

Moda Furnishings Limited – in Administration

Estimate of remuneration to be charged

The Joint Administrators will be seeking approval for their remuneration to be fixed on a time cost basis by the secured 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 Company is £731,970.00 (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

There are a number of regulatory and statutory matters which the Joint Administrators are required to undertake which are unlikely to generate any direct financial benefit to creditors, such as accounting and administration, bank and statutory reporting, investigations and statutory duties.

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 secured creditors. ▶ Preparing the Joint Administrators' Statement of Proposals, six month progress report and final report.
Creditors	<ul style="list-style-type: none"> ▶ Correspondence with creditors. ▶ Processing distributions to the secured creditors.
Customers	<ul style="list-style-type: none"> ▶ Managing customer communications.
Debtors	<ul style="list-style-type: none"> ▶ Realising value from the Company's debtors ledger.
Employee Matters	<ul style="list-style-type: none"> ▶ Dealing with any employee enquiries.
Immediate Tasks	<ul style="list-style-type: none"> ▶ Completion of work streams requiring immediate attention following the appointments.
Investigations / CDDA	<ul style="list-style-type: none"> ▶ Investigations into the Company's 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.
Job acceptance & strategy	<ul style="list-style-type: none"> ▶ Completion of job acceptance and planning of the administration strategy.
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 Company's residual assets. ▶ Assessing, quantifying and seeking to realise value from assets not recorded in the management accounts of the Company at the date of appointment.
Other Matters	<ul style="list-style-type: none"> ▶ Any ad hoc matters.
Property	<ul style="list-style-type: none"> ▶ Managing the licences to occupy with the Purchaser and landlords.

Retention of title	▶ Managing any retention of title claims and ensuring the Purchaser deals with claims accordingly.
Statutory Duties	▶ 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	▶ Preparing annual corporation tax and quarterly VAT returns, with input from EY VAT and tax specialists.

Estimate of the Joint Administrators' remuneration

	Senior						Total Hours	Time Costs (£)	Average hourly rate
	Partner	Director	Manager	Manager	Executive	Analyst			
Accounting and Administration	5.7	-	22.2	37.3	19.0	23.8	108.0	74,522	690
Bank & Statutory Reporting	12.2	-	33.3	58.6	5.0	40.5	149.5	107,727	720
Creditors	5.1	-	22.2	25.1	2.5	11.9	66.8	51,838	777
Customers	1.1	-	22.2	64.4	5.0	47.6	140.3	88,217	629
Debtors	0.5	-	22.2	19.2	-	-	41.9	35,729	853
Employee Matters	0.5	11.0	-	-	4.0	-	15.5	16,794	1,083
Immediate Tasks	2.3	-	-	4.9	2.5	-	9.7	8,138	839
Investigation/CDDA	2.6	-	11.1	12.3	2.5	19.0	47.4	30,845	650
Job Acceptance & Strategy	1.5	-	-	-	-	-	1.5	2,157	1,410
Legal Issues	1.5	-	11.1	-	-	-	12.6	12,702	1,006
Other Assets	2.6	-	22.2	26.1	2.5	11.9	65.3	49,011	751
Other Matters	2.6	-	22.2	21.2	-	11.9	57.9	44,109	762
Property	2.3	-	11.1	35.8	-	11.9	61.1	43,719	716
Retention of Title	0.5	-	4.4	-	-	11.9	16.8	8,899	530
Statutory Duties	5.1	-	17.8	37.3	25.0	23.8	109.0	72,698	667
VAT & Taxation	13.1	-	21.0	52.9	-	23.8	110.8	84,866	766
Total Hours	59.0	11.0	243.0	395.0	68.0	238.0	1014.0		
Time Costs (£)	83,190	13,915	230,850	286,375	36,720	80,920		731,970	
Average hourly rate	1,410.0	1,265.0	950.0	725.0	540.0	340.0			

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 £1,151,068 (plus VAT). A breakdown is provided on the following pages.

The expenses incurred and anticipated to be incurred from the Company's estate can be summarised into the following categories:

Category of expense	Description of expense incurred or to be incurred
Rent	▶ 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 Company's estate and

	discharge the Joint Administrators' statutory duties. These fees are in addition to the pre-appointment expenses detailed at Appendix D to our Proposals.
Storage	▶ Costs to arrange collection and storage of the Company's books and records, for minimum periods required under legislation.
Insurance	▶ Costs to insure the Company's assets and operations during the administrations.
Statutory costs	▶ Cost of completing statutory requirements of the administration, including advertising and filing costs.
Bank charges	▶ Charges associated with operation of the Company's 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.
Mileage	▶ Costs relating to mileage for the Joint Administrator's and their staff, travelling to and from the Company's head office.

Estimated expenses

<u>Payments which are not disbursements</u>	£
Rent and other property costs – to be funded by the Licence to occupy	1,084,858
Contribution towards employee costs	50,000
Legal fees	5,000
Insurance	3,000
Corporation tax – estimate only, not yet calculated	500
Bank charges	500
Statutory costs	250
Storage	-
	1,144,108
Category 1 disbursements (see notes 2 and 3)	
Specific penalty bond	210
	210
Category 2 disbursements (see notes 2 and 3)	
Internal bulk copying, printing and postage	6,250
Mileage	500
	6,750
Total	1,151,068

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 14 July 2023, the Company's known secured lenders were Secure Trust Bank Plc and Endless LLP

Secure Trust Bank Plc

STB, the Company's principal secured lender, had total indebtedness as at 14 July 2023 of c.£2.8m.

We anticipate STB to suffer a shortfall on its debt.

Endless LLP

Endless, the Companies second ranking secured lender, had total secured indebtedness as at 14 July 2023 of c.£8.5m.

It is anticipated that the Company will have insufficient realisations to enable a distribution to Endless.

Preferential creditors

Employees

All of the Company's employees transferred to the Purchaser as a result of the sale in accordance with TUPE, along with any employee arrears. Consequently, we do not anticipate that there will be any employee related preferential creditor claims against the Company.

HMRC

We currently estimate a claim from HMRC, as a secondary preferential creditor, totalling c.£1.7m, in respect of claims relating to PAYE, NI and VAT, before off-setting any claim for tax losses.

It is anticipated that the Company will have insufficient realisations to enable a distribution to preferential creditors.

Non-preferential creditors

According to the Director's statement of affairs, it is estimated that total non-preferential claims will be approximately £5.6m (excluding intercompany creditors), refer to appendix B for details.

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