

TO ALL KNOWN CREDITORS

11 December 2020

Ref: HK/CK/BL/LG

Email: [officeteamadministration@uk.ey.com](mailto:officeteamadministration@uk.ey.com)

Dear Sirs

## **OfficeTeam Limited (in Administration) (“the Company”)**

### **High Court of Justice, Business and Property Courts in Birmingham, Insolvency and Companies List (ChD), Number CR-2020-BHM-000303**

On 14 May 2020, the Company entered Administration with R H Kelly and C G J King appointed to act as Joint Administrators (‘the Joint Administrators’). The appointment was made by the Company’s directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986.

In accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016, I provide creditors with a report on the progress of the Administration.

This report covers the period from 14 May 2020 to 13 November 2020 and should be read in conjunction with the Joint Administrators’ Statement of Proposals (“the Proposals”) delivered to creditors on 21 May 2020. Statutory information about the Company, the Administration and the office holders is given at Appendix 1.

As insolvency practitioners, the Joint Administrators, are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment. A copy of the Statement of Insolvency Practice 1 is available from <https://www.icaew.com/-/media/corporate/files/technical/insolvency/regulations-and-standards/sips/england/sip-1-e-and-w-introduction-to-statements-of-insolvency-practice-oct-2015.ashx>

## **Summary of progress since the Proposals dated 21 May 2020**

### **Approval of the Proposals**

Following delivery of the Proposals to all known creditors on 21 May 2020, the Proposals were approved by creditors on 8 June 2020 by decision procedure by correspondence.

### **Receipts and payments account**

A summary of our receipts and payments for the period from 14 May 2020 to 13 November 2020 is attached at Appendix 2. It does not reflect estimated future realisations or costs.

## Realisation of assets

### **Sale of business and assets**

As detailed in the Proposals, a sale of certain of the Company's business and assets was completed to OT Group Limited ("OTG") (formerly Paragon Data Analytics Limited) on 14 May 2020 for a total consideration of £1,003,979. Further details regarding the sale are set out in the Proposals.

Of the sales consideration, £903,979 has been received to date, with deferred consideration of £100,000 in respect of the sale of the Company's shares in Stat Company Limited, further details of which are given below.

The assets sold comprise the following:

Description of asset	Purchase consideration (£)
Customer Contracts	1
Goodwill	1
Intellectual Property	1
Information Technology	375,000
Plant and Equipment	45,000
Stock	483,973
Shares (Stat Company Limited, parent company of ZenOffice Limited)	100,000
Supplier Contracts	1
OfficeTeam Records	1
Work In Progress	1
<b>Total</b>	<b>1,003,979</b>

### **ZenOffice Limited ("Zen")**

The Company's shares in Stat Company Limited, the parent company of Zen, were included within the sale of assets to OTG for £100,000, with the consideration being deferred until FCA approval is obtained for the transfer of ownership.

The terms of sale provided for an initial period of 6 months following completion to obtain FCA approval, with scope to extend by a further 3 months. The FCA approval process has been hampered by the implications arising from Covid-19 and OTG has opted to extend the period for completion for the additional 3 months. A further update will be provided in our next progress report to creditors.

## Other realisations

### **Residual stock**

The majority of stock where the Company held valid title was included within the sale of assets to OTG for the value of £483,973.

Following Administration, 158 suppliers have made retention of title ("ROT") claims in respect of stock supplied to the Company. Where ROT claims have been proven, the stock has been made available for collection by the relevant supplier.

In addition, a further £44,338 has been realised from the disposal of residual stock that was not included in the sale to OTG.

#### ***Cash on appointment***

Funds of £272,946 held by the Company at the date of Administration were transferred to the Administrators' bank account.

#### ***Apportionments***

As at the date of Administration, there were various prepayments that had been made by the Company, which OTG has subsequently obtained the benefit of. The prepayments totalled £408,638 and this amount has been received from OTG in full settlement but after the period covered by this report, and as such the receipt is not reflected in the receipts and payments summary. This receipt is in addition to the sales consideration detailed above.

#### ***Other debts***

Funds totalling of £63,575 have been recovered through our pursuit of rates refunds, return of deposits and other refunds.

#### ***Other assets***

Following the sale to OTG, a small amount of residual IT hardware has been collected from employees. However, realisations from this source are anticipated to be minimal.

#### ***Payroll***

Following the sale, OTG has required the Company's assistance with the monthly processing of OTG's payroll whilst they set up a new payroll with their provider. This has proved more complex for them and has carried on since the sale. OTG is bearing all payroll costs, as well as meeting the Administrators' time costs in relation to this assistance, for which funds of £25,000 have been received into the Administration to date.

Whilst the funds of £25,000 paid for the Administrators' time costs are reflected in the summary of receipts and payments, the payments made to cover the actual payroll are excluded as these are OTG monies paid to its employees (and other payroll costs, including HMRC) and are not part of the Administration assets or trading.

#### ***Leasehold properties***

As detailed in the Proposals, licences to occupy ("LTO") were granted to OTG to four leasehold properties, whilst OTG negotiated terms for continued occupation with the landlords (subject to any earlier determination or surrender of the lease).

OTG is continuing to occupy the Croydon and Fareham leasehold premises under LTOs and is in discussion with the respective landlords regarding new leases. OTG has vacated the other two premises. Funds of £257,663 have been received during the reporting period in relation to the LTO properties to meet the costs of rent and other property costs under the leases whilst occupied by OTG.

The sale agreement with OTG also provided for OTG's occupation of several other leasehold properties ("Non-LTO Properties"), at OTG's cost, for a short period to enable the removal of the purchased assets

including stock held at these premises. Amounts totalling £16,435 have been received during the reporting period to meet the property costs in relation to the Non-LTO Properties whilst occupied by OTG.

Any residual funds after the settlement of the final property costs will be refunded to OTG.

The remaining leasehold properties were vacated immediately upon our appointment.

### ***Debtor realisations***

Lloyds Bank Plc (“LBG”) provided an invoice discounting facility (“IDF”) to the Company. As at the date of the Administration, the book value of the Company’s debtors ledger, including intercompany debts, was c.£14.0m. After excluding intercompany debts from insolvent group companies, the book value of the debtors ledger at appointment was £10.7m.

Under the terms of the OTG sale agreement, OTG has retained the credit control team and maintained the related IT systems at their cost and been collecting trade debtors on behalf of the Company on a commission basis. Trade debts of £8,440,582 have been collected during the period of this report, with the funds being paid to the Company’s IDF account, as the debts had been assigned to LBG. The commission fee due to OTG for these recoveries is £422,029 of which £nil had been settled during the period covered by this report.

Further funds of £1,495,859 have been received, which are believed to belong to OTG for sales where their customers have erroneously paid funds into the Company’s IDF account. A reconciliation is being undertaken to correctly allocate these funds between the Company and OTG. Amounts confirmed as OTG’s monies will be transferred to OTG. The amounts confirmed as the Company’s debtor receipts will be applied against the outstanding debt due to LBG under the IDF facility.

The agreement with OTG to cover the debt collection has now ended and we continue to pursue the remaining debtors. We have now engaged a separate debt collection agent (JP Associates) to assist with the debt recovery from the lower value outstanding debts. From the date of the debt collection agent being engaged, OTG has ceased earning commission on these debts.

With regard to the larger outstanding debtor balances, we are continuing to pursue payment with the support of OTG and our legal agents. We are encountering some instances where the debtor is refusing to make payment of what we consider (following legal advice) is contractually due and we will look to commence legal action and recovery proceedings in court to recover the sums that we believe are rightfully due.

### **Tax matters**

The Joint Administrators are preparing to submit final pre-Administration tax computations to HM Revenue & Customs (“HMRC”) shortly.

Prior to Administration, the Company was part of a group VAT registration. An application was made to HMRC for removal of the Company from the existing VAT group and for reregistration as a separate entity to allow recovery of ongoing VAT costs in the Administration. The reregistration has been completed.

## Investigations

We have concluded our investigations into the Company's affairs, in accordance with Statement of Insolvency Practice Number 2 (Investigations by Office Holders), and the Company Directors Disqualification Act 1986, with the necessary return made to the Directors' Conduct Reporting Service.

The Joint Administrators can advise that no investigations are continuing in this respect and no third-party funding has been provided.

## Administration expenses

During the period covered by this report, overall expenses totalling £818,086 plus applicable VAT, have been incurred. An analysis of the expenses incurred is given at Appendix 3 of this report, analysed by expense type.

An explanation where these costs have exceeded the original expenses estimate is given below:

- ▶ Erroneous Debtor receipts returned: funds of £4,335 received in error in respect of debtor receipts have been repaid after determining the monies were not due to the Company.
- ▶ Purchase ledger update costs: costs of £6,250 were incurred to bring the Company's purchase ledger up to date to for the purpose of enabling the Directors' to prepare their Statement of Affairs and to assist with the adjudication of creditors' claims.
- ▶ Contractor fees (Rebates and Customer contracts): fees of £6,232 were paid to former staff to assist with immediate tasks on appointment to facilitate the transfer of the business and assets to OTG, and in connection with calculating the level of rebates that were contractually due against debtor balances.
- ▶ Bank charges: the level of transactions has been greater than anticipated, resulting in charges exceeding the original estimate by £1,148. Further charges are expected to be incurred.

## Pre-administration costs

As reported within the Proposals, the Joint Administrators incurred costs of £106,428.25 (plus VAT) in connection with their pre-Administration work, of which £57,500 (plus VAT) had been paid prior to Administration. The remaining balance of £48,928 (plus VAT), together with expenses (legal fees of £38,866 and agents' fees of £20,000), was approved by a resolution of creditors on 8 June 2020 under Rule 3.52 and has been paid during the period of this report.

## Joint Administrators' remuneration

The statutory provisions relating to remuneration are set out in 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 me.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Administrators' Fees' referred to above.

Our remuneration was fixed on a time-cost basis by a resolution of the creditors on 8 June 2020. During the period covered by this report, the Joint Administrators have incurred time costs of £1,826,390.70. Of this sum, £842,000 has been paid. An analysis of the time spent, and a comparison with the fee estimate dated 21 May 2020 is attached as Appendix 4 to this report.

We anticipate that our remuneration will exceed the fee estimate. This anticipated increase in remuneration reflects the additional time that has necessarily been spent by the Joint Administrators and their staff. In particular, the intermingling of the Company's affairs with Spicers Limited has been more complex and the trade debtor collection exercise has raised more disputes that required detailed interrogation than initially thought. In addition, we have had to have detailed consideration of the impact of Covid-19 and reach agreement on payment plans or consider alternate collection methods. However, this additional time spent has resulted in additional recoveries and is anticipated to increase the net floating charge property available to the unsecured creditors. We will not draw remuneration in excess of the initial fee estimate without the prior approval of creditors and will be writing to the creditors in due course with a revised fee estimate.

## **Distributions to creditors**

### **Secured creditors**

LBG, the first ranking secured creditor, had a total indebtedness of £3,846,771 due as at the date of Administration, in respect of the IDF facility. In addition, the Company has provided cross guarantees to LBG for monies owed by Spicers Limited (in Administration) and ZenOffice Limited, increasing LBG's overall indebtedness to £17,154,991, with further interest and charges accruing post the appointment of Administrators.

As set out in Appendix 2, funds of £8,009,294 have been applied against LBG's overall indebtedness in the period. Based upon present information, LBG's debt is expected to be repaid in full under its fixed charge over the debtor realisations of the Company and Spicers Limited (in Administration), with any shortfall met from the proceeds of the sale of freehold property owned by Spicers Limited.

In addition, the sum of £7,847,205 is owed to BECAP12 GP Limited acting in its capacity as General Partner of BECAP12 GP LP, acting in its capacity as General Partner of BECAP12 Fund LP as Security Agent ("Better Capital") from The Spicers-OfficeTeam Group Limited as at 18 May 2020, with further interest accruing post-Administration. The Company has guaranteed this debt which benefits from a second ranking security behind the LBG indebtedness. It is anticipated that the sales proceeds of the Spicers Limited freehold property, after settlement of any balance due to LBG, will be applied to settle this debt. This may result in a subrogated claim from Spicers Limited for settling the Company's share of this liability.

### **Preferential creditors**

All employees were transferred to OTG under TUPE as a result of the sale to OTG. Under the sale agreement OTG were responsible for any liabilities in respect of arrears of wages and other liabilities owed to them and as a result no employee preferential claims are anticipated from current employees.

Preferential claims received to date total £800 in respect of former employees who were not employed by the Company at the time of the transfer to OTG. Based upon current information, we anticipate that these claims will be paid in full.

### **Non-preferential creditors**

Following our appointment an exercise has been undertaken to bring the purchase ledger up to date for the purpose of the Directors' Statement of Affairs and to assist with the adjudication of creditors' claims.

Unsecured claims totalling £76,765,740 have been received to date. We have also received notice of a potential claim of circa £15m in respect of three defined benefit pension schemes that maybe eligible for entry into the Pension Protection Fund. Creditor claims continue to be submitted and it is not possible to provide an accurate estimate of total unsecured claims at this stage.

The level of funds available to unsecured creditors remains dependent upon the further debtor recoveries and the settlement of secured creditor claims under group company cross-guarantees by other group companies. It is not currently possible to provide an estimate of the amount or timing of any dividend to unsecured creditors. The Administrators believe that there will be a surplus available to unsecured creditors but the quantum and beneficiary of the surplus (as between the Company and Spicers Limited) will require a detailed exercise to be undertaken considering intercompany flows and subrogated claims. The Administrators expect to be able to comment with more detail in the next progress report.

### **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.

Based upon present information, the secured creditors are expected to be paid in full from fixed charge realisations. If this is the case, the prescribed part does not apply as the floating charge funds that would be available to floating charge creditors will be available in full to unsecured creditors. An update will be provided in the next progress report.

### **Remaining work**

The Joint Administrators will continue to manage the affairs, business and property of the Company to achieve the purpose of the Administration. Future tasks will include, but may not be limited to, the following:

- ▶ Dealing with remaining property matters.
- ▶ Realising other residual assets.
- ▶ Continuing debtor collections to maximise recoveries for creditors.
- ▶ Distributing realisations to the secured creditors under their fixed and, if applicable, floating charges.
- ▶ Dealing with unsecured creditor queries.
- ▶ Dealing with employee queries.

- ▶ Dealing with preferential creditor claims and making a distribution to the preferential creditors.
- ▶ Agreeing unsecured creditor claims and making a distribution to creditors.
- ▶ If the Joint Administrators deemed appropriate, to seek an extension and/or further extensions to the Administration from the Company's creditors and/or the Court.
- ▶ Dealing with corporation tax and VAT matters, including filing statutory returns.
- ▶ Dealing with statutory reporting and compliance obligations.
- ▶ Ongoing monitoring and reporting to the secured creditors in respect of the debtor collections and other asset realisations under their fixed and floating charges.
- ▶ Finalising the Administration, including payments of all Administration period liabilities.
- ▶ Any other actions required to be undertaken by the Joint Administrators fulfil the purpose of the Administration.

### Next report

We will report to you again in six months' time or at the conclusion of the Administration, whichever is the sooner.

Yours faithfully  
for the Company



R H Kelly  
Joint Administrator

R H Kelly is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland. C G J King is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in England and Wales.

The affairs, business and property of the Company are being managed by the Joint Administrators, R H Kelly and C G J King, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. The Office Holder Data Privacy Notice can be found at [www.ey.com/uk/officeholderprivacy](http://www.ey.com/uk/officeholderprivacy).

## Appendix 1

### Information about the proceedings, the Company and the office holders, as required by Rule 18.3(1) of the Insolvency (England and Wales) Rules 2016

Name of court:	High Court of Justice, Business and Property Courts in Birmingham, Insolvency and Companies List (ChD)
Court reference:	CR-2020-BHM-000303
Registered name of the Company:	OfficeTeam Limited
Registered office address of the Company:	Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Registered number:	05095978
Country of incorporation (for a Company incorporated outside the United Kingdom):	N/A
Date of appointment of the Joint Administrators:	14 May 2020
Details of any changes of Administrator:	None
Full names of the Joint Administrators:	Robert Hunter Kelly and Charles Graham John King
Office Holder number(s):	8582 and 8985
Joint Administrators' address(es):	Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Telephone number:	(0)121 535 2195
Name of alternative person to contact with enquiries about the case:	Lilia Gordon

## OfficeTeam Limited (in Administration)

## Appendix 2

## Joint Administrators' Receipts and Payments from 14 May 2020 to 13 November 2020

Statement of Affairs Estimated to Realise Values (£)	1,2	Period from 14 May 2020 to 13 November 2020 (£)
		<b>Fixed charge receipts (excludes debts assigned to LBG)</b>
2		Intellectual Property & Goodwill 2
9,771,388	3	Debtors 49,873
100,000		Stat Company Shares -
		<u>49,875</u>
		<b>Floating charge receipts</b>
		<b>Asset realisations</b>
		Stock 528,311
45,000		Fixtures and Fittings 45,000
375,000		Information Technology 375,000
4		Other Realisations 4
273,591		Cash at bank at date of appointment 272,946
439,016		Apportionments -
		Deposits and Prepayments 63,575
		Payroll Processing Fee 25,000
		<b>Transfer receipts</b>
		Property Costs Funded by OTG (LTO Properties) 257,663
		Property Costs Funded by OTG (Non-LTO Properties) 16,435
		<b>Other receipts</b>
	4	Bank Interest 622
		<u>1,584,557</u>
		<b>Total Receipts 1,634,433</b>
		<b>Fixed charge payments</b>
	3	Erroneous Debtor Receipts Returned 4,335
		<u>4,335</u>
		<b>Floating charge payments</b>
		Pre-Administration Fees and Expenses 107,795
		<b>Costs of realisations:</b>
		Contractor Costs (Rebates and Customer Contracts) 6,232
		Purchase Ledger Update Cost 6,250
		Other Costs 649
		<b>Expenses:</b>
		Bank Charges 2,148
		Statutory Costs 95
		<b>Property:</b>
		Property Payments (LTO Properties) 216,224
		Property Payments (Non-LTO Properties) 11,144
		<b>Professional Fees:</b>
		Legal Fees 37,584
		<b>Administrators' Expenses:</b>
		Administrators' Remuneration 842,000
		Administrators' Disbursements 1,445
		<u>1,231,565</u>
		<b>Total Payments 1,235,900</b>
		<b>Net realisations 398,533</b>
		<b>Funds in Hand</b>
		Cash at bank 217,835
		VAT Receivable 180,698
		<u>398,533</u>

## Notes

1. Receipts and payments are stated net of VAT.
2. This receipts and payments account has been prepared on a cash basis and does not reflect future estimated receipts and payments.
3. Debtor receipts are an asset of the fixed charge holder, Lloyds Bank PLC ("LBG"), which has control of the IDF account into which receipts are paid, and are therefore not reflected in the summary of receipts and payments. At the date of appointment, the debtor balance totalled £10,737,945 after excluding intercompany debts from group companies.

Debtor receipts received by the Company in the period of this report totalled are £8,440,582. Commission costs in relation to the debt collections of £422,029 have been earned by OTG and interest and service charges have been incurred in relation to the LBG IDF account of £9,259.

As a result of net debtor collections to date, a reduction of £8,009,294 has been achieved in respect of LBG's secured debt as detailed in the table below:

	<b>Period from 14 May 2020 to 13 November 2020 (£)</b>
Trade debtor balance - At appointment	13,960,657
Less: Irrecoverable intercompany balance	(3,222,712)
<b>Debtor balance</b>	<b>10,737,945</b>
Debtor collections received	8,440,582
Commissions earned on debtor receipts	(422,029)
LBG IDF Interest and service charges	(9,259)
<b>Net debtor collections enabling a reduction of the LBG secured debt</b>	<b>8,009,294</b>

4. All funds were held in interest bearing accounts during the Period.

## Appendix 3

### OfficeTeam Limited (in Administration)

#### Summary of expenses incurred

Type of Expense	Per Estimate Dated 21 May 2020	Paid in Period to 13 November 2020	Outstanding <sup>3</sup>	Total
	£	£	£	£
<b>Payments made from the estate which are not disbursements<sup>1</sup></b>				
<b>Fixed charge</b>				
Erroneous Debtor Receipts Returned	-	4,335	-	4,335
<b>Floating charge</b>				
<b>Pre-Administration Costs</b>				
Pre-Administration: EY Fees	- <sup>4</sup>	48,928	-	48,928
Pre-Administration expenses: Legal Fees	- <sup>4</sup>	38,866	-	38,866
Pre-Administration expenses: Agents' Fees	- <sup>4</sup>	20,000	-	20,000
<b>Costs of realisations</b>				
Debtor Collection Agent Commission	820,000	-	422,029	422,029
Purchase Ledger Costs	-	6,250	-	6,250
Contractor fees (Rebates and Customer Contracts)	-	6,232	-	6,232
Other Costs - Smart Room fee	1,000	649	-	649
<b>Expenses</b>				
Insurance costs	40,000	-	1,540	1,540
Bank charges	1,000	2,148	-	2,148
Statutory costs	1,000	95	-	95
<b>Property</b>				
Property Payments (LTO Properties)	580,000	216,224	-	216,224
Property Payments (Non-LTO Properties)	20,000	11,144	-	11,144
<b>Professional Fees</b>				
Legal costs - Pinsent Mason LLP	65,000	37,584	-	37,584
Agents costs - Gordon Brothers	20,000	-	-	-
<b>Administrators' Disbursements<sup>2</sup></b>				
Specific penalty bond	1,280	1,280	-	1,280
Postage and printing	3,500	165	617	782
Conference call facilities	5,000	-	-	-
<b>Totals</b>	<b>1,557,780</b>	<b>393,900</b>	<b>424,186</b>	<b>818,086</b>

## Notes

1. Statement of Insolvency Practice 9 (SIP 9) defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders' remuneration or distributions to creditors. The payments shown are set out by type of expense.
2. SIP 9 defines disbursements as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2.
  - ▶ Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment
  - ▶ Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.
3. Outstanding expenses relate to expenses invoiced within the reporting period but which were yet to be settled by the Joint Administrators.
4. The pre-Administration fees and expenses were not included in the estimate of expenses dated 21 May 2020. They were requested as part of the decision procedure by correspondence issued to creditors with the proposals on 21 May 2020, and were subsequently approved by a creditors' resolution dated 8 June 2020.

## OfficeTeam Limited (in Administration)

Joint Administrators' time costs for the period from 14 May 2020 to 13 November 2020 and a comparison with the fee estimate dated 21 May 2020

	Per Fee Estimate dated 21 May 2020			Actual in this period and total to 13 November 2020		
	Total hours	Total costs (£)	Average rate (£)	Total hours	Total costs (£)	Average rate (£)
Accounting & Administration	195.4	99,839.00	511	289.4	114,173.00	395
Bank & Statutory Reporting	237.3	124,498.00	525	167.7	115,052.00	686
Creditors	483.5	246,808.00	510	357.2	174,838.20	498
Debtors	388.1	201,606.00	519	1,262.6	736,047.50	583
Employee Matters	90.6	51,049.00	563	137.6	70,927.50	515
Immediate Tasks	54.8	30,288.00	553	24.6	17,791.00	723
Investigation & CDDA	92.9	49,719.00	535	59.7	26,181.00	439
Job Acceptance & Strategy	61.3	32,271.00	526	56.4	26,863.00	476
Other Assets	38.2	23,463.00	614	32.6	24,405.00	749
Other Matters	138.1	73,519.00	532	193.8	88,863.50	459
Property	149.4	75,574.00	506	294.4	157,377.00	535
Public Relations	9.6	6,188.00	645	1.0	900.00	900
Retention of Title	306.1	178,760.00	584	377.8	190,933.50	505
Statutory Duties	217.1	120,948.00	557	122.0	61,950.00	508
VAT & Taxation	115.9	74,333.00	641	25.5	20,088.50	788
<b>Total</b>	<b>2,578.3</b>	<b>1,388,863.00</b>	<b>539</b>	<b>3,402.3</b>	<b>1,826,390.70</b>	<b>537</b>

## Summary of work

The Joint Administrators have incurred time costs in dealing with, inter alia, the following matters:

- ▶ **Accounting and Administration** – includes general administrative duties and overall management of the case, including maintaining the Joint Administrators' treasury and accounting functions, statutory compliance diaries and time costs reporting.
- ▶ **Bank and Statutory Reporting** - includes statutory and other reporting to all classes of creditors. Reports include the Joint Administrators Proposals to creditors, six monthly progress reports and filings of documents at Companies House, and regular reporting to the secured creditors.
- ▶ **Creditors** – Dealing with creditor claims, correspondence with creditors, answering specific creditor queries, processing of distributions to the secured, preferential and unsecured creditors under the Prescribed Part (as applicable).
- ▶ **Debtors** – time spent in monitoring and collecting the £10.7m debtor ledger and liaising with OTG in their role as debtor collection agents, to ensure maximum value is realised. A significant amount of time has been spent realising trade debtors as a result of the large number of complex or disputed debtor positions in the ledger. This has included a substantial amount of time invested in discussions with individual debtors in order to progress the recovery of large debtor balances, involving working through alleged counter-claims and rebates. Some counter-claims are without foundation and others have involved some detailed work being undertaken to quantify rebate entitlements etc.

The collections process has been impacted by Covid-19 resulting in delays in debtors being able to provide supporting information, making payments or reaching settlement agreements, with temporary restrictions on the Administrators' ability to commence enforcement proceedings to recover unpaid debts.

There have also been significant receipts into the Company's LBG bank account that may belong of OTG and time has been incurred in verifying ownership of these funds.

- ▶ **Employee matters** – relates to correspondence and calls with c.800 employees regarding the TUPE process. Dealing with any other employee queries. Liaising with HMRC in relation to pre-administration furlough claims. It also includes the processing of the monthly payroll for OTG employees, the costs of which have been recharged to OTG since August 2020.
- ▶ **Immediate tasks** – relates to carrying out immediate tasks on appointment and duties such as speaking with the Company directors, gathering information to enable the Administrators to carry out their statutory duties, requesting key items of information and carrying out day 1 activities.
- ▶ **Investigations & CDDA** – carrying out investigations required by Statement of Insolvency Practice No. 2, preparation and submission of return to the Directors' Conduct Reporting Service and considering any issues which the Joint Administrators are made aware of by creditors or other parties.
- ▶ **Job Acceptance and Strategy** – Matters relating to the appointment and initial planning of the Administration strategy, including meetings with the Company's directors and management and formulating and executing the strategy adopted, and time spent in complying with the firm's internal compliance and job acceptance procedures on appointment.

- ▶ **Other Assets** – principally relates to residual stock not included within the Sale & Purchase Agreement and transfer of ownership of Stat Company Limited (parent company to Zen) to OTG. Assessing and seeking to realise value from other identified assets not recorded in the management accounts of the Company at the date of appointment.
- ▶ **Other Matters** – relates to time spent in relation to managing the Sale & Purchase Agreement in place with OTG. Corresponding with the appointed insurance broker, dealing with any assets owned by third parties, dealing with the Company's physical books and records, and electronic records (including a backup of Company servers and systems), and other general enquiries.
- ▶ **Property** – time spent dealing with Licenses to Occupy granted as part of the Sale & Purchase Agreement and corresponding with Landlords and other property related issues including arranging vacation of the properties and corresponding with utility and business rate providers in respect of the Company's 14 leasehold premises.
- ▶ **Public Relations** - time spent issuing statements to the press as required.
- ▶ **Retention of Title** – time spent assessing and settling claims for retention of title from 158 of the Company's suppliers.
- ▶ **Statutory duties** – time spent in complying with statutory matters including statutory filing with Companies House and the Court, notification of the Joint Administrators' appointment to creditors and members, advertising of the appointment, and writing to creditors pursuant to Statement of Insolvency Practice 16 regarding the sale of the Company's business and assets.
- ▶ **VAT and taxation** - investigating the Company's VAT and corporation tax position up to the date of appointment, removing the Company from the VAT group and applying for a new VAT registration to enable recovery of post Administration VAT. Assessment of the VAT and tax treatment of transactions and agreements entered into during the Administration, preparation of VAT and corporation tax returns for the post appointment period and preparing claims for VAT bad debt relief, where applicable.