



Acepoint Limited – in Administration

*High Court of Justice, Chancery Division,
Leeds District Registry
Case No. 1304 of 2014
Company No. 03358343*

Joint Administrators' progress report for the period from 16 January 2015 to 15 July 2015

13 August 2015

www.pwc.co.uk/acepoint

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Abbreviations used in this report:

<i>"the Company" or "Acepoint"</i>	Acepoint Limited (in Administration)
<i>"the administrators" or "we"</i>	Lyn Vardy, Toby Underwood and Ian Green as joint administrators of the company
<i>"the Bank"</i>	Handlesbanken
<i>"CPML"</i>	Clubeasy Property Management Company
<i>"PPH"</i>	PPH Commercial, the administrators' managing agent
<i>"PwC"</i>	PricewaterhouseCoopers LLP
<i>"IR86"</i>	Insolvency Rules 1986
<i>"Skipton"</i>	Skipton Building Society
<i>"Paragon"</i>	Paragon Mortgages Limited

1. Joint Administrators' progress report for the period from 16 January 2015 to 15 July 2015

Introduction

In accordance with Rule 2.47 of IR86, we write to provide creditors with details of the progress of the Administration of the Company in the six months since the Administrators' appointment on 16 January 2015.

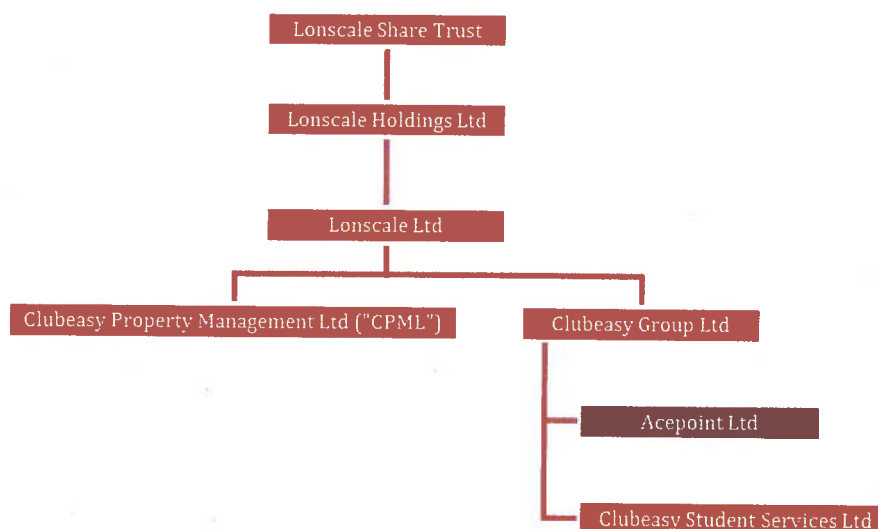
The Administrators are required to provide certain statutory information pursuant to Rule 2.47(1)(a) to (d) IR86, which is included in Section 2.

Based on current and estimated future realisations we anticipate that it is unlikely there will be sufficient realisations to enable a distribution to unsecured creditors. Further details outlining the reasons behind this are discussed below.

Background information

The Company owns a student and residential property portfolio comprising of 207 units across Hull, Lincoln and Loughborough. It forms part of a wider group more commonly known as "Clubeasy" which is summarised in the structure chart below.

The group structure was complex with several parent entities, including Lonscale Limited, the direct parent of Clubeasy Group Limited, being based in Guernsey.



The Company's portfolio was managed by CPML, a fellow group Company that carried out the day to day running of Acepoint. CPML employed all staff for the group to provide a full management function for all property portfolios within the group, in return for a fee and operating recharges.

Each of the Company's properties is secured by fixed charges from three lenders: the Bank, Paragon and Skipton.

1. Joint Administrators' progress report for the period from 16 January 2015 to 15 July 2015

The circumstances giving rise to the Administrators' appointment

During the summer of 2014, it became clear that the Company was beginning to suffer from falling occupancies and increased costs of running the property portfolio. This was impacting on its ability to meet the terms of its current lending structure.

As the largest of the three secured creditors, the directors submitted a proposal to the Bank for a group restructure. During the period in which the Bank was considering the proposal, the Company was coming under increasing pressure from its creditors and there were concerns over its ability to maintain a sufficient level of tenant welfare.

The Bank agreed to support both the Company and CPML whilst a new proposal was prepared reflecting the Company's difficulties. This proposal was received in December 2014. The Bank was again asked to meet essential payments for salaries and trading creditors across the group, which involved a refund of interest charges, already paid to the Bank.

Given the lack of debenture security the Bank took action to protect its position and submitted a Court Application to appoint administrators. The Bank and the Company continued to seek a consensual solution and, as this remained a possibility, the court hearing on 18 December 2014 was adjourned to 16th January 2015. Discussions were ongoing, but it became apparent to both parties an agreement would not be possible and on 16th January 2015 administrators were appointed to the Company.

The other lenders, Paragon Mortgages Limited and Skipton Building Society held fixed charges over 25 specific units in Lincoln, Hull and Loughborough. With our consent, both lenders made a decision to appoint separate fixed charge receivers over the properties subject to their security. As such these units are not under our control.

How we've managed and financed the Company's affairs and business

Trading

On appointment, immediate steps were taken to protect tenant welfare and maintain continuity of services. Emergency contact numbers were maintained in the short term whilst longer term solutions were put in place.

It became apparent shortly after appointment that the financial position of the existing managing agents, CPML, meant it would be unable to provide ongoing services and a new managing platform would have to be created. We have implemented a new letting platform, Avenue Lets, who now operate offices in both Lincoln and Hull. These centres have helped to promote the properties available for rent and act as a point of contact for existing tenants. We therefore appointed a new managing agent, PPH Commercial ("PPH"), to establish control over rental income and respond to tenant issues and maintenance requests.

Included within a number of the tenancy agreements were utility packages to simplify the student letting process. A key priority was contacting all the utility providers to ensure ongoing provision of services and steps taken to unravel the complex intergroup network of contracts with these various providers. Contracts at properties were in a variety of Company names and an exercise to split out the Company's properties has now been completed and longer term utility provision secured.

House in Multiple Occupation ("HMO") licences

Many of the Company's properties are obligated to hold HMO licences. At the date of appointment it became apparent that a number of these expired. We have conducted a full reconciliation exercise and applied for new licences where required, incurring application and licencing costs of £9,610.00.

1. Joint Administrators' progress report for the period from 16 January 2015 to 15 July 2015

Council tax provisions

Council tax accruing on a company's properties post-administration ranks as an expense of the administration, payable from funds realised through the sale of floating charge assets.

The majority of the Company's properties are exempt from council tax as they are occupied by student tenants all year. However there are a small proportion of non-student properties which continue to accrue council tax liabilities throughout the administration.

As the Company's floating charge assets have negligible or no value, we do not envisage making any floating charge realisations and therefore we have no funds to pay the council tax balances accruing. There is an exception where tenancy agreements specifically state that the Company will meet any council tax obligation for the period of occupation. In these cases we are currently liaising with the relevant council to ensure we are appropriately invoiced for the balances outstanding.

Initial communication and controls

Immediately on appointment, we contacted all tenants through various communication streams to advise them of the administration and the minimal impact on their ongoing tenancy agreements, the main change being the contact details for ongoing issues and rental information going forward.

Together with our managing agent, we have established new offices to provide tenants a point of contact on the ground for rental and letting enquiries, improving the existing service. PPH have now inspected all properties to ensure they are compliant with necessary Health and Safety standards and where applicable outstanding repair work is being completed.

The communication strategy was undertaken successfully and rent collections to date have been sufficient to meet administration expenses.

Sale of property

Since our appointment, there has been significant interest in the Company's portfolio from property developers and investors.

From this portfolio, one property, 2 Fitzroy Street, has been sold. This property had been marketed for sale prior to our appointment and an offer was subject to contract. This offer stood at £117,500 prior to our involvement, but following negotiations an increased offer of £130,000 was made. As a result, we decided to proceed with this offer on the basis that it represented market value and the sale completed on 8 May 2015.

In addition to this, we recently invited all parties to submit best and final offers on two portfolios in Hull and Lincoln following an extensive sales and marketing process. We do not consider that these offers represented the market value of the properties. Our strategy has therefore been revised to further invest in the core portfolio to build and maintain occupancy levels and ultimately value. We are now seeking sales on a piecemeal basis on the non-core properties.

We are in the initial stages of this process and further detail will be provided to creditors in the next report.

Rental arrears

On appointment our debtor ledger detailed £66,095. This balance reflects current year rental arrears.

Together with PPH, we have been continuing to collect these, however, there is a proportion where recovery has not yet been possible. We have now initiated legal action against these debtors to seek recovery.

At this time the realisable value of these debtors is unknown.

1. Joint Administrators' progress report for the period from 16 January 2015 to 15 July 2015

Receivership appointments

As noted above, Skipton Building Society and Paragon Mortgages Limited, have appointed fixed charge receivers to the Company's properties subject to their security. Details of the receivers were outlined in the proposals and are not repeated here for the purpose of this report.

The properties subject to fixed charge receivership are under the control and management of the respective receivers and not the administrators.

The job of the receivers is to sell the properties subject to their appointors' charges, and to use the proceeds to repay the amounts due to Skipton and Paragon. The receivers will keep their own accounts and these funds will not form part of the administration estate unless and until either Skipton or Paragon has recovered its lending in full.

Approval of the Administrators' proposals

On 9 March 2015 the Administrators circulated to creditors their proposals for achieving the purpose of administration.

The Administrators stated in their proposals that they had formed the view that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part to be set aside in accordance with Section 176A of the Insolvency Act 1986 ("IA86").

The Administrators' proposals were deemed approved on 20 April 2015 in accordance with Rule 2.33(5), a meeting of creditors not having been requisitioned by creditors in the prescribed manner.

The proposals, together with other information can be found at www.pwc.co.uk/acepoint. A hard copy of the proposals can be obtained by calling Hugh Rothwell on 0113 289 4165, or emailing hugh.j.rothwell@uk.pwc.com.

Receipts and payments account

An account of the receipts and payments in the Administration for the period from 16 January 2015 to 15 July 2015 is set out in Section 3.

Due to the nature of rental receipts being received on a fixed date each month our agents collate their expenditure report on a calendar month basis. The trading account included in Section 3 relates to the period 15 January 2015 to 30 June 2015, we will include the period 1 July 2015 to 15 July 2015 in our next report.

Expenses statement

A statement of the expenses incurred by the Administrators in the period 16 January 2015 to 15 July 2015 is included at Section 4. The statement excludes any potential tax liabilities that may be payable as an expense of the Administration in due course because amounts due will depend on the position at the end of the tax accounting period.

Administrators' remuneration

As we believe that there will not be sufficient funds to enable a distribution to the preferential and unsecured creditors, the basis of the Administrators' remuneration will be approved by the secured creditor in due course. We anticipate that these will include an element of a trading management fee and a percentage of realisations based on the sale of the properties. Once approved, this will be disclosed to creditors at the time of the next report.

1. Joint Administrators' progress report for the period from 16 January 2015 to 15 July 2015

Creditors' rights

Creditors have the right to ask for more information within 21 days of this report as set out in Rule 2.48A of the Insolvency Rules 1986. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 2.109.

This information can also be found in the guide to fees at the following address:

www.icaew.com/en/technical/insolvency/creditors-guides

Alternatively, a copy can be obtained free of charge by telephoning Hugh Rothwell on 0113 289 4165.

Investigations into the conduct of the directors

We have a duty to review the conduct of everyone who has acted as a director of the Company in the three years prior to the Administration and report to the Insolvency Service on our findings. We can confirm that this report has been completed and submitted. For confidentiality reasons, we are unable to give any further information.

Pre-Administration costs

We incurred costs of £55,256.50 prior to our appointment but with a view to the Company entering Administration. As we do not expect to make a distribution to the preferential and unsecured creditors, it will be for the secured creditor to approve these costs as an expense of the Administration. A summary of these costs is provided at Section 5.

Outcome for creditors

Secured creditors

At the date of our appointment, the following amounts were owed to the secured creditors of the Company:

	£m
Handlesbanken	22.3
Paragon Mortgages Limited	2.3
Skipton Building Society Limited	1.3
	<u>25.9</u>

Each of the secured creditors has security by way of fixed charges and mortgages over certain properties owned by the Company. Skipton and Paragon have advised they also hold a floating charge and we are currently seeking legal advice regarding the validity and extent of these. We currently believe that each of the secured creditors will suffer a shortfall in recovering their lending. In the event that either Skipton or Paragon recover their lending in full any surplus will form part of the uncharged realisations in the administration.

Preferential creditors (mainly employees)

Preferential claims relate to certain arrears of wages and unpaid holiday pay of the former employees. Given that there were no employees of the Company, we do not anticipate that there will be any preferential claims against the Company.

1. Joint Administrators' progress report for the period from 16 January 2015 to 15 July 2015

Unsecured creditors

The prescribed part is a fund that has to be made available for unsecured creditors. It's paid out of "net property". Net property is floating charge realisations after costs, and after paying - or setting aside enough to pay - preferential creditors in full. But it only has to be made available where the floating charge was created on or after 15 September 2003.

The amount of the prescribed part is:

- 50% of net property up to £10,000
- 20% of net property above £10,000
- Subject to a maximum of £600,000.

The prescribed part may apply to assets under Paragon and Skipton's security as each has advised us they hold a floating charge created after 15 September 2003. As stated above, we are seeking clarification on these charges and we will update creditors in our next report.

We currently think that realisations from floating charge assets will be minimal and will only be sufficient to meet the costs of administration. We anticipate that the value of the Company's net property and, hence, the prescribed part will be nil. Accordingly, we don't think that there will be any funds available to make a distribution to the unsecured creditors.

Statutory purpose of administration

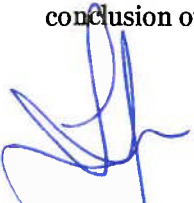
As noted in our proposals, we are pursuing objective (b) of the statutory purpose of administration: achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration). We anticipate that our strategy of actively managing and improving the Company's rental portfolio will allow this objective to be achieved.

Ending the Administration

Once the objective is achieved the expectation is that the Administration will move to dissolution. Form 2.35B will be filed with the Registrar of Companies in accordance with Paragraph 84 (1) Sch. B1 IA86 and the Company will be dissolved three months later.

Next report

The Administrators anticipate that they will circulate their next report to creditors at the earlier of the conclusion of the Administration or in approximately six months.



Lyn Vardy
Joint administrator
Acepoint Limited – in administration

Lyn Vardy, Toby Scott Underwood and Ian Green have been appointed as joint administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The joint administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the administration.

2. Statutory and other information

Court details for the administration	High Court of Justice, Chancery Division, Leeds District Registry Case no. 1304 of 2014
Full name:	Acepoint Limited
Trading name:	Acepoint Limited
Registered number:	03358343
Registered address:	Benson House 33 Wellington Street Leeds LS1 4JP
Company directors:	Lee Barkman Philip Montague
Company secretary:	None registered
Shareholdings held by the directors and secretary:	None
Date of the administration appointment:	16 January 2015
Administrators' names and addresses:	Lyn Leon Vardy and Toby Scott Underwood PwC, Benson House, 33 Wellington Street, Leeds, LS1 4JP Ian David Green PwC, 7 More London Riverside, SR1 2RT
Appointor's / applicant's name and address:	High Court of Justice, Leeds District Registry
Objective being pursued by the administrators:	(b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration)
Division of the administrators' responsibilities:	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the administration is in force, any function to be exercised by the persons appointed to act as administrators may be done by any or all of the persons appointed or any of the persons for the time being holding that office.
Proposed end of the administration	Subject to the outcome for creditors and disposal strategy, but most likely dissolution following administration
Estimated dividend for unsecured creditors	Likely to be nil
The European Regulation on Insolvency Proceedings (Council Regulation (EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings applies to this administration and the proceedings are main proceedings.

3. Receipts and payments account for the period 16 January 2015 to 15 July 2015

Acepoint Limited - in administration
Summary of financial information as at 15 July 2015

	Total for the period from 16 January 2015 to 15 July 2015
Fixed Charge Realisations	£
Rental Income	13,622.95
Freehold land and property	130,000.00
Trading surplus*	298,915.99
Cash in hand	47,250.72
Rental arrears	436.50
Interest received gross	285.76
	<u>490,511.92</u>
Fixed Charge Payments	
Professional fees	(2,500.00)
Agents' fees & disbursements	(21,950.00)
Legal fees & disbursements	(21,531.88)
Irrecoverable VAT	(4,135.91)
Utilities & rates	(1,822.57)
Bank charges	(45.00)
	<u>(51,985.36)</u>
Balance of Fixed Charge Funds	<u>438,526.56</u>
Floating Charge Realisations	0.00
Floating Charge Payments	
Statutory advertising	(223.92)
	<u>(223.92)</u>
Balance of Floating Charge Funds	<u>(223.92)</u>
Funds in hand	<u>438,302.64</u>

PPH trading account at 30 June 2015

Rental income	804,951.23
PPH Set up fee	(45,500.00)
New office set up costs	(7,824.22)
PPH Management Fee	(80,216.53)
General office costs	(2,674.23)
PPH Lettings fee	(11,236.50)
Wages	(39,441.79)
Lettings and advertisement	(10,506.21)
Repairs and maintenance	(108,628.16)
Insurance compliance cost	(8,880.00)
Health and safety compliance costs	(870.00)
HMO licence compliance fee	(9,610.00)
Security	(110.50)
Other property related costs	(13,903.46)
Irrecoverable VAT	(64,035.53)
	<u>(403,437.13)</u>
Trading surplus	401,514.11
Funds remitted to the administration*	(208,915.99)
Balance held by PPH	<u>192,598.12</u>

* Further funds of £90,000 have been remitted to the administration on 14 July 2015

Note: All funds are held in a high interest account.

4. Expenses incurred in the period

Statement of expenses incurred by us as administrators between 16 January 2015 and 15 July 2015 are shown below. Expenses incurred in respect of trading are representative up to 30 June 2015. This is principally due to the availability of monthly management accounts for the trading activities of the business.

The statement provides an estimate of the expenses incurred and unpaid for in the period. These are yet to be finalised and may be subject to adjustments before payment. It also excludes any potential tax liabilities that could be classed as expenses of the Administrations, as these will depend on the Company's position at the end of the tax accounting periods.

Acepoint Limited - in administration

Expenses incurred for the period 16 January 2015 and 15 July 2015

	Expenses incurred in period	Expenses paid in period	Unpaid expenses as at 15 July 2015
Legal fees & disbursements	30,555.88	(21,531.88)	9,024.00
Agents fees & disbursements	62,087.04	(21,950.00)	40,137.04
Professional fees	2,500.00	(2,500.00)	-
Statutory advertising	223.92	(223.92)	-
Utilities & rates	225,788.23	(1,822.57)	223,965.66
Trading expenses (note 1)	403,437.13	(403,437.13)	-
Irrecoverable VAT	4,135.91	(4,135.91)	-
Bank charges	45.50	(45.50)	-
Total	728,773.61	(455,646.91)	273,126.70

Note 1: Monthly trading accounts are received from PPH in order for us to monitor trading performance of the business and reflect income and expenditure in our accounts. As stated above, the amounts shown represent expenses incurred to 30 June 2015 by PPH, being the latest available date. It was not considered to be cost effective to assess the mid-month position at 15 July 2015 (the end of this reporting period).

5. Statement of creditors' rights

The following are costs incurred prior to our appointment but with a view to the Company entering administration. It is proposed that the unpaid costs will be paid as an expense of the administration. Such payment is subject to the approval under Rule 2.67 IR86 and part of the proposals subject to approval under Paragraph 53 Sch B1 IA86.

Please note this figure is different to pre appointment time costs reported in our proposals due to a reallocation of time for time relating to work performed pre appointment.

	Unpaid amount
Fees charged by the Joint Administrators	56,622.50
Expenses incurred by the Joint Administrators	-
Fees charged by other persons qualified to act as an insolvency practitioner	-
Expense charged by other persons qualified to act as an insolvency practitioner	-
Total unpaid expenses	56,622.50

This work included:

- Statutory and planning work in relation to the appointment, including internal risk and compliance procedures;
- Discussions with the Bank and the directors with regards to the appointment
- Discussions with the lawyers and advisors regarding legal issues and placing the Company into administration; and
- Team briefings and preparation for site visits and trading.

Acepoint Limited - in administration

Analysis of pre appointment time costs

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
1 Strategy & Planning	13.00	46.60	1.00	65.50	19.75	2.50	-	148.35	56,098.00	378.15
2 Trading	-	-	0.30	-	-	-	-	0.30	124.50	415.00
3 Tax & VAT	-	-	-	-	2.00	-	-	2.00	400.00	200.00
Total for the period	13.00	46.60	1.30	65.50	21.75	2.50	-	150.65	56,622.50	375.85

Administrator's progress report**2.24B**

Name of Company

Acepoint Limited

Company Number

03358343

In the

High Court of Justice, Chancery Division, Leeds District
Registry

(full name of court)

Court case number

1304 of 2014

(a) Insert full
name(s) and
address(es) of
administrator(s)

We (a) Lyn Leon Vardy and Toby Scott Underwood of PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street, Leeds, LS1 4JP, and Ian David Green of PricewaterhouseCoopers LLP, 7 More London Riverside, SR1 2RT

as administrators of the above company attach a progress report for the period

from

(b) 16 January 2015

to

(b) 15 July 2015

Signed

Joint Administrator

Dated

12/8/15