

# Gemma International Limited - in Creditors' Voluntary Liquidation

**Remuneration Report: Initial Information to creditors  
including Fees Estimate**

**15 May 2020**

# Table of contents

<b>1. Abbreviations and definitions</b>	<b>2</b>
<b>2. Background</b>	<b>3</b>
2.1 Purpose of this initial advice to creditors	3
2.2 Action required by you	3
2.3 How fees are calculated	4
<b>3. Summary of the liquidation</b>	<b>5</b>
3.1 Initial strategy	5
3.2 Progress to date	5
3.3 Our other work	5
<b>4. Our fees estimate</b>	<b>6</b>
4.1 Summary	6
4.2 Work we propose to undertake	7
4.3 Our time charging policy and hourly rates	9
4.4 Further approval	11
<b>5. Expenses</b>	<b>12</b>
5.1 What is an expense?	12
5.2 Our expenses estimate	12
<b>6. Professionals and subcontractors</b>	<b>14</b>
<b>7. Notes and assumptions</b>	<b>15</b>
7.1 Fees estimate	15
7.2 Expenses	15
7.3 Associates	15

# 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>Firm</b>	PricewaterhouseCoopers LLP
<b>IA86</b>	Insolvency Act 1986
<b>the Company</b>	Gemma International Limited
<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 11 June 2019 (up to a maximum of £800);</li><li>2. accrued holiday pay for any period before 11 June 2019; 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>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 Liquidators</b>	Rachael Maria Wilkinson and Zelf Hussain
<b>Unsecured creditors</b>	Creditors who are neither secured nor preferential

This report has been prepared by Rachael Maria Wilkinson and Zelf Hussain, solely to comply with their statutory duty to report to creditors under IR16 on the progress of the liquidation, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Any persons choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Liquidators do not assume any liability in respect of this report to any such person.

Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Rachael Maria Wilkinson and Zelf Hussain have been appointed as joint liquidators of the Company. 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.

Table 1 – Dividend prospects

Class of creditor	Forecast return	Timing
<b>Secured creditor(s)</b>	100 p/£	Within 1-2 months of the date of this report
<b>Preferential creditors</b>	100 p/£	The preferential dividend was declared on 4 May 2020. Due to Covid-19 the timing of when the dividend will be paid is uncertain.
<b>Unsecured creditors</b>	10 p/£*	Due to Covid-19, the timing of when the dividend will be paid is uncertain.

*\*Amount could vary depending on the final total value of claims received and admitted.*

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

#### Creditors' rights

You can find information on 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)

A copy can be obtained free of charge by contacting James Crowther on 0113 289 4076.

## 2.3 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 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 surplus funds, if any; and
- We are unable to estimate with certainty the total amount of fees necessary to complete all tasks required in the liquidation. For example, we don’t know what claims creditors may make that we will have to deal with.

In Section 4, we include details of our fees estimate.

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 provide a summary of the liquidation and the work we’ve done to date.

# 3. Summary of the liquidation

## 3.1 Background

The company was incorporated in 1977 for the supply of greeting cards and ancillary products and operated from a property in Andover, Hampshire; employing 33 members of staff around the time of our appointment. The Company had been suffering due to the generally challenging retail market, a sharp decline in sterling leading to higher priced US denominated products, and the loss of a profitable contract.

The directors had implemented a number of cost saving measures, but were unable to secure the necessary further funding that was still required. Accordingly, the directors engaged PwC to explore a sale of the business. Whilst this process did generate interest, unfortunately even a sale of the business through an insolvency process could not be concluded and as such liquidation was the only option available. Following this decision, the majority of the staff were laid off on 30 May 2019 and were made redundant on 11 June 2019.

## 3.2 Initial strategy

Our role as liquidators is to realise the Company's assets, pay the costs of doing so and costs of the liquidation generally, and distribute any remaining funds to the Company's creditors. We also have to manage the Company's affairs and fulfill a number of statutory obligations.

As shown in the directors' Statement of Affairs, the Company's principal assets were trade debtors and stock. To assist with the sale of stock (including warehouse operations) and the collection of book debts, we retained some of the Company employees. It was necessary to use the Company's office and warehouse space for this purpose. The Company also had cash at bank that would be recovered.

## 3.3 Progress to date

After a short period, the Company ceased all operations from the office and warehouse space on 31 July 2019. We settled all the expenses incurred during this short wind-down period, including utilities, rent, payroll and business rates. There were some residual book debts that remained outstanding after this date and our agents continued to pursue these on the Company's behalf.

We are pleased to confirm that we have finished our book debt collection exercise as well as selling the remaining stock. The final outcome was the collection of book debts in the sum of £637k, and the sale of stock for £111k. We have also secured the cash at bank, in the sum of £288k.

## 3.4 Our other work

In addition to issuing all the required notices regarding our appointment, we have undertaken an investigation into the actions of the directors in the three years prior to the administration, in line with our duty under the Statement of Insolvency Practice 2. We reported our findings to the Secretary of State.

We have also submitted quarterly VAT returns and in December 2019, deregistered for VAT purposes. We have settled, in part, the secured creditor's debt and payment of the remaining balance is expected in the next couple of months.

In our initial letter to creditors we invited them to submit their claims. We have started adjudicating claims received from unsecured creditors and expect to issue a Notice of Intended Dividend in the coming months. This will likely be when current COVID-19 restrictions are lifted, to ensure that all creditors have the ability to respond and submit their claims.

The preferential dividend was declared on 4 May 2020. The payment of the dividend will also be delayed due to the impact of COVID-19, because our office buildings are closed and therefore we are unable to print dividend cheques at this time.

## 4. Our fees estimate

### 4.1 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 £226,271. 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.

In the period since our appointment to 18 March 2020, we have incurred time costs of £160,960 (as shown below), representing 71% of the fees estimate.

Table 2 – Time costs

Category of work	Hours incurred	Time costs incurred (£)	Estimated future hours	Estimated future time costs (£)	Estimated total hours	Total Fees Estimate (£)	Average hourly rate (£/hour)
Assets	76.55	27,602	2	460	<b>78.55</b>	<b>28,062</b>	357.25
Creditors	44.60	11,219	118.50	34,640	<b>163.1</b>	<b>45,859</b>	281.17
Employees and pensions	70.50	25,343	-	-	<b>70.50</b>	<b>25,343</b>	359.48
Trading	46.60	12,477	-	-	<b>46.60</b>	<b>12,477</b>	267.75
Investigations	13.70	5,078	-	-	<b>13.70</b>	<b>5,078</b>	370.66
Statutory and compliance	69.20	17,638	38.50	11,425	<b>107.70</b>	<b>29,063</b>	269.85
Tax and VAT	47.60	17,435	24.50	7,723	<b>72.10</b>	<b>25,158</b>	348.93
Liquidation*	170.20	44,168	35	11,063	<b>205.20</b>	<b>55,231</b>	269.16
<b>Totals</b>	<b>538.95</b>	<b>160,960</b>	<b>218.50</b>	<b>65,311</b>	<b>757.45</b>	<b>226,271</b>	<b>298.73</b>

\*Closure procedures/Accounting and Treasury/Strategy and Planning

Our total remuneration cannot exceed the total amount of this fees estimate without prior consent from the fee approving body.

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.

## 4.2 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. The fees estimate for each category is also shown, together with costs incurred to 18 March 2020.

Table 3 – Work we propose to do

Category of work	General description	Work included
<b>Assets</b>  Estimate: 78.55 hours £28,062  Incurred to date: 76.55 hours £27,602	Debtors	<ul style="list-style-type: none"> <li>Corresponding with debtors ✓</li> <li>Reviewing and assessing debtors ledgers ✓</li> <li>Liaising with debt collectors and solicitors ✓</li> <li>Dealing with any residual, small book debts that may be received <input type="checkbox"/></li> </ul>
	Stock	<ul style="list-style-type: none"> <li>Conducting stock takes ✓</li> <li>Reviewing stock values ✓</li> <li>Liaising with purchasers ✓</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> </ul>
	Third party assets / licence holders	<ul style="list-style-type: none"> <li>Reviewing leasing documents ✓</li> <li>Liaising with owners / lessors ✓</li> </ul>
<b>Creditors</b>  Estimate: 163.1 hours £45,859  Incurred to date: 44.6 hours £11,219	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 creditors and their representatives <input type="checkbox"/></li> </ul>
	Secured creditors	<ul style="list-style-type: none"> <li>Notifying secured creditors of appointment ✓</li> <li>Responding to secured creditor's queries ✓</li> <li>Making distributions in accordance with security entitlements ✓</li> </ul>
	Preferential claims	<ul style="list-style-type: none"> <li>Corresponding with employees regarding the dividend ✓</li> <li>Preparing, issuing and receiving employee preferential claim agreement forms ✓</li> <li>Corresponding with the RPS regarding proof of debt <input type="checkbox"/></li> <li>Calculating dividend rate and preparing dividend file <input type="checkbox"/></li> <li>Preparing and paying distribution <input type="checkbox"/></li> <li>Ensuring PAYE/NIC is deducted and remitted to HMRC <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 claimants 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> </ul>



Category of work	General description	Work included
<b>Employees and pensions</b>  Estimate: 70.5 hours £25,343  Incurred to date: 70.5 hours £25,343	Communications with employees	<ul style="list-style-type: none"> <li>Drafting, issuing and delivering initial communications and announcements ✓</li> <li>Preparing letters to employees advising of their entitlements and options available ✓</li> <li>Receiving and following up employee enquiries via telephone, post and email ✓</li> </ul>
	Payroll	<ul style="list-style-type: none"> <li>Reviewing employee files and company's books and records ✓</li> <li>Reviewing awards and payroll structure ✓</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> </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>
	Pensions	<ul style="list-style-type: none"> <li>Reviewing insurance policies ✓</li> <li>Issuing statutory notices ✓</li> <li>Dealing with general pension scheme issues and the Pension Protection Fund □</li> <li>Calculating contributions and requesting payments to the relevant scheme or policy □</li> </ul>
<b>Trading</b>  Estimate: 46.6 hours £12,477  Incurred to date: 46.6 hours £12,477	Trading management	<ul style="list-style-type: none"> <li>Liaising with suppliers ✓</li> <li>Liaising with management and staff ✓</li> <li>Attending on site ✓</li> <li>Assisting management and staff with the sale of residual stock ✓</li> <li>Reviewing company's budgets and financial statements ✓</li> <li>Holding meetings to discuss trading position ✓</li> </ul>
	Processing receipts and payments	<ul style="list-style-type: none"> <li>Entering receipts and payments into our accounting system. ✓</li> </ul>
<b>Investigations</b>  Estimate: 13.7 hours £5,078  Incurred to date: 13.7 hours £5,078	Conducting investigations	<ul style="list-style-type: none"> <li>Collecting company/bankrupt's books and records where related to investigatory work ✓</li> <li>Reviewing books and records ✓</li> <li>Reviewing specific transactions and liaising with directors regarding certain transactions ✓</li> <li>Preparing investigation file and lodging findings with the Department for Business, Innovation and Skills ✓</li> </ul>
<b>Statutory and compliance</b>  Estimate: 107.7 hours £29,063  Incurred to date: 69.2 hours £17,638	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 ✓</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>
	Progress reports and extensions	<ul style="list-style-type: none"> <li>Preparing and issuing periodic progress reports to creditors and the Registrar □</li> <li>Making applications to creditors or court for the extension of the liquidation and filing relevant notices □</li> </ul>

Category of work	General description	Work included
	Books and records	<ul style="list-style-type: none"> <li>Collecting company/bankrupt's 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> </ul>
<b>Tax &amp; VAT</b> Estimate: 72.1 hours £25,158	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 tax computations □</li> <li>Liaising with HMRC □</li> </ul>
Incurring to date: 47.6 hours £17,435	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 ✓</li> <li>Deregistering for VAT purposes ✓</li> <li>Liaising with HMRC □</li> <li>Reclaiming VAT receivable by way of Form VAT426 □</li> </ul>
<b>Liquidation</b> Estimate: 205.2 hours £55,231	Strategy and planning	<ul style="list-style-type: none"> <li>Completing tasks relating to job acceptance ✓</li> <li>Preparing fee budgets &amp; monitoring cost □</li> <li>Holding team meetings not relating to trading and discussions regarding status of liquidation □</li> </ul>
Incurring to date: 170.2 hours £44,168	Accounting and treasury	<ul style="list-style-type: none"> <li>Opening and closing bank account 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 bank regarding specific transfers □</li> </ul>
	Closure procedures	<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>

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.

## 4.3 Our time charging policy and hourly rates

The time we charge to the liquidation 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 liquidators 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 hours). 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

	Maximum rate per hour from 1 July 2018 to 30 June 2019	Specialist maximum rate per hour from 1 July 2018 to 30 June 2019	Maximum rate per hour from 1 July 2019 to 30 June 2020	Specialist maximum rate per hour from 1 July 2019 to 30 June 2020
	(£)	(£)	(£)	(£)
<b>Partner</b>	640	1,445	690	1,650
<b>Director</b>	540	1,210	595	1,500
<b>Senior Manager</b>	465	1,230	515	1,150
<b>Manager</b>	365	735	405	800
<b>Senior Associate</b>	275	545	310	500
<b>Senior Associate (unqualified)</b>	200	-	230	-
<b>Associate</b>	180	270	210	275
<b>Support staff</b>	95	160	120	-

In common with all professional firms, hourly rates increase from time to time over the period of the liquidation (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.

## 4.4 Further approval

Creditors should be assured that the provision of a fees estimate will not affect the proper conduct of the liquidation. 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 7. In broad terms and in our experience, the key issues likely to affect the level of costs are:

- Any complex unsecured claims that may arise during the claims adjudication process and require further investigation;
- Any unanticipated Tax or VAT issues that may arise; and
- Any changes to our strategy that might be necessary as a result of the above.

We do not think we will need to seek further approval because we have now begun the procedures to distribute the funds to creditors following which we will close the case. In preparing our forecasts we have not anticipated encountering any major difficulties or many particularly complex claims connected to the distribution procedure.

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.

# 5. Expenses

## 5.1 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 page 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).

## 5.2 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 £125,870.

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.

Table 5 – Expenses estimate

Nature of expenses	Incurred to date (£)	Estimate of future expenses (£)
Gross wages & salaries	34,083	-
Rent & rates	15,616	-
Utilities	1,870	-
Property expenses	264	-
Agents' fees and disbursements - FPC Debt Collection	214	-
Pension deductions	11,746	-
Licence holder/royalty fees	8,271	-
Agents' fees and disbursements - Rendezvous Works Ltd	44,634	-
Insurance	387	-
Subcontractor costs and expenses	1,145	-
Legal fees and expenses Blake Morgan LLP	750	-
Office holders' disbursements	2,326	1,000
Statutory advertising	154	154
Storage costs	625	500
Utilities	1,870	-
Mail redirection	261	-
<b>Total incurred / estimated</b>	<b>124,216</b>	<b>1,654</b>
<b>Total</b>		<b>125,870</b>

## 6. Professionals and subcontractors

Table 6 – Professionals and subcontractors

Service provided	Name of firm	Reason selected	Basis of fees
Legal advice, including: <ul style="list-style-type: none"> <li>• Security review</li> </ul>	Blake Morgan LLP	Legal knowledge	Fixed Fee
Agents, including: <ul style="list-style-type: none"> <li>• Assisting with the collection of pre-appointment debts</li> </ul>	FPC Debt Collection	Industry knowledge /knowledge of the company	Percentage of realisations
<ul style="list-style-type: none"> <li>• Assisting with the sale of residual post appointment stock</li> </ul>	Rendezvous Works Ltd		

We require all third party professionals to submit time costs analyses and narrative in support of invoices rendered. We undertake the following steps to review professional firms' costs:

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

# 7. Notes and assumptions

## 7.1 Fees estimate

We have made the following assumptions in relation to our fees estimate:

- the liquidation will last between one and two years;
- the majority of creditor claims will not be complex; and
- that our hourly charge out rates will increase by up to 5% per year, with increases likely to happen on 1 July.

## 7.2 Expenses

We have made the following assumptions in relation to our expenses estimate:

- no additional assets will come to light which will require legal or agent assistance;
- no additional assets will come to light that will require insurance; and
- we will incur disbursements relating to the printing and postage of dividend cheques and final costs of storing the Company's books and records.

## 7.3 Associates

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