

L. K. Bennett Limited – in Administration

Estimate of remuneration to be charged

The Joint Administrators are seeking approval for their remuneration to be fixed on a time cost basis. 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 is **£3,201,109** plus VAT. An explanation of the work proposed to be undertaken 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 - Post-trading reconciliations, including cash to sales reconciliations
Bank & Statutory Reporting	<ul style="list-style-type: none"> - Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report - Regular reporting to Wells Fargo Capital Finance (UK) Limited
Creditors	<ul style="list-style-type: none"> - Receipt and recording of creditor claims - Correspondence with creditors - Adjudicating on claims from preferential and non-preferential unsecured creditors, and processing distributions (as applicable)
Debtors	<ul style="list-style-type: none"> - Discussing and agreeing collections of book debts - Written and verbal correspondence with customers, including providing supporting documentation - Monitoring book debt collections - Realising value from book debts
Employee Matters	<ul style="list-style-type: none"> - Dealing with employees, including receipt and recording of employee claims - Writing to employees regarding their TUPE transfer or redundancy (where appropriate) - Dealing with ad hoc employee enquiries - Processing payroll for retained employees - Liaising with the Redundancy Payments Service and processing employee claims
Immediate Tasks	<ul style="list-style-type: none"> - Completion of work streams requiring immediate attention following appointment in order to execute the strategy outlined in the Proposals - Includes attendance at stores upon appointment - All costs under this heading were incurred during the first 5 weeks of the Administration, and no future costs are anticipated
Investigations	<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"> - Matters relating to the appointment, initial planning of the Administration strategy, and formulating and executing the strategy adopted - Considering exit routes from Administration and implementing the most appropriate route as set out in the Joint Administrators' Statement of Proposals
Legal Issues	<ul style="list-style-type: none"> - Liaising with the Joint Administrators' appointed legal advisors in connection with various work streams (property, retention of title, trading) - Dealing with any ad hoc legal issues which may arise in the Administration
Other Assets	<ul style="list-style-type: none"> - Dealing with all matters pertaining to the realisation of the Company's wholly owned overseas subsidiaries - 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

Property	-	Dealing with all matters relating to the Company's leasehold properties, including correspondence with landlords, local authorities and utility suppliers
	-	Making arrangements for the exit of leasehold premises
	-	Dealing with license to occupy agreement (as outlined in the Joint Administrators' Statement of Proposals)
Public Relations Issues	-	Agreeing and issuing statements to the press as required, and dealing with enquiries from the media
Retention of Title	-	Reviewing retention of title claims from suppliers
	-	Discussions with the purchaser in respect of retention of title claims
Sale of Business	-	Exploring and executing opportunities to sell the business and/or assets of the Companies
	-	Carrying out the sales process in respect of the business and certain assets of the Company, as outlined in the Proposals
	-	Finalising post-sale matters, including deferred consideration matters
Statutory Duties	-	Completion of statutory requirements of the Administration, including notifications to the creditors and members, advertising the appointment and filing documents at Companies House
Trading	-	Completion of all work associated with trading the business for 5 weeks, including liaising with suppliers and merchant service providers
	-	Monitoring financial information from trading
	-	Dealing with and monitoring ongoing trading strategy in respect of stores, web and concession partners
VAT & Taxation	-	Filing on appointment notices with HM Revenue & Customs
	-	Preparing corporation tax and 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 Administration
	-	Preparing claims for VAT bad debt relief (if applicable)

Details of expenses incurred and anticipated to be incurred

Expenses comprise sums paid or to be paid to third parties and sums paid or payable to the administrators' firm in respect of out of pocket expenses and costs which include an element of shared or allocated costs. Expenses expected to be incurred are £845k plus VAT.

Cost	Type of cost	Description of expense incurred or to be incurred
Logistics	Trading cost	- Transport, warehousing and logistics costs in connection with the storage and transport of stock
Administration Funding Facility: Wells Fargo	Trading cost	- Interest and account charges in respect of trading drawdown facility provided by Wells Fargo Capital Finance (UK) Limited, which was repaid in full following the sale of the business
Merchant & Acquirer Costs	Trading cost	- Service fees charged by merchant service providers and acquirers in connection with sales made during the administration trading period
Stock Release Fees	Trading cost	- VAT and duty costs incurred to facilitate the release of imported stock
Ransom Payments	Trading cost	- Pre-appointment invoices paid during the administration trading period to enable continuation of critical services
Wages	Trading cost	- Gross payroll costs in respect of retained UK and ROI employees
Employers NIC	Trading cost	- Employers NIC in respect of retained UK and ROI employees
Consumables	Trading cost	- Packaging materials, including customer carrier bags
Contractors	Trading cost	- Payments to contractors in situ at the Company at the date of appointment, who were retained during the administration trading period to continue providing key business functions (including HR, IT, finance and merchandising)
Electricity	Trading cost	- Electricity costs incurred in relation to premises occupied by the Company during the administration
Telephone	Trading cost	- Telephone and internet costs incurred in connection with the administration trading period
Rent	Trading cost	- Rent incurred in connection with leasehold premises occupied by the Company during the administration
Rates	Trading cost	- Business rates incurred in connection with premises occupied by the Company during the administration
Insurance	Trading cost	- Specific property insurance incurred in connection with premises occupied by the Company during the administration

Website Costs	Trading cost	-	Third party costs associated with maintaining functionality of the Company's website to ensure ongoing trading
IT	Trading cost	-	Third party costs incurred in connection with the Company's IT systems during the administration trading period
Employee Expenses	Trading cost	-	Employee expenses incurred during the administration in accordance with the Company's pre-administration expenses policy
Pension Contributions	Trading cost	-	Pension contributions made in respect of retained employees during the administration, based on pre-administration contribution rates
Photoshoots & Advertising	Trading cost	-	Costs incurred by third party photographers, models and advertising agents during the administration trading period
Property Maintenance Costs	Trading cost	-	Repairs and maintenance of premises occupied by the Company during the administration
Insurance	Disbursement	-	Insurance of Company assets, including specific insurance cover relating to the trading period
Advertising	Disbursement	-	Statutory advertising in respect of the appointment and any distributions
Storage	Disbursement	-	Costs to arrange collection and storage of the Company's books and records, for minimum periods required under legislation
Agent's Costs: Hilco	Disbursement	-	Agent's costs incurred by Hilco Capital Limited relating to the trading strategy, store closures, packing and collection of stock
Agent's Costs: Other	Disbursement	-	<ul style="list-style-type: none"> - Agent's costs incurred by parties other than Hilco relating to store closures, packing and collection of stock - All parties were engaged by Hilco but will be paid directly from the administration
Legal Fees: DLA Piper	Disbursement	-	Legal advice provided by DLA Piper LLP regarding such matters required to maximise realisations from the Company's estate, including sale of business advice
Legal Fees: A&L Goodbody	Disbursement	-	Legal advice provided by A&L Goodbody LLP regarding the Company's Irish operations and L. K. Bennett Ireland Limited
Specific Penalty Bond	Category 1 expense	-	A required form of insurance in connection with the Administration
Accommodation & Subsistence	Category 1 expense	-	Those costs relating to accommodation and subsistence in connection with work on the Administration, whilst operating from or attending sites operated by the Company prior to Administration, and third party locations to attend meetings with key stakeholders.
Travel Costs (excluding mileage)	Category 1 expense	-	Public transport, airfare and parking costs incurred in connection with work on the Administration, whilst operating from or attending sites operated by the Company prior to Administration, and third party locations to attend meetings with key stakeholders.
Postage and Printing	Category 1 expense	-	External costs incurred by the Joint Administrators in printing and posting the Joint Administrators' written communication to all relevant creditors and shareholders.
Mileage	Category 2 expense	-	<ul style="list-style-type: none"> - Those costs relating to mileage incurred by the Joint Administrators and their staff in respect of their work on the Administration, whilst operating from or attending sites operated by the Company prior to Administration and third party locations to attend meetings with key stakeholders. - Current mileage rates are 45p/mile.

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

Based on information currently available, the Joint Administrators are of the opinion that:

- It is currently anticipated that the Company's sole secured creditor, Wells Fargo Capital Finance (UK) Limited, will suffer a shortfall against their debt in respect of realisations achieved in the Administration;
- The preferential creditors are expected to be paid in full; and
- The Company has insufficient property to enable a distribution to unsecured creditors other than by virtue of the prescribed part.

L. K. Bennett Limited – in Administration

Estimated time costs

	Staff Grade					Total Hours	Time Cost (£)	Average Hourly Rate (£)
	Partner	Director / Assistant Director	Manager	Other Senior Professionals	Support Staff & Assistants			
Accounting & Administration	11.0	35.5	112.6	611.1	27.6	797.8	294,218	369
Bank & Statutory Reporting	28.0	63.0	95.0	60.2	1.0	247.2	141,988	574
Creditors	4.5	21.5	120.5	255.7	26.0	428.2	154,982	362
Debtors	5.0	51.5	65.0	183.8	17.5	322.8	127,830	396
Employee Matters	7.0	136.0	50.0	206.3	42.5	441.8	196,956	446
Immediate Tasks	2.0	19.0	157.0	169.5	33.8	381.3	180,733	474
Investigations	4.0	10.0	12.0	77.7	-	103.7	43,109	416
Job Acceptance & Strategy	4.0	33.0	7.5	-	-	44.5	38,775	871
Legal Issues	2.0	7.5	17.3	-	-	26.8	16,470	615
Other Assets	60.9	286.5	150.5	67.0	39.8	604.7	394,993	653
Property	19.4	36.0	251.7	156.5	15.6	479.2	207,350	433
Public Relations Issues	27.0	-	13.8	-	-	40.8	30,693	752
Retention of Title	5.0	7.5	39.1	78.6	2.3	132.5	47,094	355
Sale of Business	69.8	381.2	243.0	164.6	79.5	938.1	538,460	574
Statutory Duties	-	1.0	24.8	34.0	107.0	166.8	52,266	313
Trading	51.5	159.5	633.2	351.2	-	1,195.4	592,833	496
VAT & Taxation	4.3	49.1	79.1	55.3	31.0	218.8	142,358	651
Total Hours	305.4	1,297.8	2,072.1	2,471.5	423.6	6,570.4		
Time Costs (£)	275,565	817,621	1,230,210	789,341	88,373		3,201,109	
Average Hourly Rate (£)	902	630	594	319	209		487	

L. K. Bennett Limited – in Administration

Estimated expenses & disbursements

	GBP£	EUR€
Trading payments		
Logistics	413,449	-
Administration Funding Facility: Wells Fargo	29,472	-
Merchant & Acquirer Costs	139,340	-
Stock Release Fees	25,739	-
Ransom Payments	172,609	-
Wages	1,090,050	142,238
Employers NIC	94,630	5,000
Consumables	14,942	-
Contractors	131,262	-
Electricity	29,005	-
Telephone	105,333	-
Rent	985,533	-
Rates	400,000	-
Insurance	11,929	-
Website Costs	59,963	-
IT	112,278	-
Employee Expenses	9,776	1,028
Pension Contributions	18,727	-
Photoshoots & Advertising	17,461	-
Property Maintenance Costs	30,481	-
	3,891,979	148,266
Other payments which are not disbursements (see notes 1 &2)		
Insurance	50,000	-
Advertising	2,000	-
Storage	5,000	-
Agent's Costs: Hilco	180,000	-
Agent's Costs: Other	30,000	-
Legal Costs: DLA Piper	520,000	-
Legal Costs: A&L Goodbody	-	50,000
	787,000	50,000
Category 1 disbursements (see note 2)		
Specific Penalty Bond	1,280	-
Accommodation & Subsistence	40,000	-
Travel Costs (excluding mileage)	21,000	-
Postage & Printing	2,750	-
	65,030	-
Category 2 disbursements (see note 2)		
Mileage	1,250	-
	1,250	-
Total	4,745,259	198,266

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.
- 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.