

The Insolvency Act 1986

Administrator's progress report

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company INVOCAS GROUP PLC	Company number SC295886
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(a) Insert full name(s)
and address(es) of
administrator(s)I/We (a)
Stephen Katz
David Rubin & Partners
26 - 28 Bedford Row
London WC1R 4HEPaul Cooper
David Rubin & Partners
26 - 28 Bedford Row
London WC1R 4HEJoint Administrators of the above company attach a progress report for the
period

(b) Insert dates

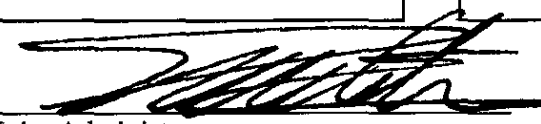
from

(b) 20 April 2017

to

(b) 19 October 2017

Signed


Joint Administrator

Dated

14/11/2017

Contact Details:

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

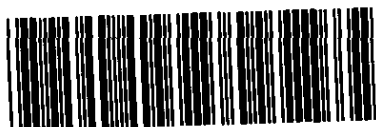
David Rubin & Partners
26 - 28 Bedford Row
London WC1R 4HE

Tel 020 7400 7900

DX Number: 267

DX Exchange: London/Chancery
Lane

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

Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF
DX 235 Edinburgh / LP 4 Edinburgh-2

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15/11/2017

#129

COMPANIES HOUSE

WEDNESDAY

IN THE COURT OF SESSION

CASE NO P359 OF 2017

IN THE MATTER OF

INVOCAS GROUP PLC - IN ADMINISTRATION

AND

THE INSOLVENCY ACT 1986

**THE JOINT ADMINISTRATORS' FIRST PROGRESS REPORT
PURSUANT TO
RULE 2.38 OF THE INSOLVENCY (SCOTLAND) RULES 1986
FOR THE PERIOD 20 APRIL 2017 TO 19 OCTOBER 2017**

INVOCAS GROUP PLC - IN ADMINISTRATION
Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986

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(a) Introduction

I refer to the appointment of Paul Cooper and myself as Joint Administrators of Invocas Group Plc pursuant to an appointment made by KPI (Nominees) Limited and filed at the Court of Session in Scotland. As the first six months' anniversary has recently passed, I am pleased to provide creditors with my first progress report as required by Rule 2.38 of the Insolvency (Scotland) Rules 1986. This report should be read in conjunction with our earlier report to creditors which outlined our Proposals for the Administration.

Rule 2.38: Progress Report

(b) Statutory information

(i) Court: Court of Session

Reference Number: P397 of 2017

(ii) Company name: Invocas Group Plc

Company number: SC295886

Registered office: Ground Floor, 6 Deer Park Avenue, Fairways Business Park,
Livingston, West Lothian, EH54 8AF

Trading Name: N/A

Trading Address: Ground Floor, 6 Deer Park Avenue, Fairways Business Park,
Livingston, West Lothian, EH54 8AF

(c) Joint Administrators name and address:

Stephen Katz and Paul Cooper, both of David Rubin & Partners, were appointed Joint Administrators of the Company on 20 April 2017. This appointment was made by the KPI (Nominees) UK Limited ("KPI"), the holders of a qualifying floating charge, pursuant to paragraph 14 of Schedule B1 to the Insolvency Act 1986.

The Joint Administrators act jointly and severally in the exercise of any and all functions exercisable by an administrator appointed under the provisions of Schedule B1 of the Insolvency Act 1986.

(d) Any changes in the Office Holder

We were appointed Joint Administrators of the Company on 20 April 2017. There has not been a change in the Office Holder since the original appointment date or an extension to the initial period of appointment.

(e) Details of progress during the period and summary account of Receipts and Payments under review and cumulatively:

You may recall that the statutory objective being pursued in the Administration was objective (b), achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up without first being in Administration. In addition to the pursuit

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of this statutory objective, the Joint Administrators have duties imposed by insolvency and other legislation, some of which may not provide any financial benefit to creditors.

This section of the report provides creditors with an update on the progress made in the Period, both in terms of the achievement of the statutory objective, but also work which is required of the Joint Administrators under other related legislation.

Attached at Appendix 2 is a time analysis outlining the time spent by the Joint Administrators and their staff during the period covered by this report.

My fees estimate was originally provided to creditors when the basis of my remuneration was approved and was based on information available to me at that time. More details explaining the work undertaken by the Joint Administrators in the period are set out in Appendix 1.

Trading

Whilst the Company did not generate any income itself, it was necessary to continue to maintain the group overhead structure in the short term in order to preserve the IT infrastructure and in turn the potential value of the subsidiaries. The subsidiaries have as far as possible met the necessary costs of this from the date of appointment.

It should be noted that there will therefore be no trading account provided in the Administration as this will not provide any meaningful information to creditors.

Shortly after appointment, it became apparent that monies which were due to IFL were being paid into the Company's client bank account. These monies related to individual debtors who were making payments to IFL in respect of either IVA's, Sequestrations or Trust Deeds. It appears that the directors of both Companies had given instructions for this to happen prior to our appointment.

The Joint Administrators' staff, together with the compliance team at the Company, periodically reviewed these payments and concluded that these monies were not Company funds. Accordingly arrangements have been made to return these monies to the relevant client accounts in IFL and instructions given to the bank accordingly.

By necessity, time has been spent dealing with this matter is of no direct benefit to the Company, but did have the effect of preserving IFL's goodwill, such as it still existed whilst the business was marketed for sale.

A receipts and payments account is attached, which is further explained below.

1. Receipts

1.1 Sale of Subsidiary Shares – Turndebtaround ("TDA") and Fresh Start UK ("FSUK")

Following our appointment the assets of the company, primarily comprising of the shares held in the above trading subsidiaries, were offered for sale by our agents.

In order to maximise exposure and therefore, increase the chance of a successful sale, a period of marketing was undertaken to include advertising on IP-Bid and Deal Opportunities. There was substantial interest in the subsidiaries immediately after our appointment and

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therefore, Non-Disclosure Agreements were sent to a number of interested parties, including the existing management teams of both TDA and FSUK.

The sale process was protracted with several interested parties commencing extended due diligence processes on the debt management book from 19 May 2017.

The offer process was complicated by the involvement of the FCA and the requirement of any acquirer to put forward a detailed case to the FCA setting out the risks of acquiring the DMB. As a consequence, a much greater level of due diligence was required to satisfy the FCA requirements and not only did this take some time but the information received raised certain issues about the value of the DMB to the prospective purchasers, resulted in them reducing their offer.

Initially the sale was to be for the shares in the subsidiaries. However, at the last minute the remaining intended purchaser had stipulated that they only wanted to buy the debt management book ("DMB") and substantially reduced their offer from c.£1.2m to c.£600k with an earn out on a small portion of the book.

At the same time the management had tabled an offer for the shares in the sum of £810k together with a write off of intercompany debt. This offer appeared to give the creditors of the Company a substantially better outcome than the offer from the third party. A period of exclusivity was granted to the management team and was subsequently extended twice at their request on 5 July 2017 and 19 July 2017, respectively. It was apparent that they were struggling to secure funding and were nervous about the position of the Financial Conduct Authority ("FCA"), whose approval of any transaction was required.

The process was further complicated by the FCA rules relating to the proposed onboarding process. Eventually the FCA suggested that they be varied in relation to this transaction as they were unworkable.

On the basis that the management's exclusivity period had expired on 26 July 2017, the other interested parties who had initially expressed an interest were re-approached with a view to resurrecting their bids. However, both wanted to carry out further due diligence and both indicated they were no longer interested in taking on the FSUK and TDA staff and would only be interested in the acquisition of the DMB as a standalone transaction.

An indicative offer of £700k was submitted by one of the two external interested parties and the position was put to the debenture holder, together with an estimated outcome statement that was produced on the basis that both FSUK and TDA would need to be placed into administration to complete the sales and the permissions of both the FCA and the administrators of other companies from which the DMB's had been acquired would need to be obtained. FSUK, an English registered company, had granted KPI a fixed charge over its assets.

Given the costs and uncertainties involved and the requirement to meet redundancy costs and other creditors in each of those companies, the prospects of sufficient sums flowing through into the Administration estate of Invocas Group Plc to provide a return to creditors appeared to be remote. The debenture holder also had security in these companies and would have priority over the proceeds of sale.

Additionally, it was possible that the FSUK administrator would simply claim that statutory set-off applied in respect of the significant debt owed to it by the Company and no monies

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would flow upwards other than in respect of a possible eventual distribution of cash to shareholders.

In order to try and maximise the realisations for the Company's creditors, we re-approached the management teams of FSUK and TDA to see whether their offer could be resurrected. Following discussions their previous offer was resurrected. The collective view after liaison with the debenture holder was that this would clearly offer a better outcome for the Company collectively than that which would be achieved with the administration of FSUK and TDA and subsequent sale of the DMB. In addition to this (but not exhaustively):

- there would be no need to fund redundancy costs in respect of FSUK and TDA's employees,
- the costs of administration in those companies would be saved,
- there would be no need to seek permission from FRP as administrators of a number of companies for the novation of acquisition contracts for large parts of the DMB,
- the risk of FRP taking the contracts back and selling them directly to any other third parties would be mitigated,
- creditors of the Company are likely to receive a quicker and more certain return,
- creditors of the Company would have clear visibility of sums being paid to discharge the debenture, an issue which they had previously expressed concern about,

The offer was subsequently accepted, with the completion of the sale being scheduled for 11 August 2017, with payment being made on a deferred consideration basis. However, on the day of the sale, and following the completion and agreement of legal documentation, the purchasers substantially revised the term of their offer as follows:

	£
Exclusivity payments held as a deposit	50,000
Payable on completion	30,000
6 monthly payments of £30,000	180,000
Bullet payment due on the earlier of FCA approval to change of control or 6 months	340,000
	<u>600,000</u>

In addition, the intercompany debt due to FSUK would be reduced by only 50%, leaving in place an agreed intercompany balance of £222,545, which would continue to rank as an unsecured claim within the administration process.

After discussion with the debenture holder, our legal advisers and our agents, it was felt that the offer still represented the best which would be achievable in the circumstances and accordingly the sale was completed the same day. Security for the unpaid deferred consideration has been taken in the form of a charge over the shares in favour of Invocas Group Plc (in Administration).

The sum of £140,000 has been received into the Administration estate during the reporting period and further sums of £30,000 outside of this period.

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It is anticipated that the FCA approval will be received within the next 14 to 28 days, thus triggering the bullet payment of £340,000.

1.2 Furniture & Equipment

As part of the subsidiary share sale, the purchaser acquired certain chattel assets comprising of items of office furniture and equipment owned by the Company for consideration of £1,500 plus VAT. These items were sold in accordance with the recommendations of Peter Davies & Sons, specialist insolvency asset valuers and auctioneers, who were engaged by the Joint Administrators to value and market the Company's chattel assets for sale.

1.3 Invocas Financial Limited ("IFL") Management Charges

IFL was operating as a formal insolvency business. The sole director of the company was John Hall, a licensed insolvency practitioner, who also held seven appointments in his name and being administered by the IFL team.

The employed insolvency practitioner within IFL was Adam Southard who was appointed over approximately 700 cases administered by the IFL team. The nature of these appointments is that they are personal to the insolvency practitioner and both Mr Hall and Mr Southard had agreed to hold the benefit of these appointments for IFL.

Unfortunately, Mr Hall sought to terminate this agreement and take the benefit of his cases personally by apparently failing to give assurances in his capacity as sole director of IFL and then resigned, leaving the company with no director. This action was taken despite my request that he remain a director for the purpose of assisting with a disposal of the cases to another practice in order to maximise value for IFL and its creditors.

Creditors will recall that the sum of c.£7.7m is owed by IFL to Invocas Group Plc.

Having left IFL with no director it became increasingly difficult for Mr Southard to manage the case load and to deal with required banking issues. Additionally, the Accountant in Bankruptcy in Scotland has reviewed the fees charged by IFL on a number of cases and had determined that substantial sums in the amount of c.£36k had been over-charged and were due to be repatriated to the cases.

This was not the first review of this nature and accordingly it was determined that a risk of further such assessments existed.

We discussed the matter with Mr Southard and he expressed a desire to try and formulate a proposal to acquire the case load from IFL.

Given that the company had no director, it was apparent that any disposal would need to be completed by an Office Holder and accordingly the debenture holder was engaged about the possibility of making an administration appointment over IFL for the purpose of concluding such a sale.

In order to assist in this process our agents, Williams & Partners, were asked to commence a marketing process to determine whether a third party purchaser existed and, if so, the value of the case load to IFL.

In the interim, IFL occupied the former trading premises of the Company under an informal licence. It was therefore agreed with IFL that a monthly management charge of £5,000 plus

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VAT would be payable for the period of their occupation, in order to assist with meeting the expenses of operating from the premises in the Administration period.

The sum of £22,500 has been received to date in respect of these management charges, with an additional final management charge of £5,000 plus VAT agreed with the Joint Liquidators of IFL in respect of the period up to the date their vacation from the premises on 5 October 2017. This additional sum has not yet been received and is expected to be received into the estate imminently and an update in this regard will be provided within our next report to creditors.

1.4 Book Debts

An amount of £1,339 was received in respect of a dividend on a debt due from WG Realisations Limited (formerly known as Wilson & Garden Limited) – in Liquidation. It is unclear at present as to whether there will be any further realisations from this source.

2. Payments

2.1 Statutory advertising

This represents the costs for the publishing of statutory advertising in both the London and Edinburgh Gazettes in respect of the Joint Administrators' appointment. The sum of £338.40 has been paid in this regard during the reporting period.

2.2 Legal fees

Broodies

The amount of £30,000 was paid to Brodies LLP during the reporting period, together with disbursements totalling £1,117.68, in respect of the following services:

- Advising on the appointment procedure and assisting in preparing the associated statutory documentation
- Attendance at creditors meetings
- Advising on the sale process
- Applying to court regarding the appointment and obtaining the administration Order

Brodies LLP have a specialist Insolvency department and they were chosen on that basis after taking into account the size and complexity of the legal issues. Brodies LLP charge their fees on a time costs basis and they have provided me with an analysis of the time they have spent. Whilst they incurred total time costs of £40,395 during the reporting period, they agreed to cap their fees at £30,000 plus disbursements.

2.3 Agents fees

Williams & Partners ("WP")

WP, independent specialist agents were instructed to sell the Company's assets, namely the shareholdings in the subsidiaries. They were selected due to their expertise in dealing with insolvent businesses as well as their previous experience in

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relation to the sale of DMBs. WP are associate members of the National Association of Valuers and Auctioneers.

The agreed fee with WP is based on a percentage of realisations and is as follows:

1st £50,000 – 10%
2nd £50,000 – 7.5%
Next £100,000 – 5%
Over £200,000 – 2.5%

We consider these fees, plus disbursements at cost, to be reasonable. The amount of £15,430.79 was paid to WP during the reporting period based on the realisations achieved to date, which includes disbursements of £776.27, incurred in respect of travel to site and advertising through the IP-Bid and Deal Opportunities platforms.

Subsequent to this report Williams & Partners have agreed to cap their fees at a further £7,000, assuming that the existing transaction is completed.

2.4 Pre-Administration Time Costs

In my earlier report to creditors, I set out the costs my firm incurred between our first being consulted and the date of our appointment, and I provided details as required by Rule 3.36. Creditors may recall that I reported that my firm's time costs were £8,112 plus VAT for a total of 21.6 hours.

Payment of these fees was approved by creditors of the Company at a meeting of creditors called under Rule 2.27 of the Insolvency (Scotland) Rules 1986. We have therefore drawn a fee of £8,112 plus VAT during the reporting period in respect of our pre-administration time costs.

2.5 Telephony charges

During the reporting period, charges of £1,371.70 were incurred and paid in respect of the hire of telephone and conferring equipment from MacQuarie Asset Finance. These items have now been collected from the Company's premises following vacation and no further charges are anticipated in this regard.

(f) Joint Administrators' Remuneration and Expenses

The Joint Administrators' remuneration is currently fixed by reference to time spent in attending to matters arising in the Administration. The basis of their fees was approved by creditors at a meeting called under Rule 2.27 of the Insolvency (Scotland) Rules 1986.

The sum of £50,000 plus VAT has been drawn within the reporting period against the approved sum of £56,509.

Expenses incurred in the Administration are explained at (e) above in my comments on the Receipts and Payments Account.

As noted in paragraph (j) below, the administration costs are now to be subject to approval by KPI and the preferential creditors (as appropriate). An initial discussion

has taken place with KPI and we have agreed in principle to cap our fees so as to not to reduce their return below a particular level.

(g) Creditors and Distributions

(i) (a) Secured creditors

The Company operated a facility with RBS and they hold a floating charge over the Company's assets, present and future. The floating charge was created and registered at Companies House on 28 January 2016, however it was understood that there are no monies due under this charge. RBS were sent notice of the Joint Administrators proposed appointment.

The directors Statement of Affairs states that the sum of £1,787 is due to RBS in respect of a credit card facility. No claim has been lodged at present and we are considering whether a memorandum of satisfaction can now be filed in this regard.

KPI holds a floating charge over the Company's assets, present and future, created on 29 May 2016. Including legal costs, KPI are owed c.£350,000 plus accruing interest and charges under their security, in addition to an as-yet unquantified sum relating to potential losses on warrants It is now anticipated that there will be insufficient funds available in order to repay this amount in full and that there will be a shortfall to KPI.

(b) Prescribed Part

Section 176A of the Insolvency Act 1986 provides for a prescribed part of the Company's net property to be retained from distribution to the floating charge holder, where the debenture was created on or after 15 September 2003 and made available for the satisfaction of unsecured debts.

Based on present information, I estimate the value of the Company's net floating charge property to be £404,009. Arising from this, the value of the Prescribed Part is estimated to be £83,802.

As it is anticipated that there will be sufficient realisations to enable a dividend to be paid to unsecured creditors, the Prescribed Part will be transferred to the Liquidation estate when the Company moves from Administration to Creditors Voluntary Liquidation. Creditors are reminded that, as resolved at the meeting of creditors, when the Company is placed into Liquidation, Stephen Katz and Paul Cooper of this office will be appointed Joint Liquidators of the Company.

(ii) Preferential creditors

I have received a preferential claim from the Redundancy Payments Office for £1,550.09. There are also preferential claims of 7 employees who are owed a total of £4,140.94 in respect of the balance of their arrears of wages and holiday pay. It is anticipated that preferential creditors will be repaid in full.

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(iii) Unsecured creditors

As funds will now only become available for unsecured creditors by way of the Prescribed Part, the Joint Administrators have been requesting creditors to submit their claims, if they have not already done so, in order that they can be established in principle for subsequent adjudication by the liquidator.

During the reporting period, the unsecured claims of 18 creditors, with a total value of £688,980, have been received. It is now anticipated that there will be insufficient funds to enable a distribution to be paid to unsecured creditors other than by way of the Prescribed Part.

It is noted that the claims include the unsecured claim of John Hall in the sum of £209,574.35, which has been submitted on the basis of full-time employment by the Company. However, as at the date of the Administration, Mr Hall was working one day per week, with his annual salary being pro-rated accordingly. It is therefore anticipated that Mr Hall's claim will be significantly reduced on a pro-rata basis to c.£41,000, subject to formal adjudication.

(h) Details of what remains to be done

Assets Remaining to be Realised

The Affordability Assessment Centre Limited ("TAAC")

TAAC is a wholly-owned subsidiary of the Company, historically trading from the Company's office in Livingston and operating under the brand name Aphility.

TAAC is an independent assessment and repository service software programme, detailing customers' financial circumstances not visible elsewhere. This service is still in development with the intention that it can be used by businesses, partners and consumers and also carries out budget planning for individuals.

The Joint Administrators initially engaged Williams & Partners to market the software. Adverts were placed and potential interested parties approached. Following correspondence with Mr Hall, Metis Partners, specialist intellectual property agents and valuers, were also approached to offer their view on a potential sale of the Aphility product. However, given the unfinished nature of the product, we were advised that achieving a sale of the product to an unconnected party would be highly unlikely and on this basis would only take on the instruction on payment of £5,000 as a minimum fee. We are not minded to pay this sum out, given the uncertain outcome.

At present, no purchaser has been identified and a further update will be provided in our next report to creditors.

Invocas Financial Limited

As noted above, IFL was the insolvency subsidiary of the Group and provided a range of formal insolvency services to individuals facing distress.

Following the marketing of IFL, an offer was received from Mr Southard for the existing caseload in the sum of £30,000 and on the basis that he would take on any associated risk arising from future fee reviews by the AIB.

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Our agents recommended that this would be the best outcome based on the reaction to the opportunity from the marketplace.

An alternative offer had been received from Eileen MacLean of Insolvency Support Services on a shared revenue basis. However, when assessing this and the ongoing overheads and salaries required of IFL it was believed that this would result in a net loss for IFL whilst requiring it to continue to trade for three to four years.

Unfortunately, Mr Southard was unable to proceed with his offer and there was a necessity to cease operations in Livingston and return the premises to the landlord. As such, in the absence of a desire on the part of KPI to appoint administrators, it was determined that IFL should be placed into Liquidation.

Brodies were instructed to present a petition to the Scottish Court and, given the investigations which would be necessary into the conduct of the director, in order to ensure that an independent view was taken, a firm of insolvency practitioners experienced in Scottish appointments was nominated and duly appointed as liquidator by the Scottish Court.

Following appointment, it is understood that the disposal of the case load has been agreed and completed by them and the above noted management fee has been agreed to be paid in respect of the occupation of the premises whilst negotiations took place.

The level of realisations due to the Administration estate from the Liquidation of IFL are currently anticipated to be minimal, although this will depend on the outcome of the Liquidation and level of asset realisations achieved by the Joint Liquidators of IFL. A further update to creditors in this regard will be provided within our next report to creditors. A return to KPI from IFL is envisaged by the IFL liquidators.

(i) Other information of relevance to creditors:

Investigations

Some of the work that the Joint Administrators are required to undertake is to comply with legislation such as the Company Directors' Disqualification Act 1986 (CDDA 1986) and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent Liquidations and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Administrator can pursue for the benefit of creditors.

In accordance with the Company Directors Disqualification Act 1986 the Joint Administrators have submitted a report on the conduct of the Directors of the Company to the Department for Business, Energy & Industrial Strategy (BEIS). As this is a confidential report, we are not able to disclose the contents.

Shortly after our appointment, we made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors either at the initial meeting or as a response to my request to complete an investigation questionnaire. My examinations have not revealed any issues requiring further investigation.

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(j) Achieving the proposals and estimated outcome for creditors

As creditors will note the proposals approved at the creditors meeting included an anticipated distribution to creditors in excess of the prescribed part. As creditors will see from the estimated outcome for creditors included at Appendix C, there is now only likely to be a distribution to creditors from the prescribed part.

As such, it is necessary for us to seek a variation of the proposals from Objective (b) of Paragraph 3(1) of Schedule B1 to the Insolvency Act 1986, to Objective (c) of the same provisions – a return to the secured and/or preferential creditors.

Accordingly, creditors will find attached notice of a meeting to be held by correspondence for the purposes of varying the proposals in this regard.

Creditors will also note that, as a consequence of the variation of the proposals, the approval of our remuneration will also change to be in the hands of the secured and preferential creditors pursuant to Rule 2.39(9) of the Insolvency (Scotland) Rules 1986.

Attached at Appendix B is a full breakdown of our current time costs incurred during the reporting period, pursuant to SIP9. We will be seeking the approval for our costs from the secured and preferential creditors in due course in the usual way.

Based on the prescribed part noted at section (g) above and the estimated outcome statement at Appendix C, it is currently anticipated that the return for unsecured creditors will be in the region of 40 pence in the £1 on claims of £502,108.

(k) Sums/expenses still to be paid

In the period since the commencement of the Administration, we have incurred various expenses relating to the Company's continued occupation of the trading premises up until 5 October 2017, the date of the Company's vacation from the premises.

We estimate that the sum of c.£25,000 plus VAT has been incurred during the period of occupation in respect of rent and service charges, together with c.£16,600 incurred in respect of business rates. We also estimate that the combined sum of c.£5,000 has been incurred in respect of gas, electricity and water supply to the premises during the period of occupation.

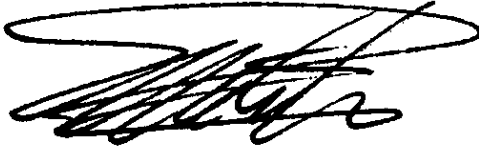
We continue to liaise with the Company's landlord, rating authority and utilities providers in order to obtain final invoices for settlement. We will provide an update on final amounts paid in our next report to creditors.

(l) Next report

We are required to provide a Progress Report within six weeks of the end of the next six months of the Administration, or earlier if the Administration has been finalised.

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I trust you will find this report adequate for your purposes but should you require any further information, please do not hesitate to contact in the first instance either our Manager, Robert Mitchell, or their assistant, Jessica Tumath, at this office.

A handwritten signature in black ink, appearing to read 'S. Katz', with a large, sweeping flourish above it.

STEPHEN KATZ – JOINT ADMINISTRATOR

DATE: 14/11/2017

INVOCAS GROUP PLC
JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT
FOR THE PERIOD FROM 20 APRIL 2017 TO 19 OCTOBER 2017

	<u>Estimated to realise £</u>	<u>20 April 2017 to 19 October 2017 £</u>
<u>Receipts</u>		
Shares in Subsidiaries	1,426,743.00	140,000.00
Cash at Bank	814.00	-
Office Furniture & Equipment	2,000.00	1,500.00
IT Equipment	1,000.00	-
Trade Marks	<u>4.00</u>	-
Management Charges		22,500.00
Sundry Refunds		283.48
Book Debts		<u>1,339.90</u>
		<u>165,623.38</u>
<u>Payments</u>		
Office Holders' Fees		50,000.00
Office Holders' Pre-Appointment Fees		8,112.00
Legal Fees and Disbursements		31,117.68
Agents' Fees and Disbursements		13,715.79
Telephony		1,371.70
Statutory Advertising		<u>338.40</u>
		<u>104,655.57</u>
<u>Receipts less Payments</u>		<u>60,967.81</u>
<u>Represented by:-</u>		
Balance at bank		45,858.85
VAT Payable		(4,800.00)
VAT Receivable		19,908.96
		<u>60,967.81</u>

INVOCAS GROUP PLC - IN ADMINISTRATION

JOINT ADMINISTRATORS' TIME COSTS FOR THE PERIOD 20 APRIL 2017 TO 19 OCTOBER 2017							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
Statutory compliance, admin and planning							
IPS set up & maintenance	00:00	00:00	00:54	00:00	00:54	198.00	220.00
Statutory filings, circulars, notices, etc.	00:00	00:00	24:06	00:00	24:06	4,962.00	205.89
Case planning, strategy & control	00:18	21:06	05:48	00:00	27:12	6,669.50	245.20
Taxation: PAYE, C/Tax & VAT	00:24	02:12	00:18	00:00	02:54	774.00	266.90
Accounting & Cashiering	00:00	00:00	00:30	05:30	06:00	938.00	156.33
Case reviews & Diary maintenance	00:30	10:12	03:42	00:00	14:24	3,497.50	242.88
Statutory reporting and compliance	37:00	25:30	17:00	00:00	79:30	24,730.00	311.07
Investigations							
CDDA preparation & reporting	01:06	00:00	04:54	00:00	06:00	1,512.50	252.08
SIP2 assessment and financial review	01:24	06:00	03:30	00:00	10:54	2,823.00	258.99
Investigating antecedent transactions	00:06	08:36	09:36	00:00	18:18	4,301.50	235.05
Proceedings & recoveries	00:00	01:54	00:00	00:00	01:54	475.00	250.00
Realisation of assets							
Freehold & leasehold properties	00:24	05:18	00:54	00:00	06:36	1,661.00	251.67
Shares & investments	00:00	08:48	00:30	00:00	09:18	2,310.00	248.39
Book debts collection	00:00	00:36	00:00	00:00	00:36	150.00	250.00
Tangible assets	135:48	41:24	06:12	00:00	183:24	65,323.00	356.18
Creditors							
Secured creditors	07:06	04:06	00:00	00:00	11:12	3,829.50	341.92
Unsec'd Creditors: correspondence & claims	03:30	15:42	05:42	00:00	24:54	6,561.50	263.51
Preferential creditors & employees	03:12	26:24	04:24	00:00	34:00	8,832.00	259.76
Creditors' Committee	00:24	21:42	00:30	00:00	22:36	5,693.00	251.90
Trading							
Admin, strategy and planning	10:00	07:24	00:00	00:00	17:24	5,800.00	333.33
Purchases and expenses	00:12	00:00	03:24	00:00	03:36	827.00	229.72
Employees and payroll	00:00	01:18	00:00	00:00	01:18	325.00	250.00
Total hours and costs	201:24	208:12	91:54	05:30	507:00	152,193.00	300.18

APPENDIX B

JOINT ADMINISTRATORS' REMUNERATION AND EXPENSES

1. Joint Administrators' Remuneration

I have now reviewed my firm's time costs, and would advise that from the date of appointment to 19 October 2017, the total time costs amount to £152,193 for 507 hours, which equates to an average cost of £300.18 per hour. A breakdown of these time charges is set out in Appendix 2.

£50,000 has been paid on account of these time costs during the reporting period.

1.1 *Staff allocation and the use of subcontractors*

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The constitution of the case team will usually consist of a Partner, Manager, Senior Administrator and two Administrators. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and additional staff may be allocated to meet the demands of the case.

We have not utilised the services of any subcontractors in this case.

1.2 *Basis of Joint Administrators' Remuneration*

An Administrator is not only required to deal with correspondence and claims from unsecured creditors (which may include retention of title claims), but also those of any secured and preferential creditors of the Company. This may involve separate reporting to any secured creditor and dealing with distributions from asset realisations caught under their security, most typically a debenture.

Claims from preferential creditors typically involve employee claims and payments made on behalf of the Company by the Redundancy Payments Service following dismissal.

The above work will not necessarily bring any financial benefit to creditors generally, however an Administrator is required by statute to undertake this work. Similarly, if a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Administrator in dealing with those claims.

Creditors may recall that at the meeting of creditors on to discuss the Joint Administrators' proposals, a resolution was passed to fix the Joint Administrators' remuneration by reference to the time given by the Joint Administrators and the various grades of their staff according to their firm's usual charge out rates in attending to matters arising in the administration, and further the Joint Administrators were authorised to draw category 2 disbursements and be entitled to draw sums on account of their remuneration and disbursements as and when funds permit.

In accordance with these resolutions, we have drawn fees of 50,000 plus VAT during the reporting period.

2. Chargeout rates

In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), I would advise that my firm's current hourly chargeout rates applicable to this appointment, which are charged in units of 6 minutes, exclusive of VAT, are as follows:-

	£
Senior / Managing Partners	450
Partners/Office holders	300 - 395
Managers / Senior Managers	250 - 295
Senior Administrators	180 - 220
Administrators	130 - 160
Cashiers and Assistants	120 - 160
Supports	110 - 120

Chargeout rates are normally reviewed annually in November, when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance. Time is charged in minimum units of 6 minutes.

3. Case overview

Administration (including statutory compliance & reporting)

Under insolvency legislation the Administrator must comply with certain statutory compliance requirements which may not bring any direct financial benefit to the creditors of the Company. These tasks, as applicable, consist of:

- Notifying creditors of the Administrator's appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House.
- Opening, maintaining and managing the Administration estate cashbook, bank account(s).
- IPS set-up - Creation and update of case files on the firm's insolvency software which include company information, creditors, debtors and employees details.
- Securing the Company's books and records.
- Complying with statutory duties in respect of the Administrator's specific penalty bond.
- Trading as appropriate.
- Instructing valuers and agents and overseeing the sale of the business.
- Redirection of the Company's mail to the Administrator's office
- Pension regulatory reporting, auto-enrolling whilst trading and auto-enrolment cancellation
- Completion and filing of the notice of the Company's insolvency to HMRC
- Dealing with former employees to provide support and assistance in lodging any claims they may be entitled to make for unpaid wages, holiday pay and other statutory entitlements from the National Insurance Fund and the Company
- Dealing with all post-appointment VAT and corporation tax compliance
- Liaison with secured creditors, obtaining charge documents and validating the security
- Initial assessment required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 (CDDA) including the review of the Company's books and records and the identification of potential further asset realisations which may be pursued in the liquidation
- Filing a statutory return to the Department for Business, Innovation and Skills under the CDDA

- Preparing a paragraph 49 Report and formulating the Joint Administrators' Proposal
- Preparing and issuing half yearly progress reports to members and creditors
- Lodging periodic returns with the Registrar of Companies for the Administration
- Establishing and holding periodic meetings of the Creditors' Committee and associated filing formalities (if a committee is appointed)
- Periodic case progression reviews (typically at the end of Month 1 and every 6 months thereafter). Although these reviews are not a legal requirement, Regulatory Bodies who monitor the work of the Administrator see this task as a best practice requirement with which the Office Holder is required to comply.

Investigations

As Administrators, we are required by the Company Directors Disqualification Act 1986 to review the conduct of the director(s) of the Company and transactions entered into prior to the Company's insolvency.

SIP2 also requires that we review the Company's financial affairs in order to make an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment will take into account information provided by creditors either at the initial meeting or as a response to my request to complete an investigation questionnaire

This work may not necessarily lead to any financial benefit to creditors yet is work we are required to undertake in order to be satisfied that all assets belonging to the Company have been accounted for. Our initial investigations may reveal that further recoveries could be available for the insolvent estate and if this proves to be the case and we consider that further work will be required to pursue these assets, we will refer back to creditors about the likely costs involved in pursuing such recoveries.

Realisation of assets

The Administrators have liaised with the agents in order to oversee the marketing and sale of the business and assets of the Company in order to achieve the best possible outcome for the benefit of the Company's creditors.

Due to the nature of the assets and high level of interest from different parties, there has been a large amount of direct partner involvement in the disposal process.

Creditors (claims and distributions)

The Administrators have been dealing with all secured, preferential and unsecured creditors' correspondence and claims as received.

The Administrators will shortly be in a position to finalise preferential creditor claims and make a distribution to the Company's preferential creditors. Based on the anticipated exit route, it is proposed that a distribution to unsecured creditors by way of the prescribed part will be paid through a subsequent Creditors' Voluntary Liquidation.

4. Other Issues affecting costs

As noted in the report and above, the eventual and successful sale of assets was only achieved after intense periods of negotiations with interested parties and the eventual purchaser. Due

to the crucial nature of these negotiations, a high level of partner and senior manager involvement was required with this part of the assignment.

In addition to the above functions, other work undertaken to date includes the following:-

- i.) In-depth discussions with solicitors and agents regarding the sale of the Company's business; negotiating the sale business and assets and finalising the Sale and Purchase Agreement with our solicitors.
- ii.) Preparation and circulation of notice of appointment and subsequent the proposals to creditors pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986.
- iii.) Reviewing charges given to secured creditors and agreeing their claims.
- iv.) Calculating preferential claims of ex-employees and agreeing the preferential claim of Redundancy Payments Service.
- v.) Obtaining and acknowledging the claims of unsecured creditors and dealing with any correspondence therein, including employee claims and correspondence with the Redundancy Payments Service.
- vi.) Arranging the insolvency practitioner's bond and submission of the bordereau as required by section 390 of the Insolvency Act 1986.
- vii.) Correspondence with the HM Revenue and Customs both as regards PAYE/NIC and VAT. Preparing the relevant documentation to remove the Company from its original group VAT registration and re-registering as a sole entity.
- viii.) Preparation and submission of the Joint Administrators' report on the conduct of the directors pursuant to the requirements of the Company Directors Disqualification Act 1986.
- ix.) Substantial correspondence with the former directors and other creditors.
- x.) Holding the initial and adjourned meetings of creditors in Scotland together with associated creditor engagement.

To view an explanatory note concerning Administrators' remuneration issued by the Joint Insolvency Committee, please visit the Publications folder on our website www.drpartners.com/cases, using the following log-on details:

USERNAME: I857@drco.co.uk

PASSWORD: 758Iks*!

Alternatively, please contact this office to arrange for a copy to be sent to you.

A copy of 'A Creditors' Guide to Administrators' Fees' is available on request or can be downloaded from our website.

6. Creditors' rights

In accordance with Rule 2.39A of the Insolvency (Scotland) Rules 1986, if the administrator's remuneration has been fixed by the creditors' committee or by the creditors, any creditor or creditors of the company representing in value at least 25 percent of the creditors may apply to the court not later than 8 weeks after the end of an accounting period for an order that the administrator's remuneration be reduced, on the grounds that it is, in all the circumstances, excessive.

If the court considers the application to be well-founded, it shall make an order fixing the remuneration at a reduced amount or rate. The court may, if it appears to be a proper case, order the expenses of the creditor making the application to be paid as an expense of the administration.

7. Policy as regards disbursements:

Direct expenses ("Category 1 disbursements")

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case, will be charged to the estate at cost, with no uplift. These include but are not limited to such items as case advertising, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case.

Indirect expenses ("Category 2 disbursements")

It is normal practice to also charge the following indirect disbursements ("Category 2 disbursements" as defined by SIP 9) to the case, where appropriate:

Postage and stationery: circulars to creditors

Headed paper	25p per sheet	Envelopes	25p each
Photocopying	6p per sheet	Postage	Actual cost

Meeting Costs: Use of Meeting Room is charged at £150 per session

Storage and Archiving

We use a commercial archiving company for storage facilities for companies' records and papers. This is recharged to the estate at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of maintaining the archiving database and retrieval of documents. We also use our own personnel and vehicle for collection of books and records for which we charge £50 per hour

Mileage incurred as a result of any necessary travelling is charged to the estate at the Inland Revenue approved rate, currently 45p per mile

INVOCAS GROUP PLC - IN ADMINISTRATION**ESTIMATED OUTCOME STATEMENT**

	<u>Estimated to</u> <u>realise (per SOA)</u> £	<u>Realisations</u> <u>to-date</u> £	<u>Est Future</u> <u>Realisations</u> £	<u>Total</u> £
<u>Asset Realisations</u>				
<u>Subject to Fixed Charge</u>				
None				
<u>Subject to Floating Charge</u>				
Book Debts	-	1,340	-	1,340
Shares in subsidiaries	1,426,743	140,000	460,000	600,000
Cash at Bank	814	-	814	814
Management charges	-	22,500	5,000	27,500
Refunds	-	283	-	283
Office Furniture & Equipment	2,000	1,500	-	1,500
IT Equipment	1,000	-	1,000	1,000
Trade Marks	4	-	4	4
		<u>165,623</u>	<u>466,818</u>	<u>632,441</u>
<u>Less: Costs</u>				
Payroll Costs		-	175	175
Trading Expenses		1,372	50,000	51,372
Wages & Salaries		-	-	-
Meeting room hire		-	400	400
Statutory Advertising		338	85	423
Specific Bond		-	127	127
Travel Costs		-	3,083	3,083
Sundry Expenses		-	500	500
Storage Costs		-	500	500
Carriage & Archiving		-	400	400
Agents Fees - Sale of Business		15,431	7,000	22,431
Agents Fees - Chattels		-	1,500	1,500
Agents Disbursements		-	750	750
Statutory Costs		-	500	500
Legal Fees - Edwin Coe		-	-	-
Legal Fees - Brodies		31,118	1,250	32,368
Legal Fees - MacLay Murray Spens		-	-	-
Bank Charges		-	100	100
Joint Administrators' pre-Administration time costs		8,112	-	8,112
Joint Administrators' remuneration		50,000	50,000	100,000
		<u>106,371</u>	<u>116,370</u>	<u>222,741</u>
<u>Surplus available</u>		59,252	350,448	409,700
<u>Less: Preferential Creditors*</u>				
Employees' Residual Claims				(5,691)
				<u>404,009</u>
<u>Surplus available to Preferential Creditors</u>				
Prescribed part				(83,802)
<u>Surplus Available to Floating Chargeholder</u>				
				320,207
Amount due to floating chargeholder				(350,000)
<u>Surplus Available to Unsecured Creditors</u>				
				<u>(29,793)</u>
Unsecured Creditors				(502,108)
<u>Surplus / Deficiency As Regards Creditors</u>				
				<u>(531,901)</u>

Notice of conduct of business by correspondence

Name of Company Invocas Group Plc	Company number SC295886
In the Court of Session, Scotland (full name of court)	Court case number P359 of 2017

Notice is hereby given by Stephen Katz and Paul Cooper of David Rubin & Partners, 26 - 28 Bedford Row, London, WC1R 4HE to the creditors of Invocas Group Plc, whose registered office is at Ground Floor, 6 Deer Park Avenue, Fairways Business Park, Livingston, West Lothian, EH54 8AF that pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, below is a resolution for your consideration. Please indicate whether you are in favour or against each resolution.

This form must be received at the offices of David Rubin & Partners, 26 - 28 Bedford Row, London, WC1R 4HE by 12.00 hours on 30 November 2017 in order to be counted. It must be accompanied by details in writing of your claim, if not previously provided. Failure to do so will lead to your vote being disregarded.

*Please place a tick in either box to indicate your vote

Vote for Resolutions (in the absence of a Creditors' Committee):

- | | For | Against |
|--|-----|---------|
| 1. THAT the Joint Administrators' proposals be revised to reflect that the objective to be achieved in the Administration pursuant to Paragraph 3(1) of Schedule B1 to the Insolvency Act 1986 will be Objective C - a return to the secured and/or preferential creditors. | [] | [] |

TO BE COMPLETED BY CREDITOR WHEN RETURNING THE FORM

Name of creditor:

Signature of creditor:

If signing on behalf of creditor, state capacity e.g. director/solicitor:

If you require any further details or clarification prior to returning your votes, please contact me at the address above or Jessica Tumath may be contacted on 020 7400 7900

Signed
STEPHEN KATZ - JOINT ADMINISTRATOR

Dated: 14/11/17