

TO ALL KNOWN CREDITORS

11 December 2020

Ref: HK/CK/BL/LG
Email: spicersadministration@uk.ey.com

Dear Sirs

Spicers Limited (in Administration) (“the Company”)

High Court of Justice, Business and Property Courts in Birmingham, Insolvency and Companies List (ChD), Number CR-2020-BHM-000302

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 assets

As detailed in the Proposals, a sale of certain of the Company's assets was completed to OT Group Limited ("OTG") (formerly Paragon Data Analytics Limited) on 14 May 2020 for a total consideration of £996,021 plus VAT. Further details regarding the sale are set out in the Proposals.

The sales consideration has been received in full, and the assets sold comprise the following:

Description of asset	Purchase consideration (£)
Intellectual Property (Five Star Trademarks)	50,000
Stock	821,021
Fixtures and Fittings (mezzanine flooring and racking)	125,000
Total	996,021

Other realisations

Intellectual property

The Company owned intellectual property comprising brand names and trademarks, other than Five Star. The Spicers Ireland trademark license was sold to Distantspell Limited on 22 May 2020 for £20,000.

Following a further marketing exercise, a sale of the remainder of the Company's brand names, trademarks and intellectual property was completed to OTG on 14 July 2020, for a consideration of £50,000.

Freehold property

The Company owns a freehold property situated at Dartmouth Road, Smethwick. A licence to occupy ("LTO") was granted to OTG for a period of up to 12 months (subject to any earlier determination). The licence was based on market rents and included an initial 3 month rent free period. Rental income of £219,355 has been received for the LTO occupation of the freehold property and £22,822 has been received in relation to property insurance costs in the period.

Jones Lang LaSalle (JLL), commercial property agents, have been engaged to market the property, with the sale expected to take a further number of months. Following advice from JLL, we have entered discussions with OTG for them to enter into a formal long term lease and then seeking to sell the Company's interest in the lease and the property as an investment.

Leasehold properties

The sale agreement with OTG also provided for OTG's continued occupation of several leasehold properties ("Non-LTO Properties"), at OTG's cost, to enable the removal of the purchased assets, including stock held at these premises.

Amounts totalling £175,164 have been received from OTG during the reporting period to meet the property costs in relation to the Non-LTO Properties whilst utilised by OTG. To date, costs paid in relation to the Non-LTO Properties total £154,027, with excess funds to be reimbursed to OTG following

the removal of the assets. A small provision has been retained to ensure any residual property costs are covered by OTG, and the remaining net funds will be refunded to OTG in early 2021.

The remaining leasehold properties were vacated immediately upon our appointment.

Stock

Stock where the Company held valid title was included within the sale of assets to OTG for the value of £821,021.

Following Administration, 193 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. No further realisations are expected in respect of the Company’s stock.

Cash on appointment

Funds of £410,079 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 £91,439 and funds have been received from OTG in full settlement.

Deposits and prepayments

Funds totalling £273,839 have been received following our pursuit of rates refunds, return of deposits and other prepayments.

Other assets

Following the sale to OTG, a small amount of residual IT hardware has been collected from employees. Realisations from this source, if any, will be minimal.

Net employee costs

OTG requested a core number of staff be retained by the Company for a period during the Administration to assist with the clearing of the Non-LTO Properties, IT matters and debt collection (which OTG has been undertaking for the Company under a commission arrangement). All costs in relation to retained staff have been met by OTG, as detailed in the summary of receipts and payments at Appendix 2. All post-Administration employee roles have now ceased.

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 £20.4m. After excluding intercompany debts from insolvent group companies, the book value of the debtors ledger at appointment was £17.6m.

Under the terms of the OTG sale agreement, OTG retained the credit control team and maintained the related IT systems at their cost and has been collecting trade debtors on behalf of the Company on a commission basis. Trade debts of £8,851,363 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 £433,256, of which £356,270 has been paid to date.

A separate agreement was reached with a dealer group to facilitate recovery of 34 debtor accounts totalling c£1.2m and to avoid incurring multiple legal costs to achieve recovery. Under the agreement, commission of £173,621 has been paid in the period, with further accrued but unpaid commission of £12,630 for the period.

As all debtor receipts have been paid into the IDF bank account in settlement of sums due to LBG under the facility, funds of £529,891 were released by LBG from these receipts to the Administration estate to meet the commission charges.

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. Where the debt collection agent is unable to recover the outstanding debts due to the Company, we will look to commence legal action and recovery proceedings in court where appropriate.

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 is contractually due.

On each of these accounts we have received legal advice that there are substantive grounds to pursue these debts and detailed discussions are ongoing between the Company and the debtors. In the event that we are unable to reach a satisfactory agreement, we will look to pursue these debts through the courts to recover what we believe is rightfully due to the Company.

The Company has sufficient assets in the estate which will enable it to fund legal actions against these debtors.

Tax matters

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

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 £1,512,314 plus applicable VAT, have been incurred. An analysis of the expenses incurred is given at Appendix 3 of this report, analysed by expense type.

A significant proportion of the costs incurred have been recharged to OTG under the terms of the sale agreement, particularly in respect of employee and property costs, as referred to earlier in this report. An explanation where these costs have exceeded the original expenses estimate is given below:

- ▶ Agents fees - intellectual property sale: a further sale of the Company's residual intellectual property was completed, incurring additional agents' fees of £10,200. This realised an additional £70,000.
- ▶ Purchase ledger update costs: costs of £6,250 were incurred to bring the Company's purchase ledger up to date for the purpose of the Directors' preparing their statement of affairs and to assist with adjudication of creditors' claims.
- ▶ Contractor fees (Rebates and Customer Contracts): fees of £14,532 were paid to former staff to assist with immediate tasks on appointment to facilitate the transfer of the assets to OTG, and in connection with calculating the level of rebates that were contractually due against debtor balances.
- ▶ Other costs: fees were incurred in the redirection of the Company's post from multiple sites (£963), together with a ransom payment of £336 for the release of stock to enable a debtor payment.
- ▶ Employee costs (Furlough): a claim was made under the Government furlough scheme for pre-Administration wages for those employees placed onto furlough prior to the Administration. Following receipt of funds from HRMC, these funds (£128,869) were remitted to the relevant employees. This action will have reduced the level of preferential claims against the Company.
- ▶ Employee costs (Other): additional employee costs of £68,269 (funded by OTG) were incurred from the short-term retention of staff to assist with the Company's IT systems to ensure the Company's records could be maintained for debtor collection purposes, and to assist with immediate tasks on appointment including to facilitate the transfer of assets to OTG and reconciliation of monies due to the Company.
- ▶ Legal fees: costs have exceeded the original estimate by £80,574 due to legal advice being required in respect of an extended number of disputes made by the debtors who owed the Company significant amounts. Further legal fees are expected to be incurred as we have yet to reach agreement with some of these debtors.

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 £48,928.25 (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 £2,376,299. Of this sum, £1,102,000 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 OfficeTeam Limited has been more complex and the trade debtors 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 Company's first ranking secured creditor, had a total indebtedness of £12,913,614 due as at the date of Administration, in respect of the IDF facility and the freehold property mortgage. In addition, the Company has provided cross guarantees to LBG for monies owed by OfficeTeam 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 £8,169,195 have been applied against LBG's 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 OfficeTeam Limited (in Administration), with any shortfall met from the proceeds of the sale of the Company's freehold property.

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 freehold property, after settlement of any balance due to LBG, will be applied to settle this debt. This may result in the Company having a subrogated claim against the other guarantors under the security agreement.

Preferential creditors

A sum of £425,000 was provided for in the Proposals to cover employees' preferential salaries and holiday pay claims. Preferential claims received to date total £120,741. Based upon current information, we anticipate that these claims will be paid in full.

Prior to our appointment, as a result of Covid-19, a number of the Company's employees had been placed on furlough under the Government's scheme. The Company in Administration submitted a claim for furlough pay to HMRC and the funds were received into the Administration on trust for the employees, and were subsequently distributed. As a result of the furlough payments, employees' preferential claims that would have otherwise arisen for arrears of pay (to the statutory limit) have been reduced.

Non-preferential creditors

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

Unsecured claims totalling £11,532,275 have been received to date. 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, the value achieved for the freehold property sale 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 OfficeTeam 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, including the sale of the freehold property.
- ▶ Realising other residual assets.
- ▶ Continuing debtor collections to maximise recoveries for creditors.
- ▶ Distributing realisations to the secured creditors under their fixed and 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 to 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.

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-000302
Registered name of the Company:	Spicers Limited
Registered office address of the Company:	c/o Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Registered number:	00425809
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

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 £17,561,457 after excluding intercompany debts from group companies.

Debtor receipts received by the Company in the period of this report totalled are £8,851,363. Commission costs in relation to the debt collections of £619,507 have been earned by OTG and a dealer group, whilst interest and service charges have been incurred in relation to the LBG IDF account of £62,661.

As a result of net debtor collections to date, a reduction of £8,169,195 has been achieved in respect of LGB's secured debt as detailed in the table below:

	Period from 14 May 2020 to 13 November 2020 (£)
Trade debtor balance - At appointment	20,399,815
Less: Irrecoverable intercompany debts	(2,838,358)
Debtor balance	17,561,457
Debtor collections received	8,851,363
Commissions earned on debtor receipts	(619,507)
LBG IDF Interest and service charges	(62,661)
Net debtor collections enabling a reduction of the LBG secured debt	8,169,195

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

Appendix 3

Spicers Limited (in Administration)

Type of Expense	Per Estimate Dated 21 May 2020	Paid in Period to 13 November 2020	Outstanding ³	Total
	£	£	£	£
Payments made from the estate which are not disbursements ¹				
Fixed charge				
Legal costs - Pinsent Masons LLP (Legal advice and documentation for sale of property)	30,000	-	-	-
Agents costs - Jones Lang LaSalle (Sale of property)	110,000	-	-	-
Agents fees - Intellectual Property Sale	-	10,200	-	10,200
Bank charges	-	1	-	1
Floating charge				
Pre-Administration Costs				
Pre-Administration: EY Fees	- ⁴	48,928	-	48,928
Pre-Administration expenses: Legal Fees	- ⁴	38,866	-	38,866
Pre-Administration expenses: Agents' Fees	- ⁴	20,000	-	20,000
Costs of realisations				
Debtor Collection Agent Commission	1,385,000	529,891	89,616	619,507
Purchase Ledger Update Costs	-	6,250	-	6,250
Contractor fees (Rebates and Customer Contracts)	-	14,532	-	14,532
Other Costs - Smart Room fee	1,000	649	-	649
Other Costs – Postage redirection	-	963	-	963
Other Costs – Payment to release stock	-	336	-	336
Expenses				
Insurance costs	65,000	-	24,945	24,945
Bank Charges	1,000	165	-	165
Statutory costs	1,000	95	-	95
Employees				
Employee costs (Property Exit)	200,000	140,367	-	140,367
Employee costs (Debtor Realisation)	140,000	87,526	-	87,526
Employee costs (Furlough)	-	128,869	-	128,869
Employee costs (Other)	-	68,269	-	68,269
Property				
Property occupation costs (rent, service charge and insurance rent)	180,000	154,027	-	154,027
Professional Fees				
Legal costs - Pinsent Masons LLP (Assisting Joint Administrators with Legal services)	65,000	145,574	-	145,574
Agents costs - Gordon Brothers (Collection of IT Hardware)	10,000	-	-	-
Agents costs - Gordon Brothers (Clearance of company's trading premises)	20,000	-	-	-
Administrators' Disbursements ²				
Specific penalty bond	1,280	1,280	-	1,280
Postage and printing	3,500	320	644	964
Conference Call facilities	5,000	-	-	-
Totals	2,217,780	1,397,109	115,205	1,512,314

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.

Spicers 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	300.3	126,707.50	422
Bank & Statutory Reporting	237.3	124,498.00	525	183.7	124,583.00	678
Creditors	483.5	246,808.00	510	283.0	138,815.30	491
Debtors	411.3	213,702.00	520	1,476.6	969,795.00	657
Employee Matters	453.0	255,246.00	563	728.5	298,376.00	410
Immediate Tasks	54.8	30,288.00	553	43.7	25,933.00	593
Investigation & CDDA	92.9	49,719.00	535	87.2	44,492.00	510
Job Acceptance & Strategy	61.3	32,271.00	526	53.2	22,525.50	402
Other Assets	106.8	65,695.00	615	89.3	64,609.00	724
Other Matters	138.1	73,519.00	532	203.2	95,458.50	470
Property	274.8	139,057.00	506	314.5	161,748.50	514
Public Relations	9.6	6,188.00	645	2.0	1,520.00	760
Retention of Title	352.0	205,574.00	584	395.2	201,140.00	509
Statutory Duties	217.1	120,948.00	557	141.2	68,924.50	488
VAT & Taxation	115.9	74,333.00	641	48.5	31,671.00	653
Total	3,203.8	1,737,685.00	542	4,350.1	2,376,298.80	546

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 £17.6m 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 and dealer groups 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.

- ▶ **Employee matters** – time spent in assessing staffing requirements and dealing with redundancy procedures, including correspondence and calls with employees on appointment, answering queries, filing forms and liaising with the Redundancy Payments Service, and processing of claims. The time spent has also been impacted by Covid-19, including liaising with HMRC in relation to pre-Administration furlough claims and the distribution of furlough funds to employees. It also includes dealing with retained employees and the processing of the monthly payroll for the retained employees.
- ▶ **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.
- ▶ **Investigation & 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 realising intellectual property and residual IT hardware which have been collected from employees. 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 the freehold property, liaising with the landlords of properties vacated and other property related issues including corresponding with utility and business rate providers in respect of the Company's 6 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 193 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 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.