
***Beaufort Securities Limited (in
Administration)***

Remuneration Report: Initial Information to
Creditors including Fees Estimate

16 August 2018



Table of Contents

1. Abbreviations and definitions	2
2. Background.....	3
2.1. Purpose of this initial advice to creditors	3
2.2. Action required by you	3
2.3. How fees are calculated.....	4
3. Our fees estimate	5
3.1. Summary	5
3.2. Work we propose to undertake.....	6
3.3. Our time charging policy and hourly rates.....	9
3.4. Further approval.....	10
4. Expenses	11
4.1. What is an expense?.....	11
4.2. Our expenses estimate	11
5. Professionals and subcontractors	13
6. Notes and assumptions	14
6.1. Fees estimate.....	14
6.2. Expenses	14
6.3. Associates.....	14

1. Abbreviations and definitions

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

Abbreviation or definition	Meaning
Firm	PricewaterhouseCoopers LLP
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
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 1 March 2018 (up to a maximum of £800);2. accrued holiday pay for any period before 1 March 2018; 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)
The Administrators	Russell Downs, Douglas Nigel Rackham and Dan Yoram Schwarzmenn
Unsecured creditors	Creditors who are neither secured nor preferential

Russell Downs, Douglas Nigel Rackham, and Dan Yoram Schwarzmenn have been appointed as joint administrators by the High Court to manage the affairs, business and property of Beaufort Securities Limited. The Administrators act as agents of the companies, without personal liability. All are licensed in the United Kingdom to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales. They 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 Administrators may act as Data 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 their instructions. Personal data will be kept secure and processed only for matters relating to the Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the 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.

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. Also, if our fees are proposed to include remuneration calculated on a time costs basis, we must provide an estimate of those fees. This report provides all this information and details of where further information can be obtained.

2.2. Action required by you

The following table gives our current estimates on the likely return for the various classes of creditors. We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment from the Company's assets. The joint 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>
Secured creditor(s)	£100p/p	Unknown
Preferential creditors	£100p/p	Unknown
Unsecured creditors	£0p/p	Unknown

1. Administrations ... Paragraph 52(1)b statement issued

We have stated in our proposals that we believe there will be no funds to distribute to unsecured creditors, other than via the prescribed part. We expect a dividend to be available for secured and preferential creditors.

This Remuneration Report is therefore for information purposes only and no action is required.

Creditors' rights

You can find information on administrators' fees and your rights at <https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

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 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 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 administration

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.

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 £889k. 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. This fees estimate covers a two year administration/liquidation period. We haven't included an estimate of our fees and the expenses for any subsequent liquidation.

In the period since our appointment to 31 July 2018, we have incurred time costs of £439k, representing 49% of the fees estimate.

Table 2 – Time costs

<i>Category of work</i>	<i>Hours</i>	<i>Fees estimate (£)</i>	<i>Average hourly rate (£/hour)</i>	<i>Hours incurred to 31 July 2018</i>	<i>Time costs incurred to 31 July 2018 (£)</i>	<i>Average hourly rate for time costs incurred to 31 July 2018 (£/hour)</i>
Assets	370	186,000	503	141	83,400	591
Employees and pensions	82	40,000	488	87	33,000	379
Investigations	363	177,000	488	246	125,400	510
Statutory and compliance	360	156,000	433	257	85,300	332
Tax and VAT	213	95,000	446	42	17,000	405
Strategy, reporting and other	439	235,000	535	261	94,400	362
Total hours and fees estimate	1,827	889,000	487	1,034	438,528	424

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. However, in the circumstances of this case, we do not expect to draw these costs in full for the following reasons:

- Eg. when we subsequently seek fee approval, different rates may be agreed with the fee approving body;
- Eg. there may be / are expected to be insufficient assets in this case;
- Eg. we may subsequently agree with the fee approving body, to limit the amount we draw to reflect the changing circumstances of the case

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 July 2018.

Table 3 – Work we propose to do

Category of work	General description	Work included
Assets Estimate: 370 hours £186k Incurred to date: 141 hours £83k	Property	<ul style="list-style-type: none"> • Carrying out title searches and securing relevant property records ✓ • Securing possession of property ✓ • Liaising with valuers, agents and landlords □ • Negotiating with joint owners and third parties for property sale, transfer or surrender →
	Debtors	<ul style="list-style-type: none"> • Corresponding with debtors □ • Reviewing and assessing debtors ledgers □ • Liaising with debt collectors and solicitors □
	Other chattel assets	<ul style="list-style-type: none"> • Liaising with valuers, auctioneers and interested parties □ • Reviewing asset listings □
	Intangible assets	<ul style="list-style-type: none"> • Carrying out tasks associated with realising such assets □
	Insurance	<ul style="list-style-type: none"> • Identifying potential issues requiring attention of insurance specialists ✓ • Reviewing insurance policies ✓ • Corresponding with insurer regarding initial and ongoing insurance requirements □ • Realising any value within policies →
	Third party assets	<ul style="list-style-type: none"> • Reviewing leasing documents ✓ • Liaising with owners/lessors □ • Carrying out tasks associated with disclaiming leases →
Employees Estimate: 82 hours £40k Incurred to date: 87 hours £33k	Communications with employees	<ul style="list-style-type: none"> • Drafting, issuing and delivering initial communications and announcements ✓ • Preparing letters to employees advising of their entitlements and options available ✓ • Receiving and following up employee enquiries via telephone, post and email □
	Payroll	<ul style="list-style-type: none"> • Reviewing employee files and company's books and records ✓ • Reviewing awards and payroll structure ✓ • Calculating and paying periodic payroll ✓ • Deducting and paying over PAYE/NIC to HMRC and other deductions to relevant agencies and third parties ✓
	Pensions	<ul style="list-style-type: none"> • Reviewing insurance policies ✓ • Issuing statutory notices ✓ • Dealing with general pension scheme issues and the Pension Protection Fund □ • Calculating contributions and requesting payments to the relevant scheme or policy □

<i>Category of work</i>	<i>General description</i>	<i>Work included</i>
Investigations Estimate: 363 hours £177k Incurred to date: 246 hours £125k	Conducting investigations	<ul style="list-style-type: none"> Collecting company books and records where related to investigatory work ✓ Reviewing books and records □ Preparing comparative financial statements and deficiency statement □ Reviewing specific transactions and liaising with directors regarding certain transactions □ Preparing investigation file and lodging findings with the Department for Business, Innovation and Skills □
	Asset recoveries	<ul style="list-style-type: none"> Identifying potential asset recoveries □ Instructing and liaising with solicitors regarding recovery actions → Holding internal meetings to discuss status of litigation → Attending to negotiations and settlement matters →
Statutory and compliance Estimate: 360 hours £156k Incurred to date: 257 hours £85k	Remuneration report	<ul style="list-style-type: none"> 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. ✓
	Initial letters and notifications	<ul style="list-style-type: none"> Preparing and issuing all necessary initial letters and notices regarding the administration and our appointment ✓
	Creditors' committee	<ul style="list-style-type: none"> Establishing a creditors' committee and holding initial meeting ✓ Conducting ongoing correspondence and holding meetings with members of the committee →
	Case reviews	<ul style="list-style-type: none"> Conducting case reviews after the first month, then every six months →
	Proposals and initial meeting of creditors	<ul style="list-style-type: none"> Drafting and reviewing a statement of proposals to creditors including preparing receipts and payments accounts and statutory information ✓ Circulating notice of the proposals to creditors, members and the Registrar of Companies ✓ Preparing meeting notices, proxies and advertisements ✓ Preparing meeting file, including agenda, attendance register and copy documents ✓ Making arrangements for the meeting and attending it ✓ Preparing minutes of meeting and issuing a report on the outcome to creditors ✓ Preparing decision notice and associated documentation <i>Physical meeting</i> - preparing meeting file, including agenda, attendance register and copy documents ✓ <i>Physical meeting</i> - making arrangements for the meeting and attending it ✓ Preparing a record of the decision and issuing a report on the outcome to creditors ✓
	Progress reports and extensions	<ul style="list-style-type: none"> Preparing and issuing periodic progress reports to creditors and the Registrar → Making applications to creditors or court for the extension of the administration and filing relevant notices →
	Books and records	<ul style="list-style-type: none"> Collecting company/bankrupt's books and records where not related to investigatory work ✓ Dealing with records in storage □ Sending job files to storage →

<i>Category of work</i>	<i>General description</i>	<i>Work included</i>
Tax & VAT Estimate: 213 hours £95k Incurred to date: 43 hours £17k	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	<ul style="list-style-type: none"> Gathering information for the initial tax review ✓ Carrying out tax review and subsequent enquiries ✓ Preparing tax computations → Liaising with HMRC →
	VAT	<ul style="list-style-type: none"> Gathering information for the initial VAT review ✓ Carrying out VAT review and subsequent enquiries ✓ Preparing VAT returns → Liaising with HMRC →
Strategy, reporting and other Estimate: 439 hours £235k Incurred to date: 261 hours £94k	Accounting and treasury	<ul style="list-style-type: none"> Opening and closing bank accounts and arranging facilities ✓ Dealing with receipts, payments and journals <input type="checkbox"/> Carrying out bank reconciliations and managing investment of funds <input type="checkbox"/> Corresponding with bank regarding specific transfers <input type="checkbox"/>
	Strategy and planning	<ul style="list-style-type: none"> Completing tasks relating to job acceptance ✓ Preparing fee budgets & monitoring cost <input type="checkbox"/> Holding team meetings and discussions regarding status of administration <input type="checkbox"/>
	Closure procedures	<ul style="list-style-type: none"> Withdrawing undertakings and obtaining clearances from third parties → Completing checklists and diary management system → Closing down internal systems →
	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 <input type="checkbox"/> Reviewing and preparing correspondence to creditors and their representatives <input type="checkbox"/> Receipting and filing proofs of debt when not related to a dividend <input type="checkbox"/>
	Secured creditors	<ul style="list-style-type: none"> Notifying secured creditors of appointment ✓ Preparing reports to secured creditor <input type="checkbox"/> Responding to secured creditor's queries <input type="checkbox"/> Making distributions in accordance with security entitlements →
	Preferential claims	<ul style="list-style-type: none"> Corresponding with employees regarding dividend → Preparing, issuing and receiving employee preferential claim agreement forms → Corresponding with the RPS regarding proof of debt → Calculating dividend rate and preparing dividend file → Advertising dividend notice → Preparing and paying distribution → Ensuring PAYE/NIC is deducted and remitted to HMRC →
	Unsecured claims	<ul style="list-style-type: none"> Dealing with proofs of debt for dividend purposes → Preparing correspondence to potential creditors inviting lodgment of proof of debt → Receiving proofs of debt and maintaining register → Adjudicating claims, including requesting further information from claimants → Preparing correspondence to claimant advising outcome of adjudication and advising of intention to declare dividend →

<i>Category of work</i>	<i>General description</i>	<i>Work included</i>
		<ul style="list-style-type: none"> Advertising intention to declare dividend → Calculating dividend rate and preparing dividend file → Preparing correspondence to creditors announcing declaration of dividend → Preparing and paying distribution →
	Shareholder enquiries	<ul style="list-style-type: none"> Responding to any shareholder queries □

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

<i>With effect to 30 June 2019</i>	<i>Maximum rate per hour (£)</i>	<i>Specialist maximum rate per hour (£)</i>
<i>Grade</i>		
Partner	900	900
Director	800	800
Senior Manager	600	600
Manager	500	500
Senior Associate	500	500
Associate	200	200
Support staff	150	150

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.

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 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;
- level of co-operation received, for example: from employees and continuity of key staff;
- duration of ongoing trading which requires more supervision and control;
- level of interest in the assets and speed of any sale;
- support from external stakeholders, including landlords and suppliers; and
- any changes to our strategy that might be necessary as a result of the above.

We do think we will need to seek further approval because of the current uncertainty over the length of the administration process.

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. 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
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 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:

Photocopying	At 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying.
Mileage	At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc).

4.2. Our expenses estimate

The following table shows expenses incurred to date and an estimate of further expenses we consider will be (or are likely to be) incurred.

The total expenses estimate for the case is £696,330.

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.

Our expenses estimate includes pre-administration costs that (if approved) would be payable as an expense of the administration and which were explained in more detail in our proposals dated 20 April 2018. 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.

Table 5 – Expenses estimate

<i>Nature of expenses</i>	<i>Incurred to 31 July 2018 (£)</i>	<i>Estimate of future expenses (£)</i>	<i>Total (£)</i>
Trading expenses			
Gross wages & salaries	62,000	20,000	82,000
Other expenses			
Agents' fees and disbursements – JPS Surveyors	0	1,000	1,000
Bank charges	15	200	215
Legal fees and expenses - Linklaters LLP	391,000	109,000	500,000
Legal fees and expenses – Linklaters LLP pre-administration costs	34,500	0	34,500
Pre-administration costs	20,000	0	20,000
Statutory advertising	1,350	2,000	3,350
Storage costs	315	500	815
Others (inc BACSL recharges)	4,450	50,000	54,450
Total expenses	513,630	182,700	696,330

5. Professionals and subcontractors

Table 6 – 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">• General advice on the administration appointment• General advice regarding matters arising in the administration as required	Linklaters LLP	Industry knowledge and insolvency expertise	Time costs and disbursements
Asset valuation and realisation, including: <ul style="list-style-type: none">• Asset realisation• Asset collections• Site clearance• Auctions	JPS Surveyors	Industry knowledge and insolvency expertise	Combination of time costs and disbursements; and percentage of realisations
Data storage	Iron Mountain	Industry knowledge and expertise	Fixed fee per unit
Insurance	IRS	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.

6. Notes and assumptions

6.1. Fees estimate

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

- We have assumed the administration will last for one year and will move to liquidation for the purpose of agreeing creditor claims and distributing surplus funds (if any) to unsecured creditors.
- We have assumed that the liquidation will last for one year.
- We have assumed that our hourly charge out rates will increase by up to 5% per year, with increases likely to happen on 1 July.

6.2. Expenses

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

- No property costs are incurred due to the operations of Beaufort Asset Clearing Services Limited “BACSL” on site.
- We anticipate a small amount of BACSL employment time to be spent on debtor recovery and will recharge accordingly.
- Future legal fees have been estimated to include time spent dealing with the FCA deregistration process and general ad hoc advice on the administration and liquidation process.

6.3. Associates

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