

# Angel Realisations 6 Limited (in liquidation)

Remuneration Report: Initial Information to creditors

16 March 2020

# Table of contents

<b>1. Abbreviations and definitions</b>	<b>3</b>
<b>2. Background</b>	<b>4</b>
<b>2.1 Purpose of this initial advice to creditors</b>	<b>4</b>
<b>2.2 Action required by you</b>	<b>4</b>
<b>2.3 Background</b>	<b>4</b>
<b>2.4 How fees are calculated</b>	<b>5</b>
<b>3. Our fees estimate</b>	<b>6</b>
<b>3.1 Work we propose to undertake</b>	<b>6</b>
<b>4. Expenses</b>	<b>8</b>
<b>4.1 What is an expense?</b>	<b>8</b>
<b>4.2 Our expenses estimate</b>	<b>8</b>
<b>5. Professionals and subcontractors</b>	<b>9</b>
<b>6. Notes and assumptions</b>	<b>10</b>
<b>6.1 Fees and expenses estimate</b>	<b>10</b>
<b>6.2 Business relationships</b>	<b>10</b>
<b>6.3 Associates</b>	<b>10</b>

# 1. Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used during this report:

Abbreviation or definition	Meaning
<b>the Company</b>	Angel Realisations 6 Limited
<b>Firm</b>	PricewaterhouseCoopers LLP
<b>IA86</b>	Insolvency Act 1986
<b>IR16</b>	Insolvency (England and Wales) Rules 2016
<b>Preferential Creditors</b>	Creditors with claims for: <ol style="list-style-type: none"><li>1. unpaid wages for the whole or any part of the period of four months before 15 June 2007 (up to a maximum of £800);</li><li>2. accrued holiday pay for any period before 15 June 2007; and</li><li>3. unpaid pension contributions in certain circumstances.</li></ol>
<b>Prescribed part</b>	The amount set aside for unsecured creditors from floating charge funds in accordance with Section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003
<b>Addleshaws</b>	Addleshaw Goddard LLP
<b>RPS</b>	Redundancy Payments Service (part of the Insolvency Service, an executive agency of the Department for Business, Energy & Industrial Strategy)
<b>Secured creditors</b>	Creditors with security in respect of their debt, in accordance with Section 248 IA86
<b>SIP</b>	Statement of Insolvency Practice (issued by regulatory authorities, setting out principles and key compliance standards with which insolvency practitioners are required to comply)
<b>the Bank</b>	Barclays Bank Plc
<b>the Group</b>	SFI Group
<b>joint liquidators/we/us/our</b>	David Robert Baxendale and Michael John Andrew Jervis
<b>Unsecured creditors</b>	Creditors who are neither secured nor preferential

*David Robert Baxendale and Michael John Andrew Jervis have been appointed as joint liquidators of Angel Realisations 6 Limited. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The joint liquidators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>*

*The joint liquidators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the joint liquidators. Personal data will be kept secure and processed only for matters relating to the joint liquidators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the joint liquidators.*

## 2. Background

### 2.1 Purpose of this initial advice to creditors

If a company or individual is facing financial difficulty they may enter a formal insolvency process under the control of an independent external person (an insolvency practitioner). The costs of the proceedings are paid out of the assets of the company or the individual's estate and include the insolvency practitioner's remuneration, which in this case would be our fees for acting as joint liquidators.

We must seek approval to the basis of our remuneration before it is paid and provide the fee approving body with sufficient information for them to make a decision. Insolvency law determines who the fee approving body is (and it depends on the circumstances of the case), but it's usually those creditors who have a direct interest in the amount paid because it impacts on how much those creditors recover.

We must give all known creditors details of the work we expect to carry out during the case and the expenses that are likely to be incurred. Also, if our fees are proposed to include remuneration calculated on a time costs basis, we must provide an estimate of those fees. This report provides all this information and details of where further information can be obtained.

### 2.2 Action required by you

The following table gives our current estimates on the likely return for the various classes of creditors. We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment from the Company's assets. The joint liquidators, their firm, its members, partners and staff and advisers accept no liability to any party for any reliance placed upon this report.

Table 1 – Dividend prospects

Class of creditor	Forecast return	Timing
Secured creditors	n/a	n/a
Preferential creditors	n/a	n/a
Unsecured creditors	1-2p in the £	6 months

Where no committee is appointed, the basis of our fees and Category 2 disbursements (as defined in Section 4.1) must be fixed by the general body of creditors. Please read this Remuneration Report carefully before voting on the basis of our fees and disbursements.

We stated in our letter dated 2 October 2019 that there will be a small dividend expected to unsecured creditors estimated between 1 and 2 pence in the £. The directors' statement of affairs estimated total unsecured creditor liabilities in the region of £37.2m. The level of dividend payable to creditors will depend on the level of costs in the liquidation and the final level of claims admitted for dividend purposes.

#### Creditors' rights

You can find information on joint liquidators' fees and your rights at:

[www.icaew.com/~media/corporate/files/technical/insolvency/creditors%20guides/2015/guide\\_to\\_liquidators\\_fees\\_oct\\_2015.ashx](http://www.icaew.com/~media/corporate/files/technical/insolvency/creditors%20guides/2015/guide_to_liquidators_fees_oct_2015.ashx)

### 2.3 Background

The Company was previously subject to administration and liquidation proceedings, during which total dividends of 28.4p/£ were paid to creditors. Following the final meeting of members and creditors held on 13 September 2013, David Chubb and Michael Jervis ceased to act as liquidators and the Company was subsequently dissolved on 23 December 2013.

However in August 2018, it was brought to our attention that funds of around £241k were held in an account by the agent and trustee for the secured creditors of the SFI Group (“the Group”). This was an account used for the purpose of settling the debts of the secured creditors and no remaining balance had been expected.

We worked with the bank and performed a review of the liquidation files to understand which class of creditors were the beneficiaries of the funds. Given all the circumstances, we concluded that the beneficiary would be the unsecured creditors of the Company.

We provided the bank with its options, including restoring the Company back into liquidation or assigning the funds to the Government Legal Department (Treasury Solicitor) as bona vacantia property. Given the amount of funds held and potential financial benefit for the unsecured creditors, it was agreed that restoring the Company into liquidation would be the most appropriate option.

As a result, we made an application to Court to restore the Company to the Register of Companies and to be put back into liquidation. On 10 September 2019, the Court duly ordered the restoration and the appointment of myself and Michael Jervis as joint liquidators of the Company. The order was lodged by the Registrar, confirming the restoration of the Company and effective date of our appointment on 19 September 2019. This is a continuation of the previous liquidation which commenced on 15 June 2007 and as such, a meeting of members or creditors was not required.

As mentioned in the former liquidators’ reports, the Litigation Entitlement Holders (“LEH”) as a class were entitled to claim as unsecured creditors. The quantum of that claim was specified as 12.5% of the “net litigation proceeds” and this was calculated as £670,103.

Any dividend arising from this claim was split amongst the 7,000 LEH in proportion to the size of their individual holdings, subject to a £3 de minimus per holding payment level incorporated into the terms of the issue. This has and will eliminate many of the LEH from receiving any dividend. We have full details of who the LEH are, the size of their holdings and dividends received from the previous liquidators, so no further action is required from the LEH. We will again be considering the most cost effective mechanism for the LEH creditors to participate in any future dividend.

## 2.4 How fees are calculated

Insolvency law currently allows fees to be calculated in three ways:

- As a percentage of the value of the property which we realise and/or distribute (often referred to as a “percentage basis”);
- By reference to the time properly given by us and our staff attending to the matters arising (“time costs basis”); or
- A set amount (a fixed fee).

The basis of our fees can be a combination of the above and different bases can be used for different parts of our work. The fee approving body decides which basis (or combination of bases) should be used to calculate fees, once it is satisfied that the fee basis proposed represents the most appropriate mechanism in the circumstances of the case.

In this case, we are asking the unsecured creditors to approve the basis of our remuneration and proposing that our remuneration is on a fixed fee basis at £75,000 plus VAT. We believe this basis and amount produces a fair and reasonable reflection of the work done and anticipated to be undertaken for the following reasons:

- There are approximately 7,000 Litigation Entitlement Holders, who as a class rank as unsecured creditors of the Company which has resulted in our staff spending a considerable amount of time since our reappointment dealing with an extremely high volume of correspondence via email, telephone and post;
- Due to the number of creditors, the dividend process will be very time consuming in terms of dealing with the volume of claims, cleansing of the systems and queries pre and post dividend; and
- As our time costs are already material and will exceed £75,000 plus VAT, proposing a time cost basis for our remuneration would result in a significantly higher cost for creditors. The level of dividend payable to creditors will depend on the level of costs in the liquidation and the final level of claims, as such a fixed fee provides creditors with certainty on the level of the office holders’ remuneration.

Insolvency law says that in determining the basis of our remuneration, regard must be had to the following:

- The complexity (or otherwise) of the case;
- Any exceptional responsibility falling on us;
- The effectiveness with which we are carrying out, or to have carried out, our duties; and
- The value and nature of the property with which we have to deal.

In the next section we include details of the work we’ve already done and work we believe is still required.

## 3. Our fees estimate

### 3.1 Work we propose to undertake

The following table provides details of the work we propose to do (indicated by ) , have already done () or which is in progress (). It provides a brief summary for each category rather than an exhaustive list of all possible tasks.

Table 2 – Work we propose to do

Category of work	\General description	Work included
<b>Assets</b>	Other assets	<ul style="list-style-type: none"> <li>• Liaising with the agent and trustee for the secured creditors and solicitors regarding the nature of the cash held with the bank and recovering it into the liquidation <input checked="" type="checkbox"/></li> </ul>
<b>Creditors</b>	Creditor enquiries	<ul style="list-style-type: none"> <li>• Setting up a dedicated website for delivery of initial and ongoing communications and reports <input checked="" type="checkbox"/></li> <li>• Setting up and maintaining dedicated mailbox to deal with creditor enquiries <input type="checkbox"/></li> <li>• Receiving and following up creditor enquiries via telephone, email and post <input type="checkbox"/></li> <li>• Reviewing and preparing correspondence to creditors and their representatives <input type="checkbox"/></li> <li>• Receiving and filing proofs of debt <input type="checkbox"/></li> </ul>
	Secured creditors	<ul style="list-style-type: none"> <li>• Notifying the secured creditors of the appointment <input checked="" type="checkbox"/></li> <li>• Responding to the secured creditor's queries <input type="checkbox"/></li> </ul>
	Unsecured claims	<ul style="list-style-type: none"> <li>• Dealing with proofs of debt for dividend purposes <input type="checkbox"/></li> <li>• Preparing correspondence to potential creditors inviting lodgment of proof of debt <input type="checkbox"/></li> <li>• Receiving proofs of debt and maintaining register <input type="checkbox"/></li> <li>• Adjudicating claims, including requesting further information from claimants <input type="checkbox"/></li> <li>• Preparing correspondence to claimant advising outcome of adjudication and advising of intention to declare dividend <input type="checkbox"/></li> <li>• Advertising intention to declare dividend <input type="checkbox"/></li> <li>• Calculating dividend rate and preparing dividend file <input type="checkbox"/></li> <li>• Preparing correspondence to creditors announcing declaration of dividend <input type="checkbox"/></li> <li>• Preparing and paying distribution <input type="checkbox"/></li> <li>• Dealing with any unbanked cheques and reissues <input type="checkbox"/></li> </ul>
<b>Statutory and compliance</b>	Initial letters and notifications	<ul style="list-style-type: none"> <li>• Preparing and issuing all necessary initial letters and notices regarding the liquidation and our appointment <input checked="" type="checkbox"/></li> </ul>
	Remuneration report	<ul style="list-style-type: none"> <li>• Preparing and circulating to creditors a report giving details of the work we expect to carry out during the case, our fees estimate and the expenses that are likely to be incurred <input type="checkbox"/></li> <li>• Preparing documents and information for the purpose of obtaining approval to fees, Category 2 disbursements and other matters in the liquidation <input type="checkbox"/></li> <li>• Issuing notices and associated documentation for seeking decisions of creditors <input type="checkbox"/></li> </ul>

		<ul style="list-style-type: none"> <li>Dealing with any queries once the remuneration report has been circulated to creditors <input type="checkbox"/></li> </ul>
	Case reviews	<ul style="list-style-type: none"> <li>Conducting case reviews after the first month, then every six months <input type="checkbox"/></li> </ul>
	Progress reports and extensions	<ul style="list-style-type: none"> <li>Preparing and issuing periodic progress reports and filing statutory returns with the Registrar and creditors <input type="checkbox"/></li> </ul>
	Other statutory and compliance	<ul style="list-style-type: none"> <li>Filing of documents <input type="checkbox"/></li> <li>Updating checklists and diary management system <input type="checkbox"/></li> </ul>
<b>Tax &amp; VAT</b>	Tax	<ul style="list-style-type: none"> <li>Gathering information for the initial tax review ✓</li> <li>Carrying out tax review and subsequent enquiries ✓</li> <li>Preparing any relevant tax computations <input type="checkbox"/></li> <li>Liaising with HMRC <input type="checkbox"/></li> </ul>
	VAT	<ul style="list-style-type: none"> <li>Gathering information for the initial VAT review ✓</li> <li>Carrying out VAT review and subsequent enquiries ✓</li> <li>Preparing VAT returns <input type="checkbox"/></li> <li>Liaising with HMRC <input type="checkbox"/></li> </ul>
<b>Administration</b>	Strategy and planning	<ul style="list-style-type: none"> <li>Completing tasks relating to job acceptance ✓</li> <li>Preparing fee budgets and monitoring costs <input type="checkbox"/></li> <li>Holding team meetings not relating to trading and discussions regarding status of liquidation <input type="checkbox"/></li> </ul>
	Accounting and treasury	<ul style="list-style-type: none"> <li>Opening and closing bank accounts and arranging facilities ✓</li> <li>Dealing with receipts, payments and journals not relating to trading <input type="checkbox"/></li> <li>Carrying out bank reconciliations and managing investment of funds <input type="checkbox"/></li> <li>Corresponding with bank regarding specific transfers <input type="checkbox"/></li> </ul>
	Closure procedures	<ul style="list-style-type: none"> <li>Withdrawing undertakings not relating to trading and obtaining clearances from third parties <input type="checkbox"/></li> <li>Completing checklists and diary management system <input type="checkbox"/></li> <li>Closing down internal systems <input type="checkbox"/></li> </ul>

Included in the above table are tasks that we must perform that may not directly benefit creditors financially. These typically relate to fulfilling obligations imposed by statute or regulatory bodies; or are tasks necessary or incidental in the orderly winding up of the Company's affairs.

## 4. Expenses

### 4.1 What is an expense?

Expenses are defined in SIP9 as amounts properly payable by the office holder from the estate which are not office holders' remuneration or a distribution to creditors. These include disbursements, which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment. They fall into two categories: Category 1 and Category 2:

Disbursement	SIP9 definition
<b>Category 1</b>	Payments to independent third parties where there is specific expenditure directly referable to the appointment in question.
<b>Category 2</b>	Costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that may be incurred by the office holder or their firm, and that can be allocated to the appointment on a proper and reasonable basis.

Our firm's disbursements policy allows for all properly incurred expenses to be recharged to the case. We don't need approval from creditors to draw Category 1 disbursements as these have all been provided by third parties, but we do need approval to draw Category 2 disbursements as these are for services provided by our firm. The body of creditors who approve our fees also have responsibility for agreeing the policies for the payment of Category 2 disbursements, which in this case are as follows:

<b>Photocopying</b>	At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying.
<b>Mileage</b>	At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc).

### 4.2 Our expenses estimate

The following table shows expenses incurred to date and an estimate of further expenses we consider will be (or are likely to be) incurred. The total expenses estimate for the case is £43,922 plus VAT. This does not include our proposed remuneration of £75,000 plus VAT.

The estimate excludes any potential tax liabilities that may be payable as an expense of the liquidation in due course because amounts due will depend on the position at the end of the tax accounting period.

The bank incurred pre appointment legal fees of £8,623 plus VAT which they were entitled to draw from the funds held in the bank account. These fees were incurred in respect of obtaining advice on the beneficiaries of the funds and review work done for the bank.

Table 3 – Expenses estimate

Nature of expenses	Purpose of expense	Incurred to date (£)	Estimate of future expenses (£)
Legal fees and expenses, Addleshaws	See Section 5 for detail	13,922	NIL
Office holders' disbursements	Postage and copying costs for c9,000 creditors	7	29,993
<b>Total expenses</b>		<b>13,929</b>	<b>29,993</b>

## 5. Professionals and subcontractors

The following table gives details of the professionals and subcontractors used in this liquidation.

Table 4 – Professionals and subcontractors

<b>Service provided</b>	<b>Name of firm</b>	<b>Reason selected</b>	<b>Basis of fees</b>
Legal advice, including: <ul style="list-style-type: none"><li>• Advice on the liquidation appointment;</li><li>• Drafting witness statements and the application to the Court for reappointment; and</li><li>• Advising on statutory and regulatory queries in relation to the Company.</li></ul>	Addleshaws	Insolvency expertise/industry knowledge	Time costs and disbursements

We require all third party professionals to submit time costs analyses and narrative in support of their invoices rendered which will be reviewed by us prior to approval and payment. We undertake the following steps to review professional firms' costs:

- Review invoices to the terms agreed at the outset; and
- Where fees are charged on a time cost basis, a breakdown of such costs is requested and reviewed before payment.

# 6. Notes and assumptions

## 6.1 Fees and expenses estimate

- We have assumed the liquidation will last a maximum of one year;
- We have made reasonable assumptions regarding the extent of our future work, based on present information, status of the liquidation and expectation on the level of cooperation from third parties;
- We have assumed we will not receive a significant volume of new creditors claims, and that any additional claims that may be received will not be complex;
- We expect that there will be one dividend declared and paid to the unsecured creditors;
- We have assumed there will be no further assets to realise; and
- We have assumed that we will not require any further legal or professional help in the liquidation.

## 6.2 Business relationships

We have no business or personal relationships with parties responsible for approving remuneration or who provide services to us in respect of the appointment, where the relationship could give rise to a conflict of interest.

## 6.3 Associates

We have no business or personal relationships with parties responsible for approving remuneration or who provide services to us in respect of the appointment where the relationship could give rise to a conflict of interest.