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***FABB Projects Limited – in administration***  
Remuneration Report: Initial Information to  
Creditors including Fees Estimate

26 July 2018



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# 1. Abbreviations and definitions

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

Abbreviation or definition	Meaning
The Company	FABB Projects Limited – in administration
The Administrators / we / our / us	Toby Scott Underwood and Peter David Dickens, both of PwC
CVL	Creditors' voluntary liquidation
IR16	Insolvency (England and Wales) Rules 2016
Preferential creditors	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 7 June 2018 (up to a maximum of £800);</li><li>2. accrued holiday pay for any period before 7 June 2018; and</li><li>3. unpaid pension contributions in certain circumstances.</li></ol>
Proposals	Our statement of proposals dated 26 July 2018 setting out the objective of the administration and how we believe it will be achieved
Secured creditors	Creditors with security in respect of their debt, in accordance with Section 248 IA86
SIP	Statement of Insolvency Practice (issued by regulatory authorities, setting out principles and key compliance standards with which insolvency practitioners are required to comply)
Unsecured creditors	Creditors who are neither secured nor preferential

*Toby S Underwood and Peter D Dickens were appointed as Joint Administrators of FABB Projects Limited on 7 June 2018 to manage its affairs, business and property as its agents and without personal liability. Toby Underwood and Peter Dickens 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 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 Administrators 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 Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.*

## 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 administrators.

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 are also required to 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. 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. Outcome for the creditors

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 administrators, 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*

<i>Class of creditor</i>	<i>Forecast return</i>	<i>Timing</i>
Preferential creditors	100%	6-9 months
Unsecured creditors	0 – 2%	6 -12 months

### 2.3. Action required by you

We have stated in our proposals that we believe there will be a distribution to unsecured creditors. Creditors have the opportunity to appoint a creditors committee. If a committee is appointed, it will be for the committee to set the basis of the administrators' fees. But where no committee is appointed, the unsecured creditors have the responsibility for fixing the basis of our fees and approving Category 2 disbursements (as defined in Section 4.1). Please read this Remuneration Report carefully before voting on the basis of our fees and disbursements.

**If creditors wish to vote on the basis of our fees (and other matters), please complete and return the voting form attached in the proposals at 2) Decision Notices by 15 August 2018.**

#### **Creditors' rights**

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

<http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

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## ***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 deal with (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 arriving at that determination, regard must be had to the following:

- a) the complexity (or otherwise) of the case;
- b) the level of any responsibility of an exceptional kind;
- c) the effectiveness with which we have carried out our duties; and
- d) the value and nature of the property with which we have to deal.

In this case we are proposing that our remuneration is on a time costs basis only, for the following reasons:

- It ensures that creditors are only charged for work that is performed;
- We are required to perform a number of tasks which do not relate to the realisation of assets (for example: reporting to creditors, investigating the conduct of the directors and distributing available funds, if any); and
- We are unable to estimate with certainty the total amount of fees necessary to complete all tasks required in the administration.

We anticipate that at the end of the administration the Company will go into liquidation in order to agree creditor claims and pay a distribution to unsecured creditors. The fee basis agreed in the administration will carry on into the liquidation. The fee estimate therefore covers both the administration and the subsequent liquidation.

In Section 3 we set out our fees estimate and further details of our work.

## 3. Our fees estimate

### 3.1. Summary

This section provides the following information:

- Details of the work we propose to undertake;
- The hourly rates we propose to charge for each part of that work;
- The time we anticipate each part of the work will take; and
- Whether we think it will be necessary to seek approval to exceed the amount of the estimate, and if so, why.

The total amount of our fees estimate is £721,646.65. The following tables summarise our anticipated time costs and then provide more detail on each area of work. Time costs are shown at the hourly rates set out later. We have included an estimate of the fees and expenses for any subsequent liquidation.

In the period since our appointment on 07 June 2018 to 15 July 2018, we have incurred time costs of c.£380,701.90, representing 53% of the fees estimate.

*Table 2 – Time costs*

<i>Estimated future time costs</i>				<i>Current time costs</i>		
<i>Category of work</i>	<i>Hours</i>	<i>Fees estimate (£)</i>	<i>Average hourly rate (£/hour)</i>	<i>Hours incurred to 15 July 2018</i>	<i>Time costs incurred to 15 July 2018 (£)</i>	<i>Average hourly rate for time costs incurred to 15 July 2018 (£/hour)</i>
Statutory and compliance	168.80	43,979.00	260.54	147.15	38,796.65	263.65
Assets	110.00	41,832.50	380.30	311.90	115,580.90	370.57
Creditors	632.40	188,438.50	290.28	13.10	3,261.00	248.93
Winding down costs	50.00	9,650.00	193.00	628.20	144,720.55	230.37
Administration	88.3	19,831.00	224.59	126.80	46,904.60	369.91
Tax & VAT	68.15	25,825.75	378.95	2.75	761.25	276.82
Employees & Pensions	41.70	11,388.00	273.09	121.25	30,676.95	253.01
<b>Total hours and fees estimate</b>	<b>1,159.35</b>	<b>340,944.75</b>	<b>294.08</b>	<b>1,351.15</b>	<b>380,701.90</b>	<b>281.76</b>

Our total remuneration cannot exceed the total amount of this fees estimate without prior consent from the fee approving body. The fee estimate covers both administration and a subsequent liquidation.

The above table provides an estimate of the anticipated time likely to be required on the various areas of work and in future reports we will provide an update by reference to actual costs incurred. To facilitate such a comparison, we are likely to report costs on the same basis and using our normal rates.

Please note that this fee estimate may not necessarily reflect the amounts we will ultimately bill in this case. This represents the maximum fee we could take without requesting further approval. Due to the nature and

volume of creditor claims and queries we may receive, it's difficult to predict the time this will incur. If total time costs are lower than this estimate we will only bill time incurred.

## 3.2. Work we propose to undertake

This section is best read in conjunction with our proposals dated 26 July 2018, which set out the key work undertaken and our strategy for realising the remaining assets and distributing to creditors.

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. The fees estimate for each category is also shown, together with costs incurred to 15 July 2018.

Table 3 – Work we propose to do

Category of work	General description	Work included
<b>Winding down costs</b>	Property management	<ul style="list-style-type: none"> <li>Attended the Company's 9 retail stores, 7 warehouses, the design studio and head office ✓</li> <li>Notified all staff of our appointment ✓</li> <li>Identified and secured all known Company assets ✓</li> <li>Collected Company information ✓</li> <li>Secured all sites ✓</li> <li>Providing access to suppliers to collect stock they claim ROT on ✓</li> <li>Liaising with utility providers and providing final meter readings to bill for the period of occupation ✓</li> <li>Liaised with landlords, suppliers and other key stakeholders □</li> <li>Instructed and liaised with agents to secure stock, equipment and vehicles □</li> <li>Carrying out title searches and securing relevant property records ✓ Issuing informal surrender letters to landlords once vacated ✓</li> <li>Negotiating the surrender of the leasehold properties □</li> <li>Monitoring and recording progress of lease surrenders for each site □</li> <li>Assessing payment of rates &amp; utility bills where appropriate □</li> <li>In CVL, drafting formal notice of disclaimer and serving them on all interested parties →</li> </ul>
Estimate: 50 hours £9.5k		
Incurred to date: 628 hours £145k		
	Customer enquiries	<ul style="list-style-type: none"> <li>Set up and staffed a customer helpline and email mailbox, along with the redirection of the Company website and postal mail ✓</li> <li>Staffing the customer helpline &amp; regularly assessing the requirement for its operation □</li> <li>Dealing with customer enquires (to date, we have received in excess of 2,100 calls and 2,000 emails) □</li> </ul>
	Ring fenced deposits	<ul style="list-style-type: none"> <li>Obtaining Company information regarding the ring-fenced deposits □</li> <li>Securing receipt of the funds in to the administration bank account ✓</li> <li>Issuing initial letters to customers ✓</li> <li>Reviewing and processing customer deposit claim forms □</li> <li>Following up queries directly with individual customers □</li> <li>Reconciling claims with credit card and finance providers □</li> <li>Processing the return of the ring fenced deposits □</li> </ul>
<b>Assets</b>	Sale of business / order book	<ul style="list-style-type: none"> <li>Coordinating / providing access to information to interested parties ✓</li> <li>Holding internal meetings to discuss/ review offers received ✓</li> <li>Negotiating with interested parties ✓</li> <li>Liaising with purchasers and solicitors ✓</li> </ul>
Estimate: 110 hours £42k		

<p>Incurred to date: 312 hours £115.6k</p>		<ul style="list-style-type: none"> <li>• Securing contribution to legal costs ✓</li> <li>• Completing agreements to transfer part of the customer order book ✓</li> <li>• Regular reconciliation of the funds payable by the suppliers □</li> </ul>
	Stock	<ul style="list-style-type: none"> <li>• Reviewing stock records and values ✓</li> <li>• Liaising with agents to secure display stock ✓</li> <li>• Discussions with agents to assess the progress of the stock sales ✓</li> <li>• Dealing with Retention of Title claims □</li> <li>• Liaising with landlords to negotiate access for suppliers to reduce their unsecured claims ✓</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>• Liaising with agents and interested parties ✓</li> <li>• Reviewing asset listings and valuations ✓</li> <li>• Liaising with employees to arrange collection of vehicles ✓</li> <li>• Discussions with agents to progress and assess asset sales ✓</li> <li>• Liaising with local authorities regarding business rates and providing information to confirm whether a refund is due back to the company □</li> </ul>
	Intangible assets	<ul style="list-style-type: none"> <li>• Instructing intellectual property agent to market the Company's intangible assets for sale ✓</li> <li>• Coordinating/ providing access to information to interested parties □</li> <li>• Holding internal meetings to discuss/ review offers received ✓</li> <li>• Liaising with purchasers and solicitors →</li> <li>• Completing sale and purchase agreement →</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>• Identifying potential issues requiring attention of insurance specialists ✓</li> <li>• Reviewing insurance policies □</li> <li>• Corresponding with insurer regarding initial and ongoing insurance requirements □</li> <li>• Realising any value within policies →</li> <li>• Agreeing final premium charges and concluding cover →</li> </ul>
<p><b>Creditors</b> Estimate: 632 hours £188.5k</p>	Customer/ Creditor enquiries	<ul style="list-style-type: none"> <li>• Setting up a dedicated website for delivery of initial and ongoing communications and reports ✓</li> <li>• Receiving and following up creditor enquiries via telephone, email and post □</li> <li>• Reviewing and preparing correspondence to 4,600 creditors and their representatives □</li> <li>• Receipting and filing statement of claim forms □</li> </ul>
	Unsecured claims	<ul style="list-style-type: none"> <li>• Preparing correspondence to potential creditors inviting lodgment of proof of debt □</li> <li>• Receiving proofs of debt and maintaining register for 4,600 creditors □</li> <li>• Liaising with credit card and finance companies regarding their refunds to consumers to ensure no duplication of proofs □</li> <li>• Dealing with proofs of debt for dividend purposes →</li> <li>• Adjudicating claims, including requesting further information from claimants →</li> <li>• Preparing correspondence to claimant advising outcome of adjudication and advising of intention to declare dividend →</li> <li>• Advertising intention to declare dividend →</li> <li>• Calculating dividend rate and preparing dividend file →</li> <li>• Preparing correspondence to creditors announcing declaration of dividend →</li> <li>• Preparing and paying distribution →</li> <li>• Dealing with any returned or unbanked dividend cheques →</li> </ul>
<p><b>Employees and Pensions</b></p>	Communications with employees	<ul style="list-style-type: none"> <li>• Drafting, issuing and attending 18 sites to deliver initial communications and announcements ✓</li> </ul>



Estimate: 41.70 hours £11.4k		<ul style="list-style-type: none"> <li>Preparing letters to employees advising of their entitlements and options available ✓</li> </ul>
Incurred to date: 121 hours £30.7k	Payroll	<ul style="list-style-type: none"> <li>Reviewing employee files and company's books and records ✓</li> <li>Reviewing payroll and liaising with company staff and payroll bureaux as appropriate ✓</li> <li>Calculating and paying periodic payroll ✓</li> <li>Deducting and paying over PAYE/NIC to HMRC and other deductions to relevant agencies and third parties ✓</li> <li>Completing final payroll reconciliations ✓</li> </ul>
	Redundancy related work	<ul style="list-style-type: none"> <li>Commencing / continuing a consultation process ✓</li> <li>Selecting and making redundancies ✓</li> <li>Liaising with the RPS and external agencies □</li> </ul>
	Other employee matters	<ul style="list-style-type: none"> <li>General HR matters □</li> </ul>
	Pensions	<ul style="list-style-type: none"> <li>Reviewing insurance policies ✓</li> <li>Gathering initial pensions and employee benefits information □</li> <li>Issuing statutory notices □</li> <li>Dealing with general pension scheme issues □</li> <li>Calculating contributions and requesting payments to the relevant scheme or policy □</li> <li>Assessing any pension related unsecured claims for dividend purposes →</li> </ul>
<b>Statutory and compliance</b> Estimate: 168 hours £44k  Incurred to date: 148 hours £38.8k	Conducting investigations	<ul style="list-style-type: none"> <li>Collecting and reviewing Company's books and records where related to investigatory work □</li> <li>Reviewing Company's books and records □</li> <li>Reviewing directors' questionnaires □</li> <li>Preparing investigation file and lodging findings with the Department for Business, Innovation and Skills □</li> <li>Identifying potential asset recoveries □</li> </ul>
	Initial letters and notifications	<ul style="list-style-type: none"> <li>Preparing and issuing all necessary initial letters and notices regarding the administration and our appointment □</li> <li>Requesting Statement of Affairs ("SoA") from the Directors ✓</li> <li>Liaising with the Director's advisors ✓</li> <li>Discussing and agreeing any extension of time for submission ✓</li> <li>Reviewing SoA upon submission and filing it with the Registrar ✓</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 ✓</li> </ul>
	Case reviews	<ul style="list-style-type: none"> <li>Conducting case reviews after the first month, then every six months □</li> </ul>
	Proposals	<ul style="list-style-type: none"> <li>Drafting and reviewing a statement of proposals to creditors including preparing receipts and payments accounts and statutory information ✓</li> <li>Circulating notice of the proposals to creditors, members and the Registrar of Companies ✓</li> </ul>
	Progress reports and extensions	<ul style="list-style-type: none"> <li>Preparing and issuing periodic progress reports to creditors and the Registrar →</li> </ul>

	Other meetings / resolutions	<ul style="list-style-type: none"> <li>Preparing documents and information for the purpose of obtaining approval to fees, Category 2 disbursements and other matters in the administration ✓</li> <li>Convening meetings for resolutions to be considered / issuing resolutions to be considered by correspondence →</li> </ul>
	Books and records	<ul style="list-style-type: none"> <li>Collecting company books and records where not related to investigatory work ✓</li> <li>Dealing with records in storage □</li> <li>Sending job files to storage →</li> </ul>
	Other statutory and compliance	<ul style="list-style-type: none"> <li>Filing of documents □</li> <li>Updating checklists and diary management system □</li> <li>Preparing and submitting deregistration form to the FCA</li> </ul>
	Move to CVL	<ul style="list-style-type: none"> <li>Filing at registrars</li> <li>Set up of internal case systems in the CVL</li> <li>Preparing and issuing initial letters and notice regarding the move to CVL</li> </ul>
	Closure	<ul style="list-style-type: none"> <li>Withdrawing undertakings not relating to trading and obtaining clearances from third parties □</li> <li>Completing checklists and diary management system →</li> <li>Closing down internal systems →</li> </ul>
<b>Tax &amp; VAT</b> Estimate: 68 hours £26k	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 and submitting tax computations □</li> <li>Liaising with HMRC →</li> <li>Requesting tax clearance prior to closure →</li> </ul>
Incurred to date: 3 hours £800	VAT	<ul style="list-style-type: none"> <li>Gathering information for the initial VAT review ✓</li> <li>Advising on pre appointment VAT returns □</li> <li>Advising in respect of lease assignments/surrenders □</li> <li>Completing the first post-appointment VAT return □</li> <li>Preparing and submitting subsequent post-appointment VAT returns →</li> <li>Liaising with HMRC →</li> <li>Deregistering for VAT purposes and seeking clearance prior to closure →</li> </ul>
<b>Administration</b> Estimate: 88.5 hours £20k	Strategy and planning	<ul style="list-style-type: none"> <li>Completing tasks relating to job acceptance ✓</li> <li>Setting the key strategy for the administration/CVL; monitoring progress against this and adjusting strategy where necessary □</li> <li>Preparing fee budgets &amp; monitoring cost □</li> <li>Holding team meetings not relating to trading and discussions regarding status of administration/CVL □</li> <li>Monitoring progression of the administration/CVL against key targets for areas of the case, such as key asset realisations, dealing with leases/landlords, dealing with key claims, employee matters and statutory requirements □</li> </ul>
Incurred to date: 127 hours £47k	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 □</li> <li>Carrying out bank reconciliations and managing investment of funds □</li> <li>Corresponding with the bank and other financial services providers regarding specific transfers □</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.

### 3.3. Our time charging policy and hourly rates

The time we charge to the administration is by reference to the time properly given by our staff and us in attending to matters arising.

It is our policy to delegate tasks to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or the administrators personally.

Set out below are the relevant maximum charge-out rates per hour worked for the grades of staff actually, or likely to be, involved on this assignment. All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Time is charged by reference to actual work carried out on the assignment in six minute units. The minimum time charged is three minutes (i.e. 0.05 units). There has been/will be no allocation of any general costs or overhead costs. These rates will apply to each part of our work.

Specialist departments with our firm, such as Tax, VAT, Property and Pensions are also used where their expert advice and services are required. Such specialist rates do vary but the figures below provide an indication of the maximum rate per hour.

*Table 4 – Charge-out rates*

Grade	Insolvency Rates		Specialist rates (maximum rates)	
	To 30 June 2018	To 30 June 2019	To 30 June 2018	To 30 June 2019
	£	£	£	£
Partner	620	640	1,315	1,315
Director	525	540	1,210	1,210
Senior Manager	450	465	1230	1230
Manager	355	365	735	735
Senior Associate	268	275	545	545
Associate	170	180	270	270
Support staff	89	92	160	160

In common with all professional firms, hourly rates increase from time to time over the period of the administration (for example to cover annual inflationary cost increases). Any material amendments to these rates will be advised to the fee approving body when seeking fee approval, and to creditors in our next statutory report.

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### ***3.4. Further approval***

Creditors should be assured that the provision of a fees estimate will not affect the proper conduct of the administration. If the necessary work exceeds (or is likely to exceed) that included in the fees estimate, we can seek consent, usually from the fee approving body, for our fees to exceed the fees estimate.

Our fees estimate is based on a number of assumptions, which are explained in Section 6. In broad terms and in our experience, the key issues likely to affect the level of future costs are the:

- availability and quality of the books and records for the purpose of claims agreement;
- level of co-operation received, for example, from landlords, customers and creditors;
- the level of personal interaction required with consumer creditors; and
- any changes to our strategy that might be necessary.

At the present time, we do not think we will need to seek further approval because we believe the fees estimate includes a reasonable provision for our future work. However, we are unable to accurately predict the level of creditor and customer queries we may receive, and the time it will take to review and agree claims.

In our periodic progress reports, we will keep creditors updated on how our fees are comparing to the fees estimate. If fees are likely to exceed this fees estimate we will need further approval to draw those fees.

## 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. Disbursements are types of expenses met by and reimbursed to an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2:

*Table 5 – Categories of expense*

Disbursement	SIP9 definition
Category 1	Payments to independent third parties where there is specific expenditure directly referable to the appointment in question.
Category 2	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 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, our proposed category 2 disbursement policies in this case are as follows:

*Table 6 – Our disbursement policies*

<b>Photocopying</b>	At 5 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

A summary of the expenses incurred to date and an estimate of further expenses we consider will be (or are likely to be) incurred is set out at table 8.

The total expenses estimate for the case is £513,897. The estimate 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.

#### *Pre-administration costs*

Our expenses estimate includes pre-administration costs that would, if approved, be payable as an expense of the administration and which are explained in more detail separately in these proposals. Whilst pre-administration costs are subject to approval in the same manner as our remuneration, they do not form part of our remuneration in relation to our work as joint administrators following our appointment.

The pre-appointment costs which the administrators intend to seek approval for include:

- PwC's unpaid time costs of £50,743 (plus VAT) directly related to preparing for the administration; and
- DLA Pipers time fees of £26,265 (plus VAT) directly related to legal formalities of the administration process and general legal advice in the lead up to the appointment.

These costs were incurred prior to the Company being placed into administration but with a view to it being so.

We incurred total time costs of £240k from the date of our initial engagement with the company to 6 June 2018. Under the terms of the engagement letter, the Company agreed and paid £150k (plus VAT) of fees which specifically relate to our options review and assistance with the sales process and high level contingency planning.

As soon as the Company recognised the sales process had failed, we commenced detailed contingency planning. This involved; amongst other tasks:

- Assessing the asset and stock position to safeguard and maximise asset realisations
- Reviewing the terms of business from the key suppliers and the finance providers
- Seeking legal advice thereon
- Considering options available and deciding on strategy
- Establishing a team of c.30 members of staff to attend 18 locations immediately upon appointment
- Drafting a detailed briefing pack and conducting staff and agent briefing calls to explain day one strategy
- Liaising with solicitors and management to seek consent to the administration from the FCA, dealing with the legal process of the appointment and general legal advice
- Creating a dedicated website, email inbox and customer helpline
- Drafting scripts for employee announcements, customer calls and frequently asked questions

We are seeking approval for £50,743 (plus VAT) of time costs which directly relate to the 2 days before the administration.

We will not be seeking approval for the balance of our outstanding pre – appointment time costs totalling £39,257 and this will be written off.

A breakdown of the administrators' pre-appointment costs by grade is summarised below:

**Analysis of time costs for the period from 05 June 2018 to 06 June 2018**

Aspect of assignment	Partner (Hrs)	Director (Hrs)	Senior Manager (Hrs)	Manager (Hrs)	Senior Associate (Hrs)	Associate (Hrs)	Support (Hrs)	Total (Hrs)	Time cost £	Average hourly rate £
1 Trading	-	-	-	-	2.00	-	-	2.00	824.00	412.00
2 Statutory and compliance	-	-	-	-	-	4.00	-	4.00	700.00	175.00
3 Assets	-	-	-	-	-	0.65	-	0.65	113.75	175.00
4 Creditors	-	-	-	-	-	1.55	-	1.55	271.25	175.00
5 Strategy and planning	-	-	2.25	12.35	16.25	2.50	-	33.35	10,970.75	328.96
6 Administration	4.50	-	42.00	22.80	21.80	0.65	-	91.75	37,863.65	412.68
<b>Total for the period</b>	<b>4.50</b>	<b>-</b>	<b>44.25</b>	<b>35.15</b>	<b>40.05</b>	<b>9.35</b>	<b>-</b>	<b>133.30</b>	<b>50,743.40</b>	<b>380.67</b>

### *Category 1 and 2 disbursements*

The following tables provide details of our Category 1 and 2 disbursements incurred to 15 July 2018 and overall expenses estimate for the administration.

*Table 7 – Our estimate of expenses*

Category	Disbursement	Incurred to date £
2	Photocopying	30.00
2	Mileage	652.60
1	Postage	-
1	Insurance	-
1	Taxi fares	69.20
1	Rail fares	328.30
1	Hotel accommodation	114.17
1	Other (e.g. courier charges, car park charges and miscellaneous expenses)	49.90
1	<b>Total</b>	<b>1,244.17</b>

Table 8 – Expenses estimate

<i>Nature of expenses</i>	<i>Purpose of expense</i>	<i>Incurred to date (£)</i>	<i>Estimate of future expenses (£)</i>	<i>Total estimated expenses (£)</i>
<b>Other expenses:</b>				
Insurance	To ensure the assets and potential liability of the Company were adequately protected and covered	4,900	2,000	<b>6,900</b>
Irrecoverable VAT	Unavoidable expense, in relation to auctioning of vehicles to our appointment (and on which we can't recover the VAT)	9,626	-	<b>9,626</b>
Legal fees – post appointment (DLA)	Legal advice on administration matters	45,000	30,000	<b>75,000</b>
Legal fees – pre appointment (DLA)	Placing the Company into administration	26,265	-	<b>26,265</b>
Office holders' disbursements	See earlier in this Section	1,245	1,755	<b>3,000</b>
Rates and utilities	Costs	12,000	15,000	<b>27,000</b>
IT Costs	Costs for the retrieval information from the IT systems and costs to running and main	6,180	-	<b>6,180</b>
Agents Fees (John Pye Auction)	Costs for the retrieval of stock and vehicles. Also the costs to auction these items.	236,434	44,969	<b>281,403</b>
Other / miscellaneous	Costs for the retrieval and storage of the Company's books and records, which the administrators are legally required to uplift, review and retain; Transaction charges on electronic payments; Statutory advertising costs; and the directors' Statement of Affairs preparation which is required by legislation	6,790	20,990	<b>27,780</b>
Pre-administration costs	Preparing the Company for administration and appointment formalities	50,743	-	<b>50,743</b>
<b>Total expenses</b>		<b>399,183</b>	<b>114,714</b>	<b>513,897</b>



## 5. Professionals and subcontractors

We expect to make use of the following professionals and sub-contractors:

*Table 9 – Professionals and subcontractors*

<i>Service provided</i>	<i>Name of firm</i>	<i>Reason selected</i>	<i>Basis of fees</i>
Legal advice, including:			
<ul style="list-style-type: none"> <li>General advice on the administration appointment</li> <li>Lease assignments / surrenders</li> <li>General advice regarding matters arising in the administration as required</li> </ul>	DLA Piper	Insolvency expertise	Time costs and disbursements
Asset valuation and realisation, including			
<ul style="list-style-type: none"> <li>Valuation of the Company's ex display stock and cars</li> <li>Asset security</li> <li>Asset realisation</li> <li>Asset collections</li> <li>Site clearance</li> <li>Auctions</li> </ul>	John Pye	Industry knowledge and expertise	Combination of time costs and disbursements; and percentage of realisations
Payroll contractor, including			
<ul style="list-style-type: none"> <li>Calculation and payment of employees' wages</li> </ul>	Payplus (trading division of Virtual Business source Ltd)	Incumbent payroll contractor, with existing and necessary knowledge, skills and resource to process wages payments to Company staff	Time costs
Data storage	Iron Mountain	Industry knowledge and expertise	Fixed fee per unit
Insurance	JLT	Industry knowledge and expertise	Fixed premium

We require all third party professionals to submit appropriate information in support of invoices rendered. This may be time costs analyses and narrative or a schedule of realisations achieved. We review this information to assess whether the costs are reasonable in the circumstances of the case.

In order to review the appropriateness of professional costs we consider:

- comparison with upfront budgets;
- review of time costs analysis;
- review of disbursements claimed; and
- ongoing dialogue with regards to the work being performed.

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## ***6. Notes and assumptions***

### ***6.1. Fees estimate***

In preparing our fees estimate, we have made the following assumptions:

- The administration will last 6 months and will move to CVL for the purpose of agreeing creditor claims and distributing surplus funds (if any) to unsecured creditors .
- We have assumed that the CVL will only last 6 months.
- Consequently, we expect to issue only one first and final progress report to creditors in the administration, and one final annual report in the CVL.
- We have assumed that tax and VAT matters are not complex.
- We have included an estimate of time required to deal with creditors and customer queries, however as stated previously, we are unable to accurately predict the level of calls and queries we will receive.
- We anticipate timely co-operation from third parties in the process of agreeing and paying final amounts due for the period of trading.

Please see our earlier comments in Section 3.4 regarding the likelihood of costs exceeding our fees estimate.

### ***6.2. Expenses***

In preparing our fees estimate, we have made the following assumptions:

- Our expenses estimate is based on our most recent estimated outcome statement dated 11 July 2018; there have been no material movement in the overall position since it was prepared.
- The administration will last 6 months and the subsequent CVL will conclude 6 months thereafter.
- Future legal fees have been estimated to include time spent dealing with the FCA deregistration process, providing advice on queries from landlords seeking a surrender, assistance with disclaiming leases in the CVL and general ad hoc advice on the administration/CVL.
- Rates and utility expenses have been estimated for the short time the Company was in occupation of the remaining premises after appointment
- Insurance assumptions are based on the premium of future expenses that cover public liability.

### ***6.3. 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.