

Arthouse Holding Limited ('AHL')
Arthouse Limited ("AL")
(Both in Administration)
(together 'the Companies')

Administrators' statement of proposals

Pursuant to paragraph 49 of schedule B1 to the
Insolvency Act 1986

Date of delivery of proposals to creditors 29 December 2022

Abbreviations

The following abbreviations are used in this report:

AHL	Arthouse Holding Limited
AL	Arthouse Limited
AMA	Accelerated Merger & Acquisition
CYB or 'the Bank'	Clydesdale Bank plc
DWF	DWF Law LLP
ERL	Esselle Retail Limited
EY	Ernst & Young LLP
HMRC	HM Revenue & Customs
M&A	Mergers and Acquisitions
NDA	Non-disclosure agreement
SIP	Statement of Insolvency Practice
the Act	Insolvency Act 1986
the Group	Arthouse Topco Limited and its subsidiaries
the Companies	AHL and AL
the Purchaser	Esselle Retail Limited
the Rules	Insolvency (England and Wales) Rules 2016
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
VAT	Value Added Tax

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1. Introduction, background and circumstances giving rise to the appointments

1.1 Introduction

On 20 December 2022 the Companies entered administration and Samuel Woodward and Timothy Vance were appointed to act as Joint Administrators. This document, including its appendices, constitutes the Joint Administrators' statement of proposals to creditors pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of the Insolvency (England and Wales) Rules 2016.

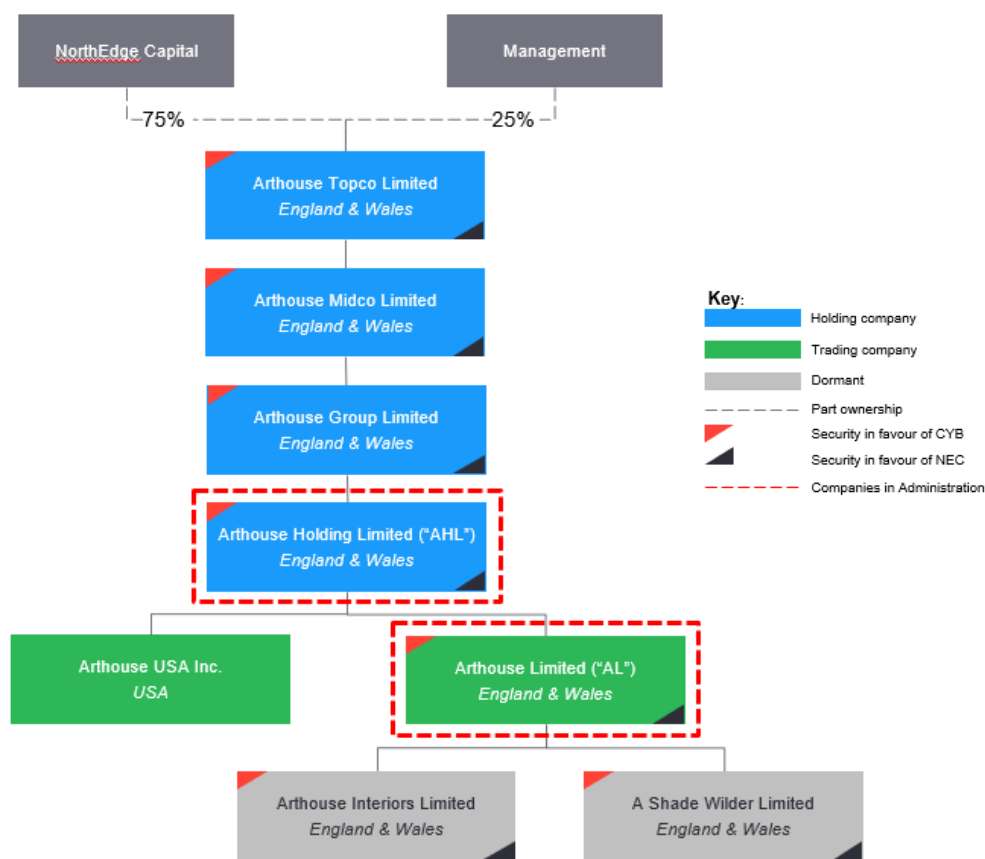
Certain statutory information relating to the Companies and the appointment of the Joint Administrators is provided at Appendix A.

1.2 Background

The Companies were part of the Arthouse group of companies (together "the Group") of which Arthouse Topco Limited was the Group's ultimate parent company. The Group was an interior décor and wallpaper supplier, specialising in providing design focused, affordable home decoration products. The Group supplied major retailers and over 100 other stockists in the UK in addition to exporting to over 40 other countries worldwide.

The Group's head office was in Rossendale, Lancashire. AL employed 37 staff at the date of administration.

The Group structure at the date of appointment is summarised below. The only Group companies which have entered administration are AL and AHL as highlighted in the chart below. AL was the main trading entity in the Group.



NorthEdge Capital (“NEC”) acquired the Group in 2015 in a secondary management buyout and owns 75% of the Group’s shares. The remaining 25% are held by the Group’s management (“Management”).

Arthouse Limited was the Group’s main trading entity. Arthouse USA Inc is a US entity which did not hold stock or have any employees but was a sales office for US customers. The recent financial results of the Group can be summarised as follows:

Period ended	Type of accounts	Turnover £000	Gross profit £000	Gross profit %	Directors’ remuneration £000	Net profit/ (loss) after tax £000	Net Assets/ (Liabilities) £000
11m22	Management	12,557	5,731	45.6	n/a	(3,610)	(4,574)
FY21	Management	22,742	10,434	45.8	n/a	(3,050)	(963)
FY20*	Audited	23,621	9,414	39.9	851	(2,833)	2,087
FY19	Audited	19,207	7,220	37.6	882	(3,978)	(12,112)
FY18	Audited	18,196	7,157	39.3	668	(2,901)	(8,134)

*the net asset improvement is attributable to a debt for equity swap
FY year end is December

1.3 Circumstances Giving Rise to the Appointment of the Administrators

The Group achieved record turnover of c.£24m in the year ended 31 December 2020, with this strong trading continuing in to 2021. This was driven by a renewed design approach and investment in a multi-channel route to market, that meant the Group was well positioned to benefit from an increase in consumer spending in home improvements and DIY consumables in response to Covid-19 related lockdown restrictions.

In 2022, the Group was adversely impacted by UK market headwinds, including the impact of short-term supply chain disruption in the Group's growing home décor channel, inflationary pressures and the increased cost of living which led to reduced consumer spending in the affordable home improvements market segment.

Management sought cost-out initiatives and efficiencies to re-stabilise the business onto a profitable and sustainable operational platform. However, constrained by cash, Management engaged advisors in July 2022 to prepare the Group for an Accelerated Merger & Acquisition ("AMA") process to identify a purchaser to acquire either the Group's shares or its business and assets.

A total of 112 potential purchasers were approached during the AMA process, including a combination of potential trade buyers and financial investors. Of the 112 parties identified, 8 signed Non-Disclosure Agreements and were given access to the virtual data room. Following this, 3 offers were received for the solvent sale of the Group and 1 further offer (from one of the same interested parties) to acquire the Group's business and assets.

The first offer was received in August 2022 from Confidential Party 1 ("CP1"), however progress made was slower than expected and CP1 eventually withdrew from the sale process.

After continued discussion between a number of parties during September and October 2022, a competitor of the Group, Confidential Party 2 ("CP2") submitted an offer in November 2022 to acquire the entire share capital of AL as a going concern. Also in November, another interested party, Esselle Retail Limited ("ERL" or "the Purchaser"), submitted two offers, one being an offer to acquire the share capital of AL as a going concern, and the other was on a business and assets basis with the terms of the offer stating that the transaction would need to be effected via a pre-packaged sale in administration.

On 1 December 2022, Ernst & Young LLP ("EY") were engaged by the Group, to assist with project managing the sale to completion over a short period of time via a share sale to CP2.

The services provided by EY included corporate finance advice in relation to a proposed solvent sale of AL and liquidation and entity strike off advice in relation to certain holding companies within the Group.

During week commencing 5 December 2022, following slower than expected progress with the sale to CP2, EY re-engaged with ERL to seek to create an alternative option for a sale of the Group. This resulted in an offer from ERL, however, the basis for the offer was a purchase of the business and assets via a pre-packaged sale in administration, given the increasing stress on the business and limited liquidity available to the Group providing time constraints to conclude a transaction.

Both offers (CP2 and ERL) were pursued with sales contracts issued to both parties. After further diligence and an increasing pressure to complete quickly, as the cash in the business became tighter, CP2 advised that they could not progress their offer and ERL's offer became the priority sale in short order.

On 14 December 2022, the Group instructed EY to (i) assist the Group in relation to the proposed sale of some or all of the beneficial interest in the Companies; and (ii) take the necessary steps to assist the Directors in planning for a potential insolvency appointment of the Companies. This included the preparation of statutory documentation required for the proposed Administrators' appointments.

Notices of intention to appoint Administrators were filed at Court on 16 December 2022. This was to provide protection from creditor action through an interim moratorium whilst the proposed Joint Administrators continued to work to execute the pre-pack sale of the business and certain assets of the Companies to ERL.

On 20 December 2022, the Companies entered administration and Samuel Woodward and Timothy Vance were appointed to act as Joint Administrators. The sale of the Companies' business and certain assets to ERL as a going concern was effected immediately following the appointments.

The Joint Administrators and their advisors have incurred total pre-administration costs relating to AL of £171,742, of which £96,805 has been paid, and £74,937 remains unpaid. Further information regarding costs incurred are included in section 6 of these Proposals.

2. Purpose, conduct and end of administration

2.1 Purpose of the administration

The purpose of an administration is to achieve one of three objectives:

- a. To rescue the company as a going concern;
- b. To achieve a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration); or
- c. To realise property in order to make a distribution to one or more secured or preferential creditors.

Insolvency legislation provides that objective (a) should be pursued unless it is not reasonably practicable to do so or if objective (b) would achieve a better result for the company's creditors as a whole. Objective (c) may only be pursued if it is not reasonably practicable to achieve either objective (a) or (b) and can be pursued without unnecessarily harming the interests of the creditors of the company as a whole.

Objective (a) was not considered to be achievable given the level of debt and liabilities within the Companies, which was the principal reason why a solvent sale of the business prior to administration was not achievable. The objective being pursued for both of the Companies is therefore objective (b).

The pre-pack sale of the Companies' business and assets enables objective (b) to be achieved as it will result in:

- ▶ An increased amount available for distribution to the secured (and possibly preferential creditors of AL) than if the Companies were wound up without first being in administration; and
- ▶ Employee liabilities, which would otherwise be preferential claims against AL, being transferred to the Purchaser.

The outcome achieved through the pre-pack sale was therefore the best available outcome for creditors as a whole in the circumstances.

2.2 Conduct of the administration

2.2.1 Pre-packaged sale of the business and assets

On 20 December 2022 the Joint Administrators completed a sale of the business and assets of AL and certain assets of AHL to Esselle Retail Limited for a total consideration of £1,551,203. Of this amount, £10,000 related to the sale of AHL's shares in Arhouse USA Inc. and the remaining consideration related to the sale of AL's business and assets.

A detailed explanation of the transaction was sent to creditors on 21 December 2022 and is attached as Appendix F to these proposals.

2.2.2 Significant assets not included in the sale agreement

There are no significant assets which have not been included in the sale agreement.

2.2.3 Asset realisations

To date, the only asset realisations in the administrations are those from the pre-packaged sale of the Companies' business and assets.

2.2.4 Leasehold properties

AL had three leasehold properties on appointment. A licence to occupy (“LTO”) has been granted to the Purchaser in relation to St James Church in Rossendale, Lancashire from the date of sale until 31 May 2023.

Formal notice was given to vacate Flats 1 – 6, The Cloisters, 570 Bacup Road, Waterfoot, Rossendale at the end of November 2022, this property was vacated prior to the administration.

AL also rents a small storage unit which AL has no ongoing interest in and is in the process of being vacated.

2.3 Administrators’ receipts and payments

A summary of the Administrators’ receipts and payments for the period from 20 December 2022 to 21 December 2022 is attached at Appendix D.

2.4 Approval of the administrators’ proposals

The Joint Administrators are of the opinion that the Companies have insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part (which the Joint Administrators estimate to be nil) and consequently, in accordance with the provisions of paragraph 52(1)(b) of Schedule B1 to the Act, they do not intend to seek a decision of the creditors on the approval of the proposals.

The Joint Administrators will be obliged to seek a decision of the creditors if requested to do so by creditors of each of the Companies whose debts amount to at least 10% of the total debts of the Companies individually. The request must be delivered within 8 business days of the date on which these proposals are delivered to creditors (or such longer period as the court may allow) and must include the information required by Rule 15.18 of the Insolvency (England and Wales) Rules 2016.

In accordance with Rule 15.19 of the Rules, the Joint Administrators may require a deposit as security for payment of the expenses associated with convening a decision procedure or deemed consent procedure and will not be obliged to initiate the procedure until they have received the required sum.

2.5 Future conduct of the administrations

The Joint Administrators will continue to deal with the administrations of the Companies in line with the stated objectives, namely to achieve a better result for the Companies’ creditors as a whole than would be likely if the Companies were wound up (without first being in administration).

Further tasks will include, but may not be limited to, the following:

- ▶ Investigating the extent of any other assets held by the Companies and realise such assets, if applicable;
- ▶ Ensuring that any obligations of the Companies / Joint Administrators in the Asset and Purchase Agreement with the Purchaser are satisfied;
- ▶ Ensuring any employee related matters are dealt with;
- ▶ Dealing with property matters;
- ▶ Dealing with statutory reporting and compliance obligations, including reporting on the directors’ conduct;

- ▶ Distributing amounts due to the secured creditor;
- ▶ Dealing with secondary preferential creditor claims and, if possible, making a distribution to the secondary preferential creditors;
- ▶ Dealing with unsecured creditor enquiries;
- ▶ Review and conduct the tax affairs of the Companies (as appropriate);
- ▶ If the Joint Administrators deem it appropriate, to seek an extension and/or further extensions to the administrations from the Companies' creditors and/or the Court;
- ▶ Finalising the administrations, including the payment of all administration liabilities; and
- ▶ Any other actions required to be undertaken by the Joint Administrators in order to fulfil the purpose of the administrations.

It is intended that the administrations will be funded by the realisations achieved from the Companies' assets.

2.6 Distributions to creditors

On 20 December 2022, the Joint Administrators authorised a distribution to CYB, as the fixed charge secured creditor, in the sum of £1,245,546.19 with respect to fixed charge realisations.

It is proposed that distributions will be made in the Administration to the fixed charge holder and, if possible, secondary preferential creditors.

We do not anticipate that there will be sufficient floating charge realisations to generate a Prescribed Part that would be available for distribution to unsecured creditors.

2.7 The end of the administrations

It is proposed that if at the end of the administrations the Companies have no property which might permit a distribution to creditors, the Joint Administrators will send notices to that effect to the Registrar of Companies. On registration of the notices the Joint Administrators' appointments will come to an end. In accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 the Companies will be deemed to be dissolved three months after the registration of the notice.

3. Statement of Affairs

The directors of the Companies have not yet submitted Statements of Affairs, given the limited time which has passed since the Joint Administrators' appointment.

A notice requiring the submission of a Statement of Affairs was issued to all current directors of the Companies on 21 December 2022 and the deadline for the directors to submit a Statement of Affairs is 11 days after the receipt of the notice (being a period which has not yet expired).

In the absence of a Statement of Affairs, we attach at Appendix B an estimate of the Companies' financial position as at 30 November 2022 (in the form of a balance sheet provided by the Companies' directors) together with a list of creditors including, as far as is currently known, their names, addresses, amounts owed and details of any security held.

We provide below, for information, an indication of the current position with regard to creditors' claims. The figures have been compiled by the Companies' management and have not been subject to independent review or statutory audit.

3.1 Secured creditors

CYB, principal secured lender to the Companies, had total indebtedness as at 20 December 2022 of c.£5m (prior to the distribution from the Companies' administrations).

NEC, the Companies' second ranking secured lender, had total indebtedness as at 30 November 2022 of c.£2.6m.

3.2 Preferential creditors

All of the employees of AL transferred to the Purchaser as a result of the sale, in accordance with TUPE. We understand that AHL did not have any employees at the date of administration.

We currently estimate secondary preferential creditors of c.£1.2m, in respect of claims relating to PAYE, National Insurance and VAT.

3.3 Non-preferential creditors

According to the Companies' management information, it is estimated that total non-preferential claims will be approximately £1.6m (excluding intercompany positions), refer to appendix B for details.

4. Prescribed part

The prescribed part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The prescribed part applies to floating charges created on or after 15 September 2003.

The Joint Administrators estimate, to the best of their knowledge and belief, that the value of the Companies' net property and prescribed part will be nil.

Accordingly, we do not expect that there will be a distribution to the unsecured creditors of the Companies via a prescribed part distribution.

The Joint Administrators do not intend to make an application to the court under section 176A(5) of the Insolvency Act 1986 for an order not to distribute the prescribed part (as we estimate this to be nil).

5. Administrators' remuneration and disbursements and payments to other professionals

5.1 Remuneration

The statutory provisions relating to remuneration are set out in Chapter 4, Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to the Joint Administrators.

In the event that a creditors' decision is not requested and a creditors' committee is not formed, the Joint Administrators will seek to have their remuneration fixed by the secured creditors and if the Joint Administrators have made or intend to make a distribution to preferential creditors, the preferential creditors in accordance with Rule 18.18(4) of the Rules.

In this instance, the Joint Administrators will seek to have their remuneration fixed by both the secured creditors and preferential creditors.

The Joint Administrators will ask for their remuneration to be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the Administration, in accordance with the fee estimate dated 23 December 2022 which is being circulated to creditors at the same time as these proposals. The fee estimate can be found in Appendix E.

5.2 Disbursements

Disbursements are expenses met by and reimbursed to the Joint Administrators. They fall into two categories: Category 1 and Category 2. The fee estimate and statement of expenses dated 23 December 2022 includes details of the Category 1 and 2 disbursements which are expected to be incurred.

Category 1 disbursements are payments to independent third parties where there is expenditure directly referable to the administration. Category 1 disbursements can be drawn without prior approval.

Category 2 disbursements are expenses that are directly referable to the administration but not to a payment to an independent third party. They may include an element of shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis. Category 2 disbursements require approval in the same manner as remuneration. In the event that a creditors' decision is not requested and a creditors' committee is not formed, the Joint Administrators will seek the approval of the secured creditors and preferential creditors to charge Category 2 disbursements in accordance with the statement of expenses included in the fee estimate dated 23 December 2022.

5.3 Payments to other professionals

The Joint Administrators have engaged DWF to assist them by providing legal services. They were chosen on the basis of their experience in similar assignments and previous involvement in advising the Group during the sale process.

DWF were contracted to be paid on a time cost basis. No fees have been paid for post-administration costs to date.

6. Pre administration costs

The Administrators are seeking approval for payment of unpaid pre administration costs totalling £74,937 plus VAT which will be drawn from the estate of AL. The payment of unpaid pre-administration costs as an expense of the administration is subject to approval under Rule 3.52, and not part of the proposals subject to approval under paragraph 53. This means that they must be approved separately from the proposals.

A breakdown of the total pre administration costs incurred and amounts paid pre administration (if any) is attached at Appendix D.

The breakdown attached at Appendix D sets out:

- ▶ The pre-appointment fees charged by the Joint Administrators.
- ▶ The expenses incurred by the Joint Administrators.
- ▶ The fees charged (to the Joint Administrators' knowledge) by any other person qualified to act as an insolvency practitioner (and if more than one, by each separately).
- ▶ The expenses incurred (to the Joint Administrators' knowledge) by any other person qualified to act as an insolvency practitioner (and if more than one, by each separately).

In the event that a creditors' meeting is not requisitioned, and a creditors' committee is not formed, the Joint Administrators will seek to have the unpaid pre administration costs approved by the secured creditors and if the Joint Administrators made or intend to make a distribution to preferential creditors, the preferential creditors.

6.1 Pre-appointment Joint Administrators' costs

The work commenced on 1 December 2022 and was carried out under an engagement agreement between Ernst & Young LLP and the Companies dated 1 December 2022 and an extension of scope agreement dated 14 December 2022.

The nature of the pre-Administration work conducted can be summarised as follows:

- ▶ liaising with the preferred bidder to agree a timetable to completion;
- ▶ engaging with other potentially interested parties and advising the Group on the merits of their inclusion within the process;
- ▶ assist the Group in managing the due diligence process including managing the virtual data room, summarising questions and providing answers provided by the Group;
- ▶ assist the Group in assessing the offers and potential transaction structures, alongside their existing legal advisors;
- ▶ assist in negotiating and structuring any final offer with the preferred bidder, including reviewing and providing comments on any sales agreement or related documentation produced by the Purchaser; and
- ▶ undertake planning for the period immediately post-Administration in order to deal with all matters effectively.

6.2 Third party expenses

In addition to the above, the following third party pre-Administration expenses have been incurred prior to our appointment:

DWF provided legal advice to the Companies and the Joint Administrators in connection with the appointment. DWF's unpaid pre-Administration costs total £59,194 (plus VAT).

The nature of the pre-Administration work conducted by DWF can be summarised as follows:

- ▶ Preparing and reviewing the appointment documents;
- ▶ undertaking discussions with the Purchaser, CYB and NEC as to the appointment mechanics and timings;
- ▶ preparation of the asset purchase agreement and other documents with the Purchaser;
- ▶ undertaking a security review;
- ▶ advising the Group in respect of their pre-appointment options.

SIA provided valuation services in respect of the brands and IP of the business. SIA's unpaid costs total £3,000 (plus VAT).

Appendix A Statutory information

Company Information

Company Name:	Arthouse Holding Limited
Registered Office Address:	St James Church, Bacup Road, Waterfoot, Rossendale, Lancashire, BB4 7JU, United Kingdom
Registered Number:	06304788
Trading Name(s):	n/a
Trading Address(es):	n/a

Details of the Administrators and of their appointment

Administrators:	Samuel James Woodward and Timothy Graham Vance
Date of Appointment:	20 December 2022
By Whom Appointed:	The appointment was made by the Directors of AHL
Court Reference:	CR-2022-004800 in the High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD)

Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting jointly.

Statement concerning the EU Regulation on Insolvency Proceedings

The proceedings are to which the EU Regulation as it has effect in the law of the United Kingdom does not apply.

Share capital

Class	Authorised		Issued and fully paid	
	Number	£	Number	£
Ordinary	666,667	666,667	666,667	666,667

Directors and secretary and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
Clare Louise Bate	Director	12 December 2018	N/A	Nil
Rebecca Louise Shellard	Director	20 July 2020	N/A	Nil

Company Information

Company Name:	Arthouse Limited
Registered Office Address:	St James Church, Bacup Road, Waterfoot, Rossendale, Lancashire, BB4 7JU, United Kingdom
Registered Number:	03897091
Trading Name(s):	Arthouse
Trading Address(es):	St James Church, Bacup Road, Waterfoot, Rossendale, Lancashire, BB4 7JU, United Kingdom

Details of the Administrators and of their appointment

Administrators: Samuel James Woodward and Timothy Graham Vance

Date of Appointment: 20 December 2022

By Whom Appointed: The appointment was made by the Directors of AL

Court Reference: CR-2022-004799 in the High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD)

Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting jointly.

Statement concerning the EU Regulation on Insolvency Proceedings

The proceedings are to which the EU Regulation as it has effect in the law of the United Kingdom does not apply.

Share capital

Class	Authorised		Issued and fully paid	
	Number	£	Number	£
Ordinary	40,000	40,000	40,000	40,000

Directors and secretary and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
Clare Louise Bate	Director	2 January 2019	N/A	Nil
Rebecca Louise Shellard	Director	20 July 2020	N/A	Nil

Appendix B Estimated financial position of AHL and AL as at 30 November 2022

An estimate of the financial position of AHL and AL as at 30 November 2022, being the latest financial information available, is provided below. This information is based on the values within the Companies' records. They are not estimated to realise values.

Arthouse Holding Limited – Estimated financial position as at 30 November 2022

ASSETS	£'000
Fixed Assets	
Investments	14,688
Current Assets	
Stock	-
Accrued Income	-
Intercompany debtors	600
Cash	-
Total assets	<u>15,288</u>
 LIABILITIES	
Current Liabilities	
Trade Creditors	-
Deferred Income	-
Long Term Liabilities	
Intercompany creditors	<u>(14,021)</u>
Total liabilities	<u>(14,021)</u>
Net assets / (liabilities)	<u>1,267</u>

Note: AHL is also a guarantor in respect of funding provided to the Group by CYB and NEC, although these liabilities are not included with the balance sheet above prepared by the company's directors.

Arthouse Limited – Estimated financial position as at 30 November 2022

ASSETS	£'000
Fixed Assets	
Land, Buildings & Equipment	168
Current Assets	
Stock	957
Debtors and Prepayments	2,859
Intercompany debtor	23,100
Cash	154
Total assets	<u>27,238</u>
LIABILITIES	
Current Liabilities	
Trade creditors	(1,739)
Other creditors	(3,167)
Long Term Liabilities	
Intercompany creditor	(266)
Total liabilities	<u>(5,171)</u>
Net assets / (liabilities)	<u>22,067</u>

Note: AL is also a guarantor in respect of funding provided to the Group by CYB and NEC, although these liabilities are not included with the balance sheet above prepared by the company's directors.

Arthouse Holding Limited - Estimated creditors as at 20 December 2022 based on company records

A current list of AHL's creditors including, as far as it is currently known, their names, addresses, amounts owed and details of any security held is provided below. This information is based on the company's books and records available to us and will be subject to change.

Name of Creditor	Address	Amount of Debt £	Security Held
Clydesdale Bank plc	30 St. Vincent Place, Glasgow, Scotland, G1 2HL	5,009,124.46	Fixed & floating
Northedge Capital LLP	13th Floor, Number One Spinningfields, 1 Hardman Square, Manchester, M3 3EB	2,589,433.00	Fixed & floating
Arthouse Group Limited	St James Church, Bacup Road Waterfoot, Rossendale, Lancashire, BB4 7JU	5,082,173.00	
Arthouse Limited	St James Church, Bacup Road Waterfoot, Rossendale, Lancashire, BB4 7JU	8,939,071.26	
Total		21,619,801.72	

Arthouse Limited - Estimated creditors as at 20 December 2022 based on company records

A current list of AL's creditors including, as far as it is currently known, their names, addresses, amounts owed and details of any security held is provided below. This information is based on the company's books and records available to us and will be subject to change.

Name of Creditor	Address	Amount of Debt £	Security Held
Clydesdale Bank plc	30 St. Vincent Place, Glasgow, Scotland, G1 2HL	5,009,124.46	Fixed & floating
Northedge Capital LLP	13th Floor, Number One Spinningfields, 1 Hardman Square, Manchester,, , M3 3EB	2,590,113.07	Fixed & floating
AGR Dynamics	Thorncroft Manor, Thorncroft Drive, , , KT22 8JB	11,064.00	

ALVAREZ & MARSAL EUROPE LLP	PARK HOUSE, 16-18 FINSBURY CIRCUS, LONDON, EC2M 7EB	24,000.00	
Arnall Golden Gregory LLP	171, 17th Street NW, Suite 2100, Atlanta GA, 30363	417.00	
Arthouse Group Limited	St James Church, Bacup Road Waterfoot, Rossendale, Lancashire, BB4 7JU	265,500.00	
A.S Creation Tapeten AG	Sudstrabe 47, Gummersbach, 51645, ,	53,050.44	
AVA CAD/CAM Ltd	3 St. Georges Street, Macclesfield, , , SK11 6TG	7,844.40	
BCN GROUP	Unit 3, Bramley Grange, Thorner, Leeds, LS14 3DW	1,426.60	
BDO BAMN	Dr. Holtroplaan 23, Eindhoven, 5652 XR, ,	1,625.00	
BDO Expertise Sociale & RH	3 Avenue du 8 Mai 1945, 78280 Guyancourt, , , 78280	734.40	
BDO Stoy Hayward LLP	3 Hardman Street, , Manchester, , M3 3AT	6,000.00	
BLENDWORTH INTERNATIONAL LTD	DUKE STREET MILL, WHITEHALL STREET, ROCHDALE, , OL12 0LW	6,864.18	
BluJay Solutions Ltd	1st Floor, 4M Building, Malaga Avenue, Manchester Airport, Manchester, M90 3RR	1,351.86	
Boys Holdings PLC	Todd Carr Road, Waterfoot, Rossendale, Lancashire, BB4 9SJ	40,820.19	
BRITANNIA BUREAU LTD	1 LANGFORD RIVER BARN, LANGFORD HALL, WITHAM ROAD,, LANGFORD, MALDON, , CM9 4ST	1,526.95	
Cardinal	Leestone Road, Sharston Industrial Estate, Sharston, Manchester, M22 4RB	4,464.46	
Commerce Hub	25736 Network Place, Chicago, , ,	489.50	
Copyprint Services Ltd	1 Bolton South Business Park, Mather Street, KEarsley, Bolton, BL4 8EE	122.83	
Corona corporate solutions Ltd	1-2 Castle Lane, London, , , SW1E 6DR	227.45	
Dachser LTD	Chichester Street, Rochdale, , , OL16 2AU	211.03	
Decoprint NV	Dommekensstraat 2, Zele, Belgium, , 9240	32,908.39	
Defacto Solutions Ltd	Defacto House, Orix Corner, 631 Chesterfield Road, Sheffield, S8 0RX	15,639.90	
DHL SUPPLY CHAIN (MK)	C/O Accenture EDM, PO Box 6298, Milton Keynes, , MK10 1ZP	190,139.64	
DHL CHEP	DHL Supply Chain Limited, Accenture EDM, PO Box 6298, Milton Keynes, MK10 1ZP	1,585.39	

DWF LLP	Scott Place, 2 Hardman Street, Manchester, , M3 3AA	72,205.20	
Fuzhou Best Art and crafts., Ltd	Yangli Industrial Zone no 1, Hebinroad Gushantown, Jinan District, Fuzhou, Fujian, China	12,684.00	
GMG Color Ltd	3 St. James Court, 2nd Floor, Whitefriars, Northwich, Cheshire, NR3 1RJ	3,349.01	
Graydon UK Ltd	2nd Floor, Hygeia Building, 66 College Road, Harrow, Middlesex, HA1 1BE	207.90	
Graylaw International Freight	Graylaw Freight Terminal, Gillibrands Road, Skelmersdale, Lancs, WN8 9TA	2,744.65	
Guilin Senbird Trading Co.,Ltd	1st to 3rd floor, , building no 36 in Qingxiu courtyard, Jiashan Road No 143, Xiufeng District, Guilin, China	59,284.00	
H and A Warehouse Logistics LLC	326 Timber Drive, Berkley Heights, NJ, , 07922	12,881.83	
Hangzhou Kanluck Trading Co.,Ltd	Rm1701, Lei'en Mansion, 118 Donggang Rd, Linping, Hangzhou, China 311111	86,597.00	
Hartford Underwriters Insurance	PO Box 660916, Dallas, TX, 75266-0916, , 75266-0916	0.00	
HMRC		1,189,035.03	
Holker Network Solutions Ltd	Crown House, Bridgewater Close, Network 65 Business Park, Burnley, BB11 5TE	15,421.88	
J HOLDEN PLUMBING & HEATING LTD	93 QUEENSWAY, NEWCHURCH, ROSSENDALE, , BB4 9UB	240.00	
Jigsaw	The Old Mill, High Church Street, Nottingham, , NG7 7JA	1,448.28	
John K Philips Group Ltd	Stadium Industry Park, Peasley Cross Lane, St Helens, Merseyside, WA9 3AN	58,126.97	
John Mark Ltd	84 Bison Place, Moss Side Ind Estate, Leyland, , PR26 7QR	483.06	
Karen Wallis Artist	Crowmire Wood, Newby Bridge Road, Windermere, Cumbria, LA23 3LL	400.00	
Kershaw Print Limited	928 Burnley Road, Loveclough, Rossendale, , BB4 8QL	42.00	
Kuehne + Nagel Ltd	Treasury Department, Sunrise Parkway, Linford Wood, Milton Keynes, MK14 6BW	15,095.95	
L & J PRINT LTD	UNIT 2 HOPKINS CLOSE, GREENFIELD IND. ESTATE, CONGLETON, CHESHIRE, CW12 4TR	948.00	
Marburg Wallcoverings	Bertram - Schaefer, Str 11, Kirchhain, , 35274	43,023.18	
Omega Red Group Ltd	6 dabell Avenue, Nottingham, , , NG6 8WA	226.80	

On-Pack Recycling Label	Second Floor, 21 Dartmouth Street, London, , SW1H 9BP	2,160.00	
ORAC nv/sa	Oudenburgsesteenweg 90, 8400 Oostende, Belgium, ,	90,506.44	
Parcelhub Limited	Unit 6, Road No 2, Colwick Quays Business Park, Nottingham, , NG4 2JY	30,795.97	
Picture Master	Unit 10 Network Park, Duddeston Mill Road, , Birmigham, B8 1AU	226.50	
PocketWatch, Inc.	8500 Steller Dr Bldg. 7, , , ,	7,000.00	
Printed.com	Unit 2, Arcot Court, Nelson Road, Cramlington, Northumberland, NE23 1BB	144.12	
Rasch Polska - EURO	Prosta 19, Lozienica, 72-100 Goleniow, ,	75,603.94	
Recycle-Pak (Scotland) Ltd	Chorley Business & Tech Center, Euxton Lane, Chorley, Lancashire, PR7 6TE	4,993.86	
S Kempson	Cowpe Bottoms Farm, Cowpe, Waterfoot, Rossendale, BB4 7DQ	34.00	
SASBAH	Unit 5&6, Swan Wood Park, Gun Hill, Horam, East Sussex, , TN21 0JS	347.60	
SKYE DIRECT LTD	UNIT 15/16 HOWLEY PARK, BUSINESS VILLAGE, HAWLEY PARK ROAD, MORLEY LEEDS, LS27 0BZ	109.92	
Solutions for HR	10 St Marys Place, BuryBury, , , BL0 9DZ	1,470.00	
Sonder IP Limited	Calls Wharf, 2 The Calls, Leeds, , LS2 7JU	3,235.68	
STRATTON GROUP LTD	PRIORYFIELD HOUSE, 20 CANON STREET, TAUNTON, SOMERSET, TA1 1SW	10,996.03	
Taskforce Field Marketing	Taskforce House, 17 Dukes Ride, Crowthorne, Berkshire, RG45 6LZ	1,248.00	
Taubert GmbH&Co.KG	GmbH, Greimweg 10, 95691 Hohenberg an der Eger, Germany,	16,022.88	
TRUE COMMERCE	2 New Bailey, 6 Stanley Steet, Salford, Greater Manchester, M3 5GS	5,150.74	
Ugepa SA - GBP	Zone Industrielle, Route de Thennes, 80110 Moreuil, France,	817,569.05	
Ugepa SA - EURO	Zone Industrielle, Route de Thennes, 80110 Moreuil, France,	19,074.12	
UPS SCS (UK) LTD - A/C 101810	SHAW CROSS BUSINESS PARK - 95, CHURCHWELL VALE, SHAW CROSS BUSINESS PARK, DEWSBURY, WF12 7RD	3,076.05	
Wavenet Ltd (Was Solar)	One Central Boulevard, Blythe Valley, Shirley, Solihull, West Midlands, B90 8BG	272.59	
Wee Shred Limited	Unit 4, Croft Lane Industrial Estate, Croft Lane, Pilsworth, Bury, BL9 8QG	408.00	
Total		10,932,141.37	

Appendix C Administrators' receipts and payments account for the period from 20 December 2022 to 21 December 2022

Arthouse Holding Limited – receipts and payments account for the period from 20 December 2022 to 21 December 2022

Estimated to Realise as per Directors' Statement of Affairs £'000		£
	Fixed charge realisations	
n/a	Investments	10,000.00
		<u>10,000.00</u>
	Fixed charge distributions to creditors	
	Secured creditor (CYB)	-
		<u>-</u>
	Floating charge realisations	
n/a	Debtors & Prepayments	-
n/a	Cash	-
n/a	Other realisations	-
		<u>-</u>
	Floating charge distribution to creditors	
	Secured creditor (CYB)	-
		<u>-</u>
	Balance in hand	<u><u>10,000.00</u></u>
	Represented by:	
	Cash at bank	10,000.00
		<u><u>10,000.00</u></u>

Notes

1. Receipts and payments are stated net of VAT.
2. The receipts and payments account has been prepared on a cash basis and does not reflect future estimated receipts and payments.
3. The cash at bank as at the date of the R&P was being held on behalf of the Joint Administrators by DWF.
4. The cash will be held in an interest-bearing account once received.

Arthouse Limited – receipts and payments account for the period from 20 December 2022 to 21 December 2022

Estimated to Realise as per Directors' Statement of Affairs £'000		£
	Fixed charge realisations	
n/a	Intellectual Property	34,999.00
n/a	Goodwill	1.00
n/a	Book Debts	1,291,203.25
		1,326,203.25
	Fixed charge distributions to creditors	
	Secured creditor (CYB)	(1,245,546.00)
		(1,245,546.00)
	Floating charge realisations	
	Licence fees	13,977.31
n/a	Computer System	5,000.00
n/a	Fixtures and Fittings	5,000.00
n/a	Information Technology	1.00
n/a	Plant and Machinery	1.00
n/a	Customer Contracts	1.00
n/a	Supply Contracts	1.00
n/a	Marketing Information	1.00
n/a	Employee Records	1.00
n/a	Stock	204,994.00
n/a	Other realisations	-
	VAT payable	2,795.46
		231,772.77
	Floating charge distribution to creditors	
	Secured creditor (CYB)	-
		-
	Balance in hand	312,430.02
	Represented by:	
	Cash at bank - fixed charge account	80,657.25
	Cash at bank - floating charge account	228,977.31
	VAT	2,795.46
		312,430.02

Notes

1. Receipts and payments are stated net of VAT unless specified.
2. The receipts and payments account has been prepared on a cash basis and does not reflect future estimated receipts and payments.
3. The Joint Administrators are currently in the process of taking control of AL's bank accounts and expect c.£60k of cash receipts shortly.
4. The cash at bank as at the date of the R&P was being held on behalf of the Joint Administrators by DWF.
5. The cash will be held in interest-bearing accounts once received.
6. The distribution of £1,245,546.19 to CYB was made directly by DWF following receipt by them of the book debt realisation proceeds of sale.

Appendix D Statement of pre-administration costs

Statement of pre-administration costs (net of VAT)

	Administrator		Other IP		Details
	Remuneration	Expenses	Remuneration	Expenses	
	£	£	£	£	
Time costs	109,548	nil	nil	nil	Incurred by the Joint Administrators, as outlined in Section 6 of these proposals
Legal costs	59,194	nil	nil	nil	
Valuation costs	3,000	nil	nil	nil	
Total costs incurred	171,742	nil	nil	nil	
Paid before the administration					
Time costs	(96,805)	nil	nil	nil	Outstanding legal time costs
Legal costs	-	nil	nil	nil	
Valuation costs	-	nil	nil	nil	
Unpaid pre-administration costs	74,937	nil	nil	nil	

Unpaid pre-administration costs are costs which had not been paid at the date of administration are still outstanding and are subject to approval under Rule 3.52 of the Insolvency (England and Wales) Rules 2016.

Unpaid pre-administration costs are not part of the proposals subject to approval under paragraph 53 of Schedule B1 of the Insolvency Act 1986. This means that they must be approved separately from the proposals. Further information on the way in which approval will be sought for unpaid pre-administration costs is set out in section 6 of this document.

Appendix E Estimate of remuneration to be charged

The Joint Administrators of the Companies will shortly be seeking approval for their remuneration to be fixed on a time cost basis by the secured and preferential creditors. In accordance with Rule 18.16(4) of the Insolvency (England and Wales) Rules 2016, they set out below their estimate of remuneration to be charged.

The estimate of remuneration in respect of the Companies is £260,844 plus VAT. An explanation of how this sum has been arrived at is set out below and a breakdown of the expected costs is attached on the following pages.

Explanation of the work proposed to be undertaken

Category of work	Description of work to be completed
Accounting & Administration	<ul style="list-style-type: none"> ▶ Overall management of the case, treasury and accounting functions, statutory compliance diaries and time cost reporting.
Bank and Statutory Reporting	<ul style="list-style-type: none"> ▶ Reporting to the Companies secured creditors ▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report.
Creditors	<ul style="list-style-type: none"> ▶ Correspondence with creditors. ▶ Processing distributions to the secured creditors
Employee Matters	<ul style="list-style-type: none"> ▶ Writing to employees regarding TUPE related matters. ▶ Dealing with any employee enquiries.
Immediate Tasks	<ul style="list-style-type: none"> ▶ Completion of work streams requiring immediate attention following the appointments, in order to execute the strategy outlined in the Proposals.
Investigations	<ul style="list-style-type: none"> ▶ Investigations into the Companies' affairs in accordance with Statement of Insolvency Practice 2: "Investigations by Office Holders". ▶ Making an online submission to the Director Conduct Reporting Service in accordance with the Company Directors Disqualification Act 1986.
Legal Issues	<ul style="list-style-type: none"> ▶ Dealing with any ad hoc legal issues.
Other Assets	<ul style="list-style-type: none"> ▶ Realising value from the Companies' residual assets. ▶ Assessing, quantifying and seeking to realise value from assets not recorded in the management accounts of the Companies at the date of appointment.
Other Matters	<ul style="list-style-type: none"> ▶ Arranging for the transfer of the Company's environmental permits to the purchaser
Property	<ul style="list-style-type: none"> ▶ Strategy to realise value from the Companies' leasehold interests (if any). ▶ Dealing with landlord enquiries regarding the property interests.
Reporting	<ul style="list-style-type: none"> ▶ Reporting to the Companies' secured creditors. ▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report.
Statutory Duties	<ul style="list-style-type: none"> ▶ Completion of statutory requirements of the administrations, including notifications to

	creditors and members, advertising the appointment, letter to creditors pursuant to Statement of Insolvency Practice 16, and sending to creditors and filing at Companies House.
VAT & Taxation	<ul style="list-style-type: none">▶ Preparing annual corporation tax and quarterly VAT returns, with input from EY VAT and tax specialists.▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the administrations.▶ Preparing claims for VAT bad debt relief.

Arthouse Holdings Limited – Estimate of the Joint Administrators' remuneration

	Staff Grade				Total Hours	Time costs (£)	Average hourly rate
	Partner	Manager	Executive	Analyst			
Administration & Planning	2.0	7.0	4.0	7.0	20.0	11,310	566
Creditors	-	-	1.0	1.0	2.0	800	400
Debtors	-	-	-	-	-	-	-
Employee matters	-	-	-	-	-	-	-
Immediate Tasks	-	-	-	-	-	-	-
Investigations	0.5	0.5	1.0	2.0	4.0	2,080	520
Job Acceptance & Strategy	1.0	1.0	-	-	2.0	1,940	970
Other Assets	1.0	2.0	-	-	3.0	2,600	-
Other Matters	-	1.0	-	3.0	4.0	1,590	398
Property	-	-	-	-	-	-	-
Reporting	1.0	7.0	2.0	10.0	20.0	9,980	499
Statutory Duties	4.0	7.0	3.0	10.0	24.0	14,310	596
VAT & Taxation	0.5	3.5	3.0	10.0	17.0	7,520	442
Total Hours	10.0	29.0	14.0	43.0	96.0		
Time Costs (£)	12,800	19,140	6,860	13,330		52,130	
Average hourly rate	1,280	660	490	310			

Arthouse Limited – Estimate of the Joint Administrators' remuneration

	Staff Grade					Total Hours	Time costs (£)	Average hourly rate
	Partner	Director	Assistant Director	Manager	Executive			
Administration & Planning	6.0	1.0	7.0	7.0	14.0	28.0	34,885	554
Creditors	1.0	-	-	-	7.0	21.0	11,220	387
Debtors	-	-	-	-	-	-	-	-
Employee matters	1.0	7.0	-	7.0	7.0	-	16,260	739
Immediate Tasks	0.5	2.0	2.0	4.0	14.0	28.0	22,530	446
Investigations	0.5	-	2.0	3.0	7.0	14.0	12,120	457
Job Acceptance & Strategy	3.0	-	4.0	4.0	14.0	14.0	21,140	542
Other Assets	1.0	-	1.0	1.0	-	3.0	3,735	623
Other Matters	-	-	2.0	2.0	7.0	14.0	10,820	433
Property	1.0	-	7.0	7.0	14.0	14.0	23,155	538
Reporting	2.0	-	4.0	7.0	7.0	21.0	20,580	502
Statutory Duties	8.0	-	4.0	7.0	7.0	21.0	28,260	601
VAT & Taxation	1.0	-	-	7.0	14.0	28.0	21,440	429
Total Hours	25.0	10.0	33.0	56.0	112.0	206.0	442.0	
Time Costs (£)	32,000	9,900	28,545	36,960	54,880	63,860	226,145	
Average hourly rate	1,280	990	865	660	490	310		

Details of expenses incurred and anticipated to be incurred

Statement of Insolvency Practice No.9 defines expenses as any payments from the insolvency estate which are neither an office holder's remuneration or a distribution to a creditor or member. Expenses expected to be incurred total £70,271 plus VAT. A breakdown is provided on the following pages.

The expenses incurred and anticipated to be incurred from the Companies' estate can be summarised into the following categories: A breakdown is provided on the following pages.

Category of expense	Description of expense incurred or to be incurred
Rent – transferring premises	▶ Rent for the premises taken on by the Purchaser under licence to occupy agreements which will be reimbursed by the Purchaser.
Legal fees	▶ Legal advice regarding such matters required to maximise realisations from the Companies' estate. These fees are in addition to the pre-appointment expenses detailed at Appendix D to our Statement of Proposals enclosed with this letter.
Storage	▶ Costs to arrange collection and storage of the Companies' books and records, for minimum periods required under legislation.
Insurance	▶ Costs to insure the Companies' assets and operations during the administrations.
Statutory costs	▶ Cost of completing statutory requirements of the administrations, including advertising and filing costs.
Bank charges	▶ Charges associated with operation of the Companies' bank accounts during the administrations.
Corporation tax	▶ Corporation tax which may become payable following the preparation and submission of Corporation tax returns. It is currently too soon to provide an estimate in respect of these costs.

Disbursements

Disbursements comprise of sums paid or to be paid to third parties, or payable to the Joint Administrators' firm in respect of out of pocket expenses and costs which include an element of shared or allocated costs.

Category 1 disbursements

Category 1 disbursements are defined as specific expenditure met by and reimbursed to the office holder's firm, relating to the administration of the insolvent's affairs and referable to payment to an independent third party.

Disbursement	Description of disbursement incurred or to be incurred
Specific penalty bond	▶ A form of insurance required by insolvency law

Category 2 disbursements

Category 2 disbursements are made by the office holder's firm that include elements of shared or overhead costs.

Disbursement	Description of disbursement incurred or to be incurred
Internal bulk copying, printing and postage	▶ Costs relating to printing and posting of the Joint Administrators' Statement of Proposals and other written communications to all relevant creditors and stakeholders.

Arthouse Holding Limited – estimated expenses

<u>Payments which are not disbursements</u>	£
Rent	-
Legal fees	1,000
Insurance	2,000
Statutory costs	250
Storage	250
Bank charges	50
	3,550
Category 1 disbursements (see notes 2 and 3)	
Specific penalty bond	24
	24
Category 2 disbursements (see notes 2 and 3)	
Internal bulk copying, printing and postage	25
	25
Total	3,599

Arthouse Limited – estimated expenses

<u>Payments which are not disbursements</u>	£
Rent	22,473
Legal fees	25,000
Insurance	3,000
Statutory costs	250
Storage	500
Bank charges	250
	51,473
Category 1 disbursements (see notes 2 and 3)	
Specific penalty bond	24
	24
Category 2 disbursements (see notes 2 and 3)	
Internal bulk copying, printing and postage	175
	175
Total	51,672

Notes

- 1 Statement of Insolvency Practice No.9 defines expenses as any payments from the insolvency estate which are neither an office holder's remuneration or a distribution to a creditor or member.
- 2 Expenses are divided into those that do not need approval before they are charged to the estate (Category 1) and those that do require prior approval (Category 2):
 - Category 1 expenses are payments to persons providing the service to which the expense relates who are not an associate of the office holder
 - Category 2 expenses are payments to associates or which have an element of shared costs.
- 3 Expenses also include disbursements. Disbursements are payments which are first met by the office holder and then reimbursed to the office holder from the estate. Disbursements fall into either Category 1 or Category 2

Exceeding estimates of remuneration and expenses

These estimates may be exceeded, in which case an explanation will be provided in the appropriate progress report. The Joint Administrators will only draw remuneration in excess of the estimate with the prior agreement of the approving body, in accordance with Rule 18.30 the Insolvency (England and Wales) Rules 2016.

Estimate of return for creditors

We currently estimate the following returns for creditors:

Secured creditors

As at 20 December 2022, the Companies' known secured lenders were Clydesdale Bank plc and Northedge Capital LLP.

Clydesdale Bank plc

CYB, the Companies' principal secured lender, had total indebtedness as at 20 December 2022 of c.£5m.

The Joint Administrators have authorised a distribution of £1,245,546 to CYB from book debt realisations. We do not expect to make further material distributions to CYB.

Northedge Capital LLP

NEC, the Companies second ranking secured lender, had total indebtedness as at 30 November 2022 of c.£2.6m.

It is anticipated that the Companies will have insufficient realisations to enable a distribution to NEC.

Preferential creditors

All of AL's employees transferred to the Purchaser as a result of the sale in accordance with TUPE.

We currently estimate preferential creditors of c.£1.2m, in respect of claims relating to PAYE, NI and VAT.

It is currently anticipated that the Companies will make a distribution to AL's preferential creditors, however the quantum of the distribution is yet to be determined.

Non-preferential creditors

According to the Companies' management information, it is estimated that total non-preferential claims will be approximately £1.6m (excluding intercompany creditors), refer to appendix B for details.

It is anticipated that the Companies will have insufficient realisations to enable a distribution to non-preferential creditors of the Companies.

Appendix F Detailed Explanation of Pre-Pack Transaction

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