02	2,204.48
11,509.00	Cash at Bank	NIL	NIL
213,892.00	Rent	279,392.70	1,966,936.76
		280,255.72	1,969,141.24
	<b>COST OF REALISATIONS</b>		
	Administrators' Expenses	NIL	283.87
	Administrators' Fees	(19,980.00)	105,510.00
	Administrators' pre-appointment fees	NIL	1,890.00
	Bank Charges	NIL	5.00
	Court Fees	NIL	15.00
	Irrecoverable VAT	(4,856.40)	26,459.48
	Legal Fees & Disbursements	702.00	21,523.89
	Legal Fees (payable from the PP)	(7,146.00)	NIL
	Pre-appointment Legal Fees	NIL	1,196.35
	Specific Bond	NIL	117.88
	Statutory Advertising	NIL	191.25
	Tax Consultancy Fees	1,344.00	1,344.00
		29,936.40	(158,536.72)
	<b>FLOATING CHARGE CREDITORS</b>		
	Distribution to Floating Charge Creditor	80,000.00	1,150,000.00
		(80,000.00)	(1,150,000.00)
	<b>UNSECURED CREDITORS</b>		
	Administrators' Fees re PP (inc VAT)	23,976.00	23,976.00
(1,032,150.00)	Associated Creditors	NIL	NIL
	Legal Fees re PP (inc VAT)	8,575.20	8,575.20
(669,551.00)	Trade Creditors	NIL	145,771.00
		(32,551.20)	(178,322.20)
	<b>DISTRIBUTIONS</b>		
(204,901.00)	Ordinary Shareholders	NIL	NIL
		NIL	NIL
<b>(4,178,293.00)</b>		<b>197,640.92</b>	<b>482,282.32</b>
	<b>REPRESENTED BY</b>		
	Bank 2 Current - CHQ BOOK ONLY		10,113.23
	Corporate Bonus Acc FI - NO CHQS		472,300.97
	Office		(131.88)
			<b>482,282.32</b>

Note:

Gary Paul Shankland and Kenneth Wilson Pattullo were appointed joint administrators on 2 November 2015.

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

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## **Northwind Leisure Limited (In Administration)**

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Progress report of the joint administrators pursuant to Rule 3.94 of The Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018

Period: 2 November 2018 to 1 May 2019

## **Important Notice**

This progress report has been produced by the administrators solely to comply with their statutory duty to report to creditors on the progress of the administration. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever.

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## **Contents**

- ☐ Interpretation
- ☐ Statutory information and details of administrators' appointment
- ☐ Details of appointment of administrators
- ☐ Progress during the period
- ☐ Estimated outcome for creditors
- ☐ The administrators' remuneration and disbursements
- ☐ Assets that remain to be realised
- ☐ Other relevant information
- ☐ Conclusion
- ☐ Appendices
  - 1. Account of receipts and payments and estimated outcome statement
  - 2. Time costs and expenses

# 1. INTERPRETATION

<b><u>Expression</u></b>	<b><u>Meaning</u></b>
"the Company"	Northwind Leisure Limited (In Administration)
"the administration"	The appointment of administrators under Schedule B1 to the Insolvency Act 1986 on 2 November 2015.
"the administrators", "we", "our", "us"	Gary Paul Shankland of Begbies Traynor (London) LLP, 31st Floor, 40 Bank Street, London, E14 5NR and Kenneth Wilson Pattullo of Begbies Traynor (Central) LLP, 2nd Floor, Excel House, Semple Street, Edinburgh, EH3 8BL
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act); and  (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Act

## 2. STATUTORY INFORMATION & DETAILS OF APPOINTMENT OF ADMINISTRATORS

Name of Company	Northwind Leisure Limited
Trading name(s):	Northwind Leisure Limited
Date of Incorporation:	9 October 2000
Company registered number:	SC211791
Company registered office:	c/o Begbies Traynor (Central) LLP, 2nd Floor, Excel House, Semple Street, Edinburgh, EH3 8BL
Names of administrators:	Gary Paul Shankland, a Licensed Insolvency Practitioner of Begbies Traynor (London) LLP, 31st Floor, 40 Bank Street, London, E14 5NR and Kenneth Wilson Pattullo, a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, 2nd Floor, Excel House, Semple Street, Edinburgh, EH3 8BL
Date of administrators' appointment:	2 November 2015
Date of administrators' resignation:	N/A
Court:	Court of Session
Person(s) making appointment / application:	Santander UK PLC, 2 Triton Square, Regent's Place, London, NW1 3AN
Acts of the administrators:	The administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
EC Regulation on Insolvency Proceedings:	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No. 1346/2000) applies to these proceedings which are 'main proceedings' within the meaning of Article 3 of the Regulation.
Extensions of the administration period:	The administration period was extended with the consent of the secured creditor for a period of 12 months until 1 November 2017 and subsequently for a further 24 month period via two separate petitions to the Court of Session until 1 November 2019.



### 3. PROGRESS DURING THE PERIOD

#### **Receipts & Payments Account**

Attached at Appendix 1 is the joint administrators' abstract of receipts and payments and estimated outcome statement ("EOS") for the period from 2 November 2018 to 1 May 2019.

#### *RECEIPTS*

##### **Rent**

Rent in the sum of £279,393 has been received during the period of this report.

The total sum realised up to 1 May 2019 in respect of rental income is £1,966,937. Future realisations in this regard are uncertain.

##### **Bank Interest Gross**

Bank interest in the sum of £863 has accrued on funds held in the administration bank account during the period of this report.

#### *PAYMENTS*

##### **Joint Administrators' Fees & Expenses**

Please see Section 6 for full details.

##### **Irrecoverable VAT**

VAT paid in respect of administration expenses, including professional fees, is not recoverable.

The irrecoverable VAT incurred during the period is split between floating charge costs and costs deductible from the prescribed part and is reflected as such in the attached EOS.

##### **Legal Fees & Disbursements**

The sum of £702 has been paid to Brodies LLP ("Brodies"), a firm of solicitors, during the period of this report for their assistance and advice relating to general matters, predominantly in relation to the freehold land and property and the lease.

##### **Tax Consultancy Fees**

The sum of £1,344 has been paid to Berg Kaprow Lewis LLP ("BKL") for providing tax advice to the joint administrators and assisting with the submission of corporation tax returns for the Company to HM Revenue & Customs.

##### **Distribution to Floating Charge Creditor**

Please see Section 5 for full details.

## 4. ESTIMATED OUTCOME FOR CREDITORS

The sums owed to creditors at the date of appointment were detailed in the proposals.

### **Secured creditor**

The amount owed to Santander UK PLC ("the Bank") at the date of appointment, per the director's statement of affairs, is in the region of £5.5m. However, it is understood by the joint administrators that the actual sum is approximately £5.3m. Interest continues to accrue on the outstanding balance. Creditors may recall that the Company granted a floating charge, debenture (containing fixed and floating charges) and standard security to the Bank.

It is still anticipated that there will be a shortfall to the Bank in respect of the Company's indebtedness to it although this may change in due course when the freehold land and property is sold.

Up to 1 May 2019 interim distributions have been made to the Bank under their floating charge totalling £1,150,000 (of which the sum of £80,000 was distributed during the period of this report) after setting aside the prescribed part of net property (see below).

### **Preferential creditors**

As previously advised, there are no known preferential creditors.

### **Unsecured creditors & the prescribed part for unsecured creditors pursuant to Section 176A of the Act**

The proposals detailed how the calculation of the prescribed part is to be made. As advised above, distributions have been made to the Bank under its floating charge and it is anticipated that further floating charge distributions will be made.

As noted in the EOS attached at Appendix 1, it is presently estimated that the net property will total £1,528,129 and the prescribed part available to unsecured creditors, before deduction of the relevant costs, will be £308,626.

As advised in the last progress report to creditors, unsecured creditor claims totalling £1,736,351 have been accepted by the joint administrators, of which £1,037,490 relate to associated claims from other group entities, and, in October 2017, the sum of £145,771 was distributed to the proven unsecured creditors of the Company, representing a dividend of 8.40 pence in the pound, by way of a first interim dividend from the Prescribed Part.

At this stage it is not anticipated that a dividend will be paid to unsecured creditors other than by virtue of the Prescribed Part detailed above.

A second interim dividend from the prescribed part is presently being calculated and it is anticipated that this will be paid within two months of today's date.

## 5. THE ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

As previously reported, the joint administrators' remuneration is fixed by reference to the time properly given by them (as administrators) and the various grades of their staff calculated at the prevailing hourly charge out rates of Begbies Traynor for attending to matters arising in the administration and they are authorised to draw disbursements, including disbursements for services provided by their firm (defined as Category 2 disbursements in Statement of Insolvency Practice 9), in accordance with their firm's policy, details of which accompanied the *Statement of Proposals of the Joint Administrators for Achieving the Purpose of the Administration pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 2.25 of the Insolvency (Scotland) Rules 1986*.

The relevant resolutions were approved by the secured creditor on 24 February 2016 pursuant to Rule 2.39 of the Insolvency (Scotland) Rules 1986.

Total remuneration approved to 12 April 2019 in accordance with the approved resolution in respect of remuneration amounts to £161,850. Remuneration in respect of this resolution has been drawn in the sum of £125,490 to date. Total time spent to 1 May 2019 on this assignment amounts to 544.1 hours at an average composite rate of £300 per hour resulting in total time costs to 1 May 2019 of £163,230.

During the period of this report, being 2 November 2018 to 1 May 2019, time spent on this assignment amounts to 40.7 hours at an average composite rate of £300 per hour resulting in time costs for this period of £12,210.

Details of the Category 2 disbursements and disbursements which should be treated as Category 2 disbursements, drawn during the administration in accordance with the approval obtained, were provided in the narrative summary of time costs incurred attached to the joint administrators' previous progress reports. These totalled £84.60. Since the joint administrators' last progress report, the only disbursement incurred which should be treated as a Category 2 disbursement relates to insurance premiums which continue to accrue in respect of the insurance of the freehold property. Premiums payable in respect of this period are uncertain but will be reported in the next progress report.

A narrative summary of the Category 1 disbursements which have been drawn during the period is included at Appendix 2 within the narrative summary of time costs.

The following further information as regards time costs and expenses is set out at Appendix 2:

- ☐ Begbies Traynor's policy for re-charging expenses/disbursements
- ☐ Begbies Traynor's charge-out rates
- ☐ Narrative summary of time costs incurred
- ☐ Table of time spent and charge-out value for the period 2 November 2018 to 1 May 2019
- ☐ Table of time spent and charge-out value for the period 2 November 2015 to 1 May 2019

In accordance with Rule 2.39 of the Insolvency (Scotland) Rules 1986, the joint administrators' claim for remuneration and outlays has been determined by the secured creditor as follows:

### **For the period 2 November 2015 to 21 February 2016:**

- Pre-administration fees in the total sum of £1,890 exclusive of VAT and outlays in the sum of £226.87 as detailed in the statement of pre-administration costs contained in the letter to the secured creditor dated 23 February 2016.
- Pre-administration costs payable to Addleshaw Goddard LLP and Brodies LLP totalling £2,752 exclusive of VAT.
- Post appointment fees of £42,810 exclusive of VAT, together with expenses and disbursements of £255.05, exclusive of VAT, as detailed in the letter sent to the secured creditor dated 23 February 2016.

**For the period 22 February 2016 to 1 May 2016:**

- Post appointment fees of £9,480 exclusive of VAT, as detailed in the letter sent to the secured creditor dated 10 June 2016.

**For the period 2 May 2016 to 21 October 2016:**

- Post appointment fees of £14,670 exclusive of VAT, as detailed in the letter sent to the secured creditor dated 25 October 2016.

**For the period 22 October 2016 to 24 February 2017:**

- Post appointment fees of £14,490 exclusive of VAT, as detailed in the letter sent to the secured creditor dated 27 February 2017.

**For the period 25 February 2017 to 1 May 2017:**

- Post appointment fees of £8,100 exclusive of VAT, as detailed in the letter sent to the secured creditor dated 12 June 2017.

**For the period 2 May 2017 to 29 September 2017:**

- Post appointment fees of £20,160 exclusive of VAT, as detailed in the letter sent to the secured creditor dated 9 October 2017.

**For the period 30 September 2017 to 23 February 2018:**

- Post appointment fees of £18,240 exclusive of VAT, as detailed in the letter sent to the secured creditor dated 20 March 2018.

**For the period 24 February 2018 to 1 May 2018:**

- Post appointment fees of £6,360 exclusive of VAT, as detailed in the letter sent to the secured creditor dated 11 June 2018.

**For the period 2 May 2018 to 5 October 2018:**

- Post appointment fees of £12,960 exclusive of VAT, as detailed in the letter sent to the secured creditor dated 10 October 2018.

**For the period 6 October 2018 to 12 April 2019:**

- Post appointment fees of £14,580 exclusive of VAT, as detailed in the letter sent to the secured creditor dated 18 April 2019.

To date, fees of £125,490 have been drawn in respect of the above determination. There have been no fees drawn during the period of this report.

A copy of 'A Creditors Guide to Administrators' Remuneration (Scotland)' which provides guidance on creditors' rights on how to approve and monitor an administrator's remuneration and on how the remuneration is set can be obtained online at [www.begbies-traynor.com/creditorsguides](http://www.begbies-traynor.com/creditorsguides). Alternatively, if you require a hard copy of the guide, please contact this office and I will arrange to send you a copy.

## **6. ASSETS THAT REMAIN TO BE REALISED**

The Company's freehold property has not yet been sold but the joint administrators continue to take steps to realise the Company's interest in the property and significant progress is anticipated to be made in the next few months. For the purposes of the EOS attached at Appendix 1

The value of future rental income is presently uncertain and the prospect of any claims against the current tenant in respect of dilapidations is also uncertain.

## 7. OTHER RELEVANT INFORMATION

### **Extension of the administration**

As previously reported, the administration was extended, with the agreement of the secured creditor, to 1 November 2017, and it was subsequently extended twice via applications to the Court of Session, to 1 November 2019.

It is likely that the joint administrators will be seeking to extend the administration again before the current expiry date of 1 November 2019.

## 8. CONCLUSION

We will report to creditors at the end of the current six month period which ends on 1 November 2019.



**Gary Shankland**  
Joint Administrator

Dated: 13 June 2019

# ACCOUNT OF RECEIPTS AND PAYMENTS AND ESTIMATED OUTCOME STATEMENT

Period: 2 November 2018 to 1 May 2019

Northwind Leisure Ltd - In Administration  
Receipts and Payments and Estimated Outcome Statement as at 1 May 2019

Book Value based on Statement of Affairs		Notes	Receipts and payments from 2 November 2015 to 1 May 2019	Receipts and payments from 2 November 2018 to 1 May 2019	Estimated future receipts and payments	Total
£			£	£	£	£
<b>Assets subject to fixed charge</b>						
3,000,000	Freehold Property - Kingsway Centre	1	-	-	4,000,000.00	4,000,000.00
			-	-	4,000,000.00	4,000,000.00
	<b>Less:</b>					
	Legal fees & disbursements	2	-	-	(15,000.00)	(15,000.00)
	Agents' fees - sale	2	-	-	(30,000.00)	(30,000.00)
	Agents' fees - lease negotiations	2	-	-	(27,020.00)	(27,020.00)
	Property repairs / Holding costs	2	-	-	(10,000.00)	(10,000.00)
	Joint Administrators' Fees & Disbursements	2	-	-	(40,000.00)	(40,000.00)
	Insurance		-	-	(42,000.00)	(42,000.00)
	Irrecoverable VAT	3	-	-	(24,404.00)	(24,404.00)
			-	-	(188,424.00)	(188,424.00)
(5,497,092)	Santander UK Plc	4	-	-	(5,305,457.00)	(5,305,457.00)
	<b>Shortfall as regards Fixed Charge Holder</b>		-	-	(1,493,881.00)	(1,493,881.00)
<b>Assets subject to floating charge</b>						
11,509	Cash at Bank	5	-	-	-	-
213,892	Rent	6	1,966,936.76	279,392.70	Uncertain	1,966,936.76
	Dilapidations	12	Uncertain	Uncertain	Uncertain	Uncertain
	Bank Interest Gross		1,341.46	863.02	Uncertain	2,204.48
			1,968,278.22	280,255.72	-	1,969,141.24
	<b>Less:</b>					
	Pre-Appointment Legal Fees and Disbursements		(1,196.35)	-	(1,782.65)	(2,979.00)
	Legal Fees & Disbursements	7	(20,821.89)	(702.00)	(13,476.11)	(35,000.00)
	Joint Administrators' Pre-Appointment Fees		(1,890.00)	-	-	(1,890.00)
	Joint Administrators' Fees	7	(105,510.00)	-	(34,490.00)	(140,000.00)
	Joint Administrators' Disbursements	7	(283.87)	-	(2,216.13)	(2,500.00)
	Bank Charges		(5.00)	-	(95.00)	(100.00)
	Corporation Tax	8	-	-	(217,407.57)	(217,407.57)
	Storage Costs		-	-	(250.00)	(250.00)
	Statutory Advertising		(191.25)	-	(208.75)	(400.00)
	Specific Bond		(117.88)	-	(42.12)	(160.00)
	Court Fees		(15.00)	-	Uncertain	(50.00)
	Tax Consultancy Fees		-	(1,344.00)	(1,656.00)	(3,000.00)
	Irrecoverable VAT		(21,603.08)	(4,856.40)	(10,815.93)	(37,275.41)
			(151,634.32)	(6,902.40)	(282,440.26)	(441,011.98)
	<b>Amount available to preferential creditors</b>		1,816,643.90	273,353.32	(282,440.26)	1,528,129.26
	<b>Less: preferential creditors</b>					-
	<b>Net property</b>	9				1,528,129.26
	<b>Estimated prescribed part of net property</b>	7				(308,625.85)
	Joint Administrators' Fees (associated with the prescribed part)		(19,980.00)	-	(5,020.00)	(25,000.00)
	Legal Fees & Disbs (associated with the prescribed part)		(7,146.00)	-	-	(7,146.00)
	Irrecoverable VAT on prescribed part costs		(5,425.20)	-	(1,004.00)	(6,429.20)
	<b>Prescribed part payable to unsecured creditors</b>					(270,050.65)
	<b>Distributions from the prescribed part of net property</b>					
	Unsecured Trade Creditors		(58,671.08)	-	(50,021.06)	(108,692.14)
	Unsecured Associated Creditors		(87,099.92)	-	(74,258.59)	(161,358.51)
			(145,771.00)	-	(124,279.65)	(270,050.65)
	<b>Available to Santander UK Plc under floating charge</b>					1,219,503.41
	Estimated amount due to Santander UK Plc under floating charge	10				(1,493,881.00)
	<b>Deficit as regard Santander UK Plc</b>					(274,377.59)
	Distribution to Santander UK Plc under floating charge	11	(1,070,000.00)	(80,000.00)	(69,503.41)	(1,219,503.41)
	<b>Unsecured Trade Creditors</b>					(698,860.00)
	<b>Unsecured Associated Creditors</b>					(1,037,490.00)
						(1,736,350.00)
	<b>Estimated Deficit as regard creditors</b>					(1,740,676.94)
	<b>Shareholders</b>					(204,901.00)
	<b>Estimated Deficit as regard shareholders carried down</b>					(1,945,577.94)

#### Notes

- 1 As advised in the proposals, marketing proposals have been prepared by two firms of agents. The realisable value of the property remains uncertain at this stage, due to the uncertainty around the potential of the tenant renewing or extending the lease. For illustrative purposes we have included what we understand to be the value in a *worst case* scenario.
- 2 The costs of dealing with the freehold property are difficult to estimate because of the uncertainty surrounding the likelihood of the tenant renewing or extending the lease, together with the timing of any potential sale of the freehold property. It is therefore possible that the costs estimated above could be significantly higher or lower than the estimate suggests.
- 3 It appears that the Company was not registered for VAT purposes and therefore VAT is to be written off as a cost of the administration.
- 4 The sum outstanding to Santander UK Plc according to the director's estimated statement of affairs is £5,497,092. However, we understand this value to now be £5,305,457.
- 5 The cash at bank was held in a bank account with Santander UK Plc and has been offset against the Company's debt due to them.
- 6 Future rental income in respect of the lease is uncertain.
- 7 The professional fees of the joint administrators, their solicitors and their agents are dependent on the possible extension of or entry into a new lease. It is therefore possible that the costs estimated above may be significantly higher or lower than suggested.
- 8 This is the corporation tax that is estimated to be payable in respect of rental income during the administration.
- 9 This may increase if the lease is extended or a new lease is entered into.
- 10 The sum outstanding to Santander UK Plc under its floating charge assumes that the bank takes account of what it is anticipated it will receive under its fixed charge in line with the above estimate. This is for illustrative purposes only.
- 11 Interim distributions have been made to Santander UK Plc under its floating charge.
- 12 In the event that the current tenant does not remain in occupation, it is anticipated that the joint administrators will have a dilapidations claim against the existing tenant. However, the quantum of any such claim is uncertain and is subject to a full inspection of the premises.

N.B. The above does not include the costs of any subsequent liquidation of the Company.



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## **TIME COSTS AND EXPENSES**

- a. Begbies Traynor's policy for re-charging expenses/disbursements;
- b. Begbies Traynor's charge-out rates;
- c. Narrative summary of time costs incurred;
- d. Table of time spent and charge-out value for the period from 2 November 2018 to 1 May 2019; and
- e. Table of time spent and charge-out value for the period from 2 November 2015 to 1 May 2019.

## **BEGBIES TRAYNOR CHARGING POLICY**

### **INTRODUCTION**

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance<sup>1</sup> requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. Best practice guidance<sup>2</sup> requires that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

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

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

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

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

Best practice guidance classifies expenses into two broad categories:

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

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

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

<sup>1</sup> Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in Scotland

<sup>2</sup> Ibid 1

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

- Telephone and facsimile
- Printing and photocopying
- Stationery

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

***Services provided by other entities within the Begbies Traynor group***

The expenditure below relates to services provided by an entity within the Begbies Traynor group, of which the office holders' firm is a member, is also to be charged to the case (subject to approval):

Instruction of Eddisons Insurance Services Limited ("EIS") to provide insurance broking services and specifically open cover insurance for the insurable risks relating to the case. The cost of open cover insurance will vary during the course of the case depending upon the value of the assets and liability risks.

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

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

**BEGBIES TRAYNOR CHARGE-OUT RATES**

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the Edinburgh and London offices for this assignment are £300 as advised in the proposals.

Time spent by support staff for carrying out shorter tasks, such as typing or dealing with post, is not charged to cases but is carried as an overhead. Only where a significant amount of time is spent at one time on a case is a charge made for support staff.

Time is recorded in 6 minute units.

## SUMMARY OF TIME COSTS AND EXPENSES

This summary, which should be read in conjunction with the main body of the progress report and the attached Time Cost Analysis, is intended to provide sufficient information to enable the body responsible for the approval of the joint administrators' fees to consider the level of their fees and expenses in the context of the case.

### **What work has been done, why was that work necessary and what has been the financial benefit (if any) to creditors?**

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

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

#### *General case administration and planning & Compliance with the Insolvency Act, Rules and best practice*

Time spent in relation to these categories fall broadly under *administration, banking/bonding and statutory reporting/statement of affairs*.

*Administration*, although not directly resulting in any financial benefit to creditors, enables the joint administrators and their staff to ensure that the files are kept in good order so that they can pursue the objective of the administration efficiently. *Administration* also relates to liaising with unsecured creditors, sending e-mails (both internal and external), sending letters and other sundry tasks.

*Banking and bonding* relates to the administration of the Company's administration bank account (including the making of payments and processing of receipts) and the taking out and periodic review of the joint administrators' specific penalty bond which is a legal requirement for all acting administrators. In the last period, it has been necessary to increase the specific penalty bond of the joint administrators.

The time spent in relation to *Statutory reporting and statement of affairs* relates to time incurred in relation to the last progress report, together with dealing with the extension, which included the preparation of a further report, of the period of the administration to 1 November 2019 via a petition to the Court of Session. This is a requirement of the Act and, although not of any financial benefit to creditors, enables creditors to understand the strategy and likely outcome of the administration.

#### *Realisation of assets*

Time incurred in relation to the *realisation of assets* in this case comprises predominantly the following tasks:

- Liaising regularly with solicitors and agents with regard to the freehold premises and the related lease;
- Liaising with the current tenant with regard to their intentions going forward;
- Giving consideration to a possible claim for dilapidations; and
- Raising invoices and collecting rent from the tenant under the terms of the lease.

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

Time spent liaising with the Company's secured and unsecured creditors with regard to strategy and their claims falls into this category. During the period of this report, the joint administrators and their staff met with the secured creditor to discuss the case and strategy generally.

### **Time Costs Analysis**

For details of authority for payment of the joint administrators' time costs and expenses sought by the joint administrators to date, together with details of the time costs in respect of which they have drawn against, please see Section 6 of the main body of this report.

### **Expenses**

Details of all of the expenses incurred during the period of the joint administrators' appointment:

	£
Telephone	2.26
Postage	171.15
Specific Penalty Bond	243.88
Other	47.08
Mileage	84.60
<b>TOTAL</b>	<b>548.97</b>

Of the above, the following expenses were incurred during the period of this report:

	£
Postage	28.09
<b>TOTAL</b>	<b>28.09</b>

Of the total expenses incurred of £548.97, the sum of £283.87 has been drawn to date.

### **Category 2 Disbursements**

In accordance with the resolution obtained in relation to disbursements as detailed in the main body of this report, the only Category 2 disbursements which have been charged to the case to date relates to mileage totalling £84.60 as noted above and insurance premiums in relation to the insurance of the property which are not detailed above as they have not yet been paid.

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

All potentially significant work remaining to be done in the administration is detailed below.

### Compliance with the Insolvency Act, Rules and best practice

The joint administrators are required to continue to administer the Company's administration bank account, managing all receipts and payments and allocating them as required.

Further statutory progress reports will also need to be produced by the joint administrators to comply with the Act and it may become necessary to extend the administration further past the current end date of 1 November 2019.

### Realisation of assets

The joint administrators will continue to issue rental invoices to the tenant and collect rent due to the Company.

The joint administrators will also continue to negotiate with the tenant regarding its future occupation of the Company's freehold property should it wish to do so, as well as dealing with a sale of the freehold premises in due course. It may also be necessary to make a claim against the tenant for dilapidations.

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

The joint administrators will be required to make further distributions to the Bank as well as declaring at least one further dividend to unsecured creditors from the prescribed part.

It will also be necessary to continue to liaise with the secured creditor and unsecured creditors.

Please note that the above work remaining to be done should not be viewed as exhaustive but is merely included within this report to give creditors some guidance as to the nature of the future time charges likely to be incurred by the joint administrators and their staff.

**How much will this further work cost?**

For the purposes of the EOS, the joint administrators have estimated that, in addition to the time costs of £163,230 incurred up to 1 May 2019, future time charges will be incurred totalling approximately £140,000.

**Expenses**

It is difficult to estimate expenses that might be incurred. However, the attached EOS provides an estimated breakdown of future expenses, together with explanatory notes.

Staff Grade	Consultant Partner	Director	Snr Mgr	Jrgr	Asst -Jrgr	Snr Admin	Admin	In Admin	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	Case Planning											
	Administration				0.6					1.2	360.00	300.00
	0.1	1.0			3.7			1.5	1.0	7.6	2,280.00	300.00
	<b>Total for General Case Administration and Planning:</b>	<b>1.0</b>			<b>4.3</b>			<b>1.5</b>	<b>1.0</b>	<b>8.3</b>	<b>2,440.00</b>	<b>300.00</b>
Compliance with the Insolvency Act, Rules and best practice	Appointment											
	Banking and Bonding											
	Case Closure	0.2					0.7					
	Statutory reporting and statement of affairs								5.0	5.9	1,770.00	300.00
Investigations	0.3				3.5							
	<b>Total for Compliance with the Insolvency Act, Rules and best practice:</b>	<b>0.2</b>			<b>3.5</b>		<b>0.7</b>		<b>5.0</b>	<b>8.7</b>	<b>2,440.00</b>	<b>300.00</b>
	CCDA and investigations											
	<b>Total for Investigations:</b>											
Realisation of assets	Debt collection											
	Property, business and asset sales	2.2			0.7					4.8	1,440.00	300.00
	Retention of Title/Third party assets											
	<b>Total for Realisation of assets:</b>	<b>2.2</b>			<b>0.7</b>					<b>4.8</b>	<b>1,440.00</b>	<b>300.00</b>
Trading	Trading											
	<b>Total for Trading:</b>											
	Secured	1.4			1.6					3.0	900.00	300.00
Dealing with all creditors claims (including employees), correspondence and distributions	Others	0.2			2.7					3.2	960.00	300.00
	Creditors committee											
	<b>Total for Dealing with all creditors claims (including employees), correspondence and distributions:</b>	<b>1.6</b>			<b>4.3</b>					<b>8.2</b>	<b>2,460.00</b>	<b>300.00</b>
Other matters which includes seeking decisions of creditors, meetings, tax, litigation, pensions and travel	Seeking decisions of creditors											
	Meetings											
	Other											
	Tax	0.9			9.6					11.2	3,360.00	300.00
	Litigation											
	<b>Total for Other matters:</b>	<b>0.9</b>			<b>9.6</b>					<b>11.2</b>	<b>3,360.00</b>	<b>300.00</b>
	<b>Total hours by staff grade:</b>	<b>5.9</b>			<b>22.4</b>		<b>1.0</b>	<b>1.5</b>	<b>5.0</b>	<b>40.7</b>	<b>12,210.00</b>	
	<b>Total time cost by staff grade:</b>	<b>1,770.00</b>			<b>6,720.00</b>		<b>300.00</b>	<b>450.00</b>	<b>1,800.00</b>			
	<b>Average hourly rate £:</b>	<b>300.00</b>			<b>300.00</b>	<b>0.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>			<b>300.00</b>

Staff Grade	Consultant/Partner	Director	Sr. Mgr	Mgr	Asst Mgr	Sr Admin	Admin	Jr Admin	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	Case planning	13.5	0.2							17.2	5,180.00	300.00
	Administration	5.7	8.4	0.9	23.1	48.8	5.3	24.1	8.3	122.6	36,780.00	300.00
	<b>Total for General Case Administration and Planning:</b>	<b>19.2</b>	<b>8.6</b>	<b>0.9</b>	<b>23.1</b>	<b>48.8</b>	<b>5.3</b>	<b>24.1</b>	<b>8.3</b>	<b>126.3</b>	<b>41,960.00</b>	<b>300.00</b>
Compliance with the Insolvency Act, Rules and best practice	Appointment		2.6		0.5	5.2				11.7	3,510.00	300.00
	Banking and Bonding	2.0	0.5		0.2	0.6	0.7		42.9	47.2	14,160.00	300.00
	<b>Case Closure</b>											0.00
Investigations	Statutory reporting and statement of affairs	21.7	17.0	3.3	30.0	48.6	1.1	1.3		123.3	36,990.00	300.00
	<b>Total for Compliance with the Insolvency Act, Rules and best practice:</b>	<b>23.7</b>	<b>20.1</b>	<b>3.3</b>	<b>30.7</b>	<b>54.8</b>	<b>1.8</b>	<b>1.3</b>	<b>42.9</b>	<b>182.2</b>	<b>54,950.00</b>	<b>300.00</b>
	<b>OOOA and investigations</b>	<b>0.7</b>	<b>0.3</b>			<b>10.0</b>				<b>11.0</b>	<b>3,300.00</b>	<b>300.00</b>
Realization of assets	<b>Total for investigations:</b>	<b>6.7</b>	<b>6.3</b>			<b>18.6</b>				<b>11.6</b>	<b>3,500.00</b>	<b>300.00</b>
	Debt collection		0.2							0.2	60.00	300.00
	Property, business and asset sales	42.6	40.4		5.3	8.9				96.4	28,920.00	300.00
Trading	Retention of Title/Third party assets											0.00
	<b>Total for Realization of assets:</b>	<b>42.6</b>	<b>40.6</b>		<b>5.3</b>	<b>8.9</b>				<b>96.6</b>	<b>28,980.00</b>	<b>300.00</b>
	<b>Trading</b>											0.00
Dealing with all creditors claims (including employees), correspondence and distributions	<b>Total for Trading:</b>											0.00
	Secured		20.9		4.4	3.9				29.2	8,760.00	300.00
	Others	9.8	11.3	0.6	11.3	30.9	5.0	1.3		70.2	21,060.00	300.00
Other matters which includes seeking decisions of creditors, meetings, tax, litigation, pensions and travel	Creditors committee											0.00
	<b>Total for Dealing with all creditors claims (including employees), correspondence and distributions:</b>	<b>9.8</b>	<b>32.2</b>	<b>0.6</b>	<b>15.7</b>	<b>34.8</b>	<b>5.0</b>	<b>1.3</b>		<b>99.4</b>	<b>29,820.00</b>	<b>300.00</b>
	<b>Seeking decisions of creditors</b>											0.00
Total for Other matters:	Meetings	0.3	2.4							2.7	810.00	300.00
	Other					0.3				0.3	90.00	300.00
	Tax	0.7	0.9		9.6	0.6		0.3		12.1	3,630.00	300.00
Total for Other matters:	Litigation											0.00
	<b>Total for Other matters:</b>	<b>1.0</b>	<b>3.3</b>		<b>9.6</b>	<b>0.9</b>		<b>0.3</b>		<b>14.1</b>	<b>4,530.00</b>	<b>300.00</b>
	<b>Total hours by staff grade:</b>	<b>97.0</b>	<b>105.1</b>	<b>4.8</b>	<b>48.1</b>	<b>158.8</b>	<b>12.1</b>	<b>27.0</b>	<b>51.2</b>	<b>544.1</b>	<b>163,230.00</b>	
Average hourly rate £:	<b>Total time cost by staff grade:</b>	<b>25,100.00</b>	<b>31,530.00</b>	<b>1,440.00</b>	<b>25,530.00</b>	<b>47,040.00</b>	<b>3,630.00</b>	<b>8,100.00</b>	<b>15,380.00</b>			
	<b>Average hourly rate £:</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>			
	<b>Total fees drawn to date £:</b>										<b>122,490.00</b>	