
***Milbrooke Construction Limited – in
Liquidation***

Remuneration Report: Initial Information to
Creditors including Fees Estimate

11 April 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
Administrator	Kevin Lucas of Lucas Johnson Limited
Company	Milbrooke Construction Limited – in liquidation
Directors	Anthony Coard & Timothy Hanley
Firm	PricewaterhouseCoopers LLP
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
Liquidators	Ross David Connock and Zelf Hussain
Preferential creditors	Creditors with claims for: <ol style="list-style-type: none">1. unpaid wages for the whole or any part of the period of four months before 28 April 2017 (up to a maximum of £800);2. accrued holiday pay for any period before 28 April 2017; and3. unpaid pension contributions in certain circumstances.
Prescribed part	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
RPS	Redundancy Payments Service (part of the Insolvency Service, an executive agency of the Department for Business, Energy & Industrial Strategy)
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

Ross David Connock and Zelf Hussain were appointed as Joint Liquidators of Milbrooke Construction Limited on 29 August 2017. Ross David Connock and Zelf Hussain 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 are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the liquidation.

2. Background

2.1. Purpose of this remuneration report

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. In this case, creditors elected a Liquidation Committee to represent their interests. It is for the Liquidation Committee to agree the basis of the Liquidators' fees and Category 2 disbursements.

Changes to insolvency legislation on 1 October 2015 also now require us 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 prior to the agreement of the basis of our fees by the Liquidation Committee. 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.

This report has no reference in respect of the prior administration of the Company, The Administrator's fees were disclosed in his final progress report.

2.2. How fees are calculated

IR16 currently allows fees to be calculated in three ways:

- As a percentage of the value of the assets which are realised, distribute or both (often referred to as a "percentage basis") by the Liquidator;
- By reference to the time properly given by us and our staff attending to the matters arising in the liquidation ("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 and distributing surplus funds; and
- We are unable to estimate with certainty the total amount of fees necessary to complete all tasks required in the liquidation.

In the next section, 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.

2.3. Estimated outcome for 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 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

<i>Class of creditor</i>	<i>Forecast return</i>	<i>Timing</i>
Secured creditor(s)	N/A	N/A
Preferential creditors	100 p/£	May 2018
Unsecured creditors	5-10 p/£	During 2018

2.4. Action required by you

This report is for your information only. The basis of our fees and Category 2 disbursements (as defined in Section 4.1) will be fixed by the committee. The members of the Liquidation Committee are;

Byfield Services Limited represented by Michelle Breslin;
Creoda Limited represented by Chris Smart; and
Moreton C. Cullimore (Gravels) Limited represented by Tor Jacomb.

If you have not yet submitted a claim in the Liquidation, you should now do so. This will enable us to agree creditor claims and assist in moving to an early distribution to creditors. A copy of the claim form can be downloaded from the website www.pwc.co.uk/milbrooke.

Creditors' rights

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

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

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 £102,950. The following tables summarises our anticipated time costs and then provides more detail on each area of work. Time costs are shown at the hourly rates set out later. This fees estimate covers the realisation of assets, fulfilling our statutory duties and distributing funds to the preferential and unsecured creditors.

In the period since our appointment to 31 March 2018, we have incurred time costs of £40,761, representing 40% of the fees estimate.

Table 2 – Time costs

	<i>Current fees estimate</i>			<i>29 August 2017 to 31 March 2018</i>		
<i>Category of work</i>	<i>Hours</i>	<i>£</i>	<i>Av. £</i>	<i>Hours</i>	<i>£</i>	<i>Av.£</i>
Accounting and treasury	26.00	6,002.00	230.85	16.10	3,455.80	214.65
Assets	35.00	8,915.00	254.71	20.50	6,540.00	319.02
Creditors	168.00	32,579.00	193.92	64.05	16,069.65	250.89
Creditors committee	75.00	20,135.00	268.47	26.65	7,934.75	297.74
Employees & pensions	2.00	440.00	220.00	0.00	0.00	0.00
Investigations	6.50	1,767.50	271.92	5.25	1,683.75	320.71
Statutory and compliance	60.00	17,717.50	295.29	20.75	4,317.55	208.07
Strategy & Planning	17.00	5,740.00	337.65	8.95	3,929.10	439.01
Tax & VAT	41.00	9,654.00	235.46	19.70	4,765.50	241.90
Total hours and cost	430.50	102,950.00	239.14	155.30	40,761.35	262.47

Our total remuneration cannot exceed the total amount of this fees estimate without prior consent from the Liquidation Committee.

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.

3.2. 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 31 March 2018.

In summary, the majority of the work involved in the Liquidation includes:

- liaison with agents and solicitors with regards to the recovery of contractual book debts;
- liaison with legal advisors relating to ongoing litigation regarding a recovery of costs claim arising from a pre-appointment dispute;
- fulfilling our statutory duties to report to creditors;

- reporting to the committee; and
- the agreement of the preferential and unsecured creditor claims and payment of these distributions.

Table 3 – Work we propose to do

Category of work	General description	Work included
Assets Estimate: 35.00 hours £8,915 Incurred to date: 20.50 hours £6,540	Property	<ul style="list-style-type: none"> • Liaising with Solicitors and the landlord regarding the disclaiming of the lease ✓
	Debtors	<ul style="list-style-type: none"> • Reviewing and assessing the debtor ledger ☐ • Liaising with debt collectors, and solicitors if recovery is required ☐
	Litigation – The Customer claim	<ul style="list-style-type: none"> • Initial review of the costs claim ✓ • Regular discussions with our solicitor regarding progression and potential outcome ☐ • Specific review of the points of dispute and strategy discussions ☐
	Other chattel assets	<ul style="list-style-type: none"> • Liaising with valuers and auctioneers ☐ • Reconciling asset listings ☐
	Insurance	<ul style="list-style-type: none"> • Identifying potential issues regarding property of insurance ✓ • Corresponding with insurer regarding initial and ongoing insurance requirements ☐
Creditors Estimate: 168.00 hours £32,579 Incurred to date: 64.05 hours £16,070	Creditor enquiries	<ul style="list-style-type: none"> • Setting up a dedicated website for delivery of initial and ongoing communications and reports ☐ • Receiving and following up creditor enquiries via telephone, email and post ☐ • Receipting and filing proofs of debts for the expected dividend ☐
	Preferential claims	<ul style="list-style-type: none"> • Corresponding with employees regarding dividend ✓ • Preparing employee preferential claim agreement forms ✓ • Corresponding with the RPS regarding proof of debt ✓ • Calculating dividend rate and preparing dividend file ☐ • Preparing and paying distribution →
	Unsecured claims	<ul style="list-style-type: none"> • Dealing with proofs of debt for dividend purposes ☐ • Adjudicating claims, including requesting further information from claimants (in this case the absence of a Statement of Affairs will add to the costs we incur)→ • Preparing correspondence to claimant advising outcome of adjudication and advising of intention to declare dividend → • Advertising intention to declare dividend → • Calculating dividend rate and preparing dividend file → • Preparing and paying distribution →
Employees and pensions Estimate: 2.00 hours £440 Incurred to date: 0 hours £0	Pensions	<ul style="list-style-type: none"> • Issuing statutory notices prior to closure ☐
Accounting and treasury Estimate:	Processing receipts and payments	<ul style="list-style-type: none"> • Set up of required bank accounts ✓ • Transfer of funds from the Administrators to the Liquidators bank account ✓ • Regular reconciliation of monies held ☐

<i>Category of work</i>	<i>General description</i>	<i>Work included</i>
26.00 hours £6,002		<ul style="list-style-type: none"> • Entering receipts and payments into accounting system. <input type="checkbox"/> • Payment of distribution → • Closure of the bank accounts →
Incurring to date: 16.10 hours £3,456		
Investigations Estimate: 6.50 hours £1,768	Conducting investigations	<ul style="list-style-type: none"> • Liaison with the Administrators regarding their investigations ✓ • Liaison with the Directors' trustee in Bankruptcy <input type="checkbox"/> • Reviewing books and records ✓
Incurring to date: 5.25 hours £1,684		
Creditors committee Estimate: 75.00 hours £20,135	Committee meetings (estimated 4 meetings)	<ul style="list-style-type: none"> • Establishing a creditors' committee and holding initial meeting ✓ • Arranging periodic committee meetings <input type="checkbox"/> • Conducting ongoing correspondence and holding meetings with members of the committee <input type="checkbox"/> • Post meeting administration and distributing documents as agreed during the meeting <input type="checkbox"/>
Incurring to date: 26.65 hours £7,935		
Statutory and compliance Estimate: 60.00 hours £17,718	Initial letters and notifications	<ul style="list-style-type: none"> • Preparing and issuing all necessary initial letters and notices regarding our appointment ✓
Incurring to date: 20.75 hours £4,318	Remuneration report	<ul style="list-style-type: none"> • Preparing and circulating to this 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"/>
	Case reviews	<ul style="list-style-type: none"> • Conducting case reviews after the first month, then every six months→
	Progress reports	<ul style="list-style-type: none"> • Preparing and issuing annual reports to creditors and the Registrar the Companies →
	Books and records	<ul style="list-style-type: none"> • Collecting company books and records where not related to investigatory work ✓ • Dealing with records in storage <input type="checkbox"/> • Sending case files to storage →
	Other statutory and compliance	<ul style="list-style-type: none"> • Filing of documents <input type="checkbox"/> • Updating checklists and diary management system <input type="checkbox"/>
Tax & VAT Estimate: 41.00 hours £9,654	Tax	<ul style="list-style-type: none"> • Gathering information for the initial tax review ✓ • Carrying out tax review and subsequent enquiries ✓ • Investigating potential Terminal Loss Relief claims <input type="checkbox"/> • Preparing tax computations → • Liaising with HMRC →
Incurring to date: 19.70 hours £4,766	VAT	<ul style="list-style-type: none"> • Gathering information for the initial VAT review ✓ • Carrying out VAT review and subsequent enquiries ✓ • Preparing VAT returns ✓

<i>Category of work</i>	<i>General description</i>	<i>Work included</i>
		<ul style="list-style-type: none"> Deregistering for VAT purposes ✓ Submitting VAT 426 to recover VAT on case expenses □ Liaising with HMRC →
Strategy & Planning	Strategy and planning	<ul style="list-style-type: none"> Completing tasks relating to job acceptance ✓ Preparing fee budgets & monitoring cost □ Holding team meetings and discussions regarding status of the liquidation □
Estimate: 17.00 hours £5,740	Closure procedures	<ul style="list-style-type: none"> Obtaining clearances from third parties → Completing checklists and diary management system → Closing down internal systems →
Incurring to date: 8.95 hours £3,929		

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 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 on the 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 on the below provide an indication of the maximum rate per hour.

Table 4 – Charge-out rates

<i>With effect to 30 June 2018</i>	<i>Maximum rate per hour (£)</i>	<i>Specialist maximum rate per hour (£)</i>
<i>Grade</i>		
Partner	620	1,315
Director	525	1,210
Senior Manager	450	1,230
Manager	355	735
Senior Associate	268	545
Associate	175	270
Support staff	92	160

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.

3.4. 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 (in this case the Liquidation Committee), for our fees to exceed the fees estimate.

Our fees estimate is based on a number of assumptions, which are explained in Section 5. In broad terms and in our experience, the key issues likely to affect the level of costs are the:

- availability and quality of the books and records;
- availability of a Statement of Affairs in order to agree claims (in this case no Statement of Affairs exists);
- any changes to our strategy that might be necessary as a result of the above;
- the complexity of any contract debt and level of work required to agree these claims;
- the involvement required in the ongoing litigation.

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.

3.5. Pre-appointment fees

The following costs were incurred before our appointment as Liquidators. The costs were incurred from the handover with the Administrators, preparing internal systems for the new appointment and liaison with Companies House regarding the filing of notice of move to Creditors' Voluntary Liquidation. It should be noted that more time than expected was incurred due to the delay in our formal appointment due to the delay in registering the end of the administration and start of the Liquidation by the Registrar of Companies.

Nature of costs	Hours	Amount (£)	Average rate (£)
Pre-appointment fees	10.75	3,496.35	325.20

We intend to seek approval of these fees as well as our post appointment fees estimate.

4. Expenses

4.1. What is an expense?

Expenses are defined in SIP9 as amounts properly payable by the Liquidators from the estate which are not their 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. Disbursements fall into two categories: Category 1 and Category 2:

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.

The 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 the Firm. The Liquidation Committee also have responsibility for agreeing the policies for the payment of Category 2 disbursements, which in this case are as follows:

Photocopying At 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying.

Mileage At a maximum of 70 pence per mile (up to 2,000cc) or 91 pence per mile (over 2,000cc).

Table 5 – Disbursements incurred up to 31 March 2018

Category	Policy	Costs incurred £
2	Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying.	0.00
2	Mileage - At a maximum of 70 pence per mile (up to 2,000cc) or 91 pence per mile (over 2,000cc)	0.00
1	Postage	10.30
1	Archiving costs	61.18
1	Statutory insurance bond	225.00
Total		£ 296.48

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 £174,244.

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 6 – Expenses estimate

	Incurred to date	Estimated future to incur	Anticipated total
	£	£	£
Liquidation expenses			
Insurance	215.33	-	215.33
Advertising costs	73.00	73.00	146.00
Storage	-	500.00	500.00
Bank charges	-	60.00	60.00
Legal fees	27,058.53	28,517.66	55,576.19
Agents fees	-	14,000.00	14,000.00
Liquidators fees	40,761.35	62,188.65	102,950.00
Liquidators disbursements	296.48	500.00	796.48
Total	68,404.69	105,839.31	174,244.00

5. Professionals and subcontractors

Table 7 – 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">• <i>Advising on the Liquidators ability to request a Statement of Affairs</i>• <i>Disclaiming the remaining leases</i>• <i>Advising on the ongoing litigation with regards to costs recovery</i>• <i>Responding to the defendants solicitors regarding the costs recovery</i>	Freeths LLP	Insolvency expertise	Time costs basis and disbursements
	Myerson Solicitors LLP	Industry knowledge	
	Just Costs Solicitors		
Debt recovery and asset agents, including: <ul style="list-style-type: none">• <i>Liaison with the debtors</i>• <i>Review of the contractual debt and realization potential</i>• <i>Realisation of the book debt ledger</i>• <i>Removing personal data from IT equipment and subsequent sale</i>	Naismiths Limited	Industry knowledge	Time costs basis and disbursements
	JPS Chartered Suveryors		

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 dialogues with regards to the working being performed.

6. Notes and assumptions

6.1. Fees estimate

- We have assumed the liquidation will last up to two years.
- We have assumed that no further realisations will become available that we are unaware of.

6.2. Expenses

- We have asked third parties for estimates based on their own assumptions. These estimates could change should the current circumstances also change.
- We have included our fees estimate in our expenses statement.
- We have assumed there will be an interim and final distribution to the unsecured creditors.
- Our expenses statement include expenses estimates from our professionals and subcontractors, these may change depending on the circumstances of the case.

6.3. 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.