



**Joint Administrators' Proposals relating to
Metrix Commercial Interiors Limited ("the Company") – In Administration**

Company Registration Number: 04299332

Issued on: 9 June 2020

**In accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986 and
Rule 3.35 of the Insolvency Rules 2016**

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We, Virgil Harsham Levy of LA Business Recovery Limited and Danny Allen of 360 Insolvency Limited are the Joint Administrators of the Company and these are our statutory proposals relating to the Company.

1. STATUTORY INFORMATION

Company Information

Company name:	Metrix Commercial Interiors Limited
Trading names:	Metrix Interiors / Metrix
Company number:	04299332
Date of incorporation:	04/10/2001
Former trading address:	3 The Court Yard, Furlong Rd SL8 5AU
Former registered office:	29-31 Castle Street, High Wycombe, HP13 6RU
Registered office:	1 Beasley's Yard, 126 High Street, Uxbridge, Middlesex, UB8 1JT
Principal trading activity:	Design, build and refurbishment

Appointment Details

Administrators and their addresses:	Virgil Harsham Levy of LA Business Recovery Limited ("LABR"), 1 Beasley's Yard, 126 High Street, Uxbridge, Middlesex, UB8 1JT Danny Allen of 360 Insolvency Limited ("360 Insolvency"), 1 Castle Hill Court, Rochester, Kent, ME1 1LF
Date of appointment	16 April 2020
Court name and reference	High Court of Justice CR-2020-002115
Appointment made by:	Steven Saunders and Mark Saunders, the Directors
Actions of Administrators:	Any act required or authorised under any enactment to be done by an administrator may be done by either or both of the Administrators acting jointly or alone.

Officers of the Company:

Directors:	Date of Appointment:	Date of Resignation:	Shareholding
Mark Saunders	04.10.2001	-	33 of 81, jointly held with Julie Saunders
Steven Saunders	04.10.2001	-	33 of 81, jointly held with Louise Saunders

Other Shareholders:

Gary Saunders and Pamela Saunders – 15 Ordinary Shares, held jointly.

Charges

National Westminster Bank PLC ("the Bank") has a fixed and floating charge over the assets of the Company created on 3 June 2003 and was delivered and filed at Companies House on 7 June 2003.

The Bank's floating charge was created and registered before 15 September 2003 and therefore we are not required to create a fund from the floating charge assets known as the Prescribed Part.

2. CIRCUMSTANCES LEADING TO THE APPOINTMENT OF THE ADMINISTRATORS

Creditors should note that background information to the Company's affairs has been obtained from narrative prepared and provided by the directors of the Company, subject to contextual editing.

The Company was formed in October 2001 by Gary Saunders, Steve Saunders and Mark Saunders and was set up as a specialist design and build company with its main focus on office interiors. Over the years the Company has evolved to incorporate such services as refurbishment and construction services to end-users and landlords. The decision to form the Company was taken due to them being made redundant by another interior design and build contractor.

Initially, the Company was started with the directors operating from home and serviced offices and working capital was funded by an initial loan of £50,000. The Company was able to repay this loan within a reasonable timeframe as it began making profits.

Significant milestones in the Company's trading history were:

- By 2005 a UK headquarters for international clients was opened.
- In 2006 the Company carried out its first showroom fit-out, which was a contract valued at £550,000.
- In 2007 the Company gained its first £1million contract.
- In 2008 it relocated to new offices, increased staff numbers and gained an £800,000 contract for a major oil company.
- In 2010 it attained Safe Contractor approved status and also gained a £1.5million contract working with a media company.
- By 2012 it gained its first residential project.
- By 2014 it completed its first mixed-use development scheme, converting offices into twelve apartments with a contract value of £3.5million.
- In 2015 it was successful in gaining its largest refurbishment project, which was a four-storey office block – a contract worth £1.7million.
- In 2016 it carried out its first large-scale industrial project at a value of £1.2million.
- By 2017 the Company became accredited by the Master Federation of Builders.
- In September 2017 Gary Saunders resigned as company director and sold his shareholding to the Company.

The Company developed a good trading record and was able to obtain support from the Bank, who provided facilities to enable larger contracts to be taken on.

In 2017, the Company gained its largest project; a development in Kent with a contract value of £4.3m. However, problems were encountered and losses suffered as a result are subject to on-going claims, on which further comment is provided herein.

In 2019 the Company was appointed to carry out work as a sub-contractor for a swimming pool contractor on a Berkley Homes development in Battersea. Unfortunately the project had major issues throughout the supply chain resulting in claims against the client and one of the sub-contractors.

Following the issues detailed above in January 2020 the directors sought advice from the Company's accountants and subsequently LABR. Having taken advice, the directors proposed a CVA with a view to continued trading and continued conduct of the legal claims to recover funds for creditors.

During March 2020 the global problems associated with Covid-19 meant that the CVA option became unviable. Accordingly, the directors reconsidered initial options provided by LA Business Recovery and they took steps to place the Company into Administration on 16 April 2020.

3. OBJECTIVES OF THE ADMINISTRATION AND THE ADMINISTRATORS' STRATEGY FOR ACHIEVING THEM

As Administrators of the Company, we are officers of the Court, and must perform our duties in the interests of the creditors as a whole in order to achieve a purpose of the Administration, which is to achieve one of the three objectives set out in paragraph 3 of Schedule B1 of the Insolvency Act 1986 the insolvency legislation, namely to:

- a) rescue the Company as a going concern; or
- b) achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or
- c) realise property in order to make a distribution to one or more secured or preferential creditors.

Objective (a) could not be achieved because the Company lacked a suitable asset base over which borrowing or investment might be secured and existing banking facilities were already fully utilised. It was considered unlikely that any party with an interest in acquiring the business would be interested in acquiring shares of the Company in its insolvent state, particularly given the nature of its asserts and the legal claims being pursued. It was not possible for the Administrators to continue trading in administration because it has insufficient cash to meet on-going trading expenses and it had been forced to cease trading as a result of the Covid-19 pandemic, making the likelihood of a sale as a going concern extremely unlikely.

Objective (b) may be achievable, depending on the level of realisations achieved in the Administration. Recoveries are likely to be subject to legal proceedings and whilst it possible that the outcome might be better overall, it is difficult to comment on what the outcome might be for creditors generally.

As a result, we are initially seeking to achieve objective (c). As you will see from the notes below, we have already achieved some realisations and have liaised with the Bank in relation to the application of the proceeds. It should be noted that seeking to achieve purpose (c) initially does not preclude us as administrators from also seeking to achieve purpose (b).

The insolvency legislation has set a 12 month maximum duration for Administrations, unless the duration is extended by the Court of the consent of the appropriate creditors.

If we are unable to complete the Administration of the Company within 12 months then we will seek consent to extend in the first instance.

The Administration's current termination date would be 15 June 2021.

4. ACTIONS OF THE ADMINISTRATORS FOLLOWING APPOINTMENT

Following our appointment as Administrators, we confirmed that trading activities would not recommence and the employees were dismissed shortly after.

We agreed a general division of duties, which have been split as follows for our internal purposes only:

LABR:

- Administration: Statutory notices and adverts, books and records recording and storage, statutory reporting, cashing (inc. VAT & Corporation Tax), Maintenance of a bank account, IPS and bonding
- Asset Realisations: Pursuing book debts, retention claims and purported claims
- Creditors

360 Insolvency:

- Administration: Maintenance of IPS, a case diary and bonding
- Asset Realisations: Investigating retentions and purported claims
- Investigations: Collection and review of books and records, bank analysis, interviews, Statement of Insolvency Practice 2 ("SIP2") and further enquiries, preparation and submission of the Directors' conduct report

You will note that some areas of work overlap, such as both obtaining statutory bonds. This is because we are both required to have a bond in place.

Whilst there has been a division of duties, we will continue to liaise and work alongside one another to ensure our duties are being carried out efficiently.

Some elements of work are required to be undertaken by statute but do not bring about any financial benefit to creditors.

Since our appointment, we have instructed Axia Valuation Services ("Axia") to assist with the collection of the books and records from the former office premises and instructed Harrison Clark Rickerby LLP ("HCR") to arrange for a voluntary surrender of the lease for the office premises and to advise in relation to claims and retentions. Axia was engaged to advise us in relation to the Directors' approach to acquire certain assets, classified as intellectual property ("the IPR assets"), as follows:

- The brand and trading style "Metrix Interiors"
- The website and domains for metrixinteriors.co.uk
- Metrix telephone numbers

The IPR assets were sold for £10,000.00 plus VAT to Metrix Developments Limited on 4 May 2020 and the following payment terms have been agreed:

- Immediate payment of £4,000.00
- Second payment of £4,000.00 no later than 5 June 2020
- Final payment of £4,000.00 no later than 5 July 2020

Axia was instructed on this assignment because it holds the requisite experience and adequate professional indemnity for the assignment.

We can confirm that the initial two instalments have been received by Axia.

The Bank, as fixed charge holder, has approved the costs associated with the fixed-charge realisations and it has approved that net proceeds be utilised in the Administration to meet general costs and disbursements.

More information on this sale can be found in section 4, below under '*Connected Party Transactions*'.

HCR and the joint administrators initiated contact with various parties connected to disputed retentions and purported claims assets, as listed by the Directors in their draft Statement of Affairs.

Based on the current information, we cannot provide any certainty as to the quantum of fees and costs in respect of realising these assets at this time.

We are uncertain if there will be a distribution to the unsecured creditors on the current information.

Since our appointment, we have completed the following work:

LABR

Administration:

- MLR and ethical considerations
- Setting up the physical case file
- Setting up an IPS case file
- Inputting a list of creditors
- Issuing the notice of the Administration and our appointment as Administrators to all relevant parties, including the Registrar of Companies
- Gazetting our notice of appointment
- Obtaining a specific penalty bond and monthly checks
- Opening up a bank account
- Monthly bank reconciliations
- Drafting the Administrator's Proposals
- 1 month case review
- Reviewing and recording the Company's books and records
- Filing
- Issuing the notice of the Statement of Affairs

Realisation of Assets:

- Arranging open cover
- Consideration of the Directors' Loan Accounts
- Liaising with the secured creditor over the IPR asset
- Instructing agents consider, value and to sell assets
- Discussed with the agent the interest and negotiation of other potentially interested parties
- Reviewing sale terms
- Initial consideration of potential VAT refund (as listed on the Directors' draft statement of affairs)
- Review of the claims and retention position in conjunction with 360 Insolvency
- Liaising with our solicitors and the Company's insurers regarding potential claims

Creditors:

- Updating creditor information
- Dealing with creditor correspondence, emails and telephone conversations
- Obtaining employee information and inputting onto IPS
- Completing and submitting the RP14 and RP14a to the Insolvency Service
- Liaising with employees and the Redundancy Payments Service regarding claims
- Liaising with the secured creditors – telephone

360 Insolvency

Administration:

- MLR and ethical considerations
- Setting up the physical case file
- Setting up an IPS case file
- Obtaining a specific penalty bond and monthly checks
- Reviewing the Administrator's Proposals
- 1 month case review
- Reviewing and recording the Company's books and records
- Filing

Investigations

- Recovered books and records and prepared and inventory thereof.
- Commenced review of the books and records and the Company's accounting data in accordance with SIP2

Realisation of Assets

- Commenced review of the claims and retention position in conjunction with LABR

Role of the Insolvency Practitioner

As all creditors will already know, LABR was approached in January 2020 to assist the Directors in drafting a Company Voluntary Arrangement (CVA) and Mr Levy acted as Nominee thereto.

Given the impending Covid-19 outbreak and resulting lockdown, the Directors took the decision to withdraw the CVA and place the Company into Administration.

Mr Levy and the Directors approached Mr Danny Allen of 360 Insolvency with a view to dividing certain roles and to avoid any perceived conflict that may arise between Mr Levy's prior position as Nominee and his proposed appointment as sole Administrator. It was decided that it would be clearer and more beneficial for creditors for an independent insolvency practitioner to undertake the initial and any detailed investigations. Further, the joint appointment ensured that the volume of work likely to be required could be conducted expeditiously.

It was noted by both proposed Administrators that there may be significant risk to them that their time costs may not be fully recoverable, but were prepared to accept the appointment jointly in order to progress matters.

Mr Allen was introduced to the Board of the Company by Mr Levy in early April 2020.

Immediately prior to the commencement of the Administration we advised the Board on the Company's financial difficulties and the obvious difficulties in being unable to reach their sales targets whilst the pandemic restrictions were in place.

No advice was given to the individual directors regarding the impact of the insolvency of the Company on their personal financial affairs. Whilst not formally in office at that time as Administrators, we were still required to act in our dealings with the Company in accordance with the Insolvency Code of Ethics. Neither Mr Levy in his capacity as Nominee or Advising Member to the Company nor Mr Allen in the pre-appointment phase departed from the ethical code.

Ultimately the Company was placed into Administration and we were appointed as Joint Administrators. We are officers of the Court and we have taken over the management of the Company from the Board. As indicated above, the primary purpose of this Administration is to achieve

objective C. In order to help us achieve the objective we have a wide range of powers, as set out in the insolvency legislation, and we must perform our functions as quickly and efficiently as is reasonably practicable. As we are pursuing objective c) we need only ensure that we do not unnecessarily harm the interests of the creditors of the Company as a whole.

Pre-appointment considerations

Essentially, the Company's CVA was no longer deemed to be viable given the Covid-19 outbreak and its restrictions generally on trade. There was no working capital available and therefore the Directors felt they had no other option but to use the statutory moratorium available under Administration in order to allow us time and space to investigate and assess what steps we may take next.

We engaged with the Bank and provided an estimated outcome statement on behalf of the Board. The Bank confirmed they would not object to our joint appointment.

Connected Party Transactions

On 4 May 2020, we sold the fixed assets relating to intellectual property of the Company to Metrix Developments Limited, a company connected with the Company by virtue of it having the same directors, who are both also shareholders of the purchaser. No formal valuation of these assets of the Company was deemed appropriate by our sales and negotiation agent, Axia Valuations Services Limited ("Axia").

Axia is an independent firm of valuation agents and negotiators, who have confirmed that they hold Professional Indemnity Insurance and who work with a number of insolvency professionals in similar assignments.

Axia believe that because the purchaser already had a trading company with the same or similar name, no third party would pay a higher sum than the purchaser. Axia did make wider enquiries of interest from the shareholders of the Company, but no offers were made. Axia believe that given the perceived damage to Metrix' brand and reputation, it did not see the merit in taking time to undertake any wider marketing activity. The telephone and email addresses were unique to the Directors and therefore a swifter realisation was made and agreed. We were satisfied that we could rely on Axia's work for the aforementioned reasons.

The assets were sold for £10,000 plus VAT, as detailed below:

Date of transaction	Assets & nature of transaction	Consideration to be paid	Purchaser	Relationship
04.05.2020	Intellectual Property for The Brand and Trading Style "Metrix" The Website & Domains (metrixinteriors.co.uk) Telephone Numbers	£10,000.00 plus VAT	Metrix Developments Limited	Directors and Shareholders of both Metrix Commercial Interiors Limited and Metrix Developments Limited

Axia negotiated the sale at arm's length and was unfettered by bias in their dealings on our behalf.

We have notified the directors of the provisions of sections 216 and 217 Insolvency Act 1986 and re-using company names.

5. FINANCIAL POSITION OF THE COMPANY

We have asked the directors to prepare a summary of the Company's estimated financial position as at 16 April 2020, which is known as a Statement of Affairs. The directors have complied, but their statement contains formatting and arithmetical errors, such that we consider its inclusion in this report would be misleading and unhelpful to creditors. Accordingly, we have asked them to resubmit it, but at time of issuing this report it has not been received.

In the circumstances, we have prepared an estimate of the financial position of the Company as at 16 April 2020 from the records of the Company. We attach a copy of the estimate at Appendix 1, together with a list of names and addresses of all known creditors and the amounts of their debts (other than in respect of employees, since we are not permitted by the insolvency legislation to disclose such information). We refer you to Appendix 1.

Comments on Administrators' estimate of the financial position of the Company

Assets

Retentions

We are aware of 5 projects with retention values totalling approximately £130,000.

As creditors will appreciate, retentions are common in construction contracts and are usually held by an employer to cover the cost of defects arising after completion of works and as an incentive to ensure that the contractor deals with rectification. They are subject to the terms of contracts entered in each respect and usually become repayable at a fixed point in time, typically 12 months after completion (though the terms may differ from contract to contract).

Where defects require remediation, we may engage with the employer and/or other contractors to complete the works or attribute a value thereto in order to release any balance that might be available. We review these on a case by case basis and recoverability will depend upon the retention value, the cost of the works required and the time that it may take to complete the works. For these contracts we are in the process of reviewing same and can report as follows:

Contract	Retention value	Date due	Defects/notes
Lingfield	£12,000	Now	Defects require attention and are being investigated
Windsor	£10,000	July 2020	Unaware of any at this time; and we expect therefore to be able to raise an invoice in order to collect this retention.
St Nicholas Church	£10,000	Now	Defects with work and operating manuals – considering approach to independent Quantity Surveyor
WZO	£42,250	Dec 2019	Schedule of defects, potential counterclaim; seeking and awaiting legal advice
St Paul's Church	£55,244	12+ months	Project incomplete, defects to address, potential counterclaim. Preparing papers for independent Quantity Surveyor to assess and shall take legal advice

We are liaising with the directors and professional advisers to determine the most appropriate way of dealing with these matters, where appropriate.

Claims – subject to on-going / potential litigation

Prior to our appointment the Company had a number of on-going claims relating to contractual disputes. In some cases, the claims were said by the Directors to be in the hands of insurers and our solicitors are liaising with them instructed solicitors in order to fully understand the position, the potential recoveries, the likelihood of success (where possible) and the attendant risks that we may face in continuing the claims as Administrators. We have engaged HCR solicitors to advise us in respect of the claims.

At the time of preparing this report, we can advise that our enquiries with the parties referred to above have been hindered by the Covid-19 pandemic and the inability of persons contacted to attend their offices to consult files etc. Now that restrictions are easing, we expect to be able to progress these matters. For the avoidance of doubt, as far as we have been able to ascertain, there has been no prejudice to the claims by the passing of time; no deadlines have been missed and none are subject to time limits imposed by the Limitations Act.

The potential claims can be summarised as follows (details have been redacted to avoid any possible prejudice to on-going or potential legal proceedings:

Claim identifier	Retention value	Notes
Claim 1 – Employer	£660,000	Awaiting data, files and initial advice from the Company's former solicitors
Claim 2 – Sub-contractor	£250,000	Potential counter claim or adjudication – Awaiting data, files and initial advice from the Company's former solicitors
Claim 3 – Surveyor	£714,000	Contract losses and professional fees, potential Professional Indemnity Claim - Awaiting data, files and initial advice from the Company's former solicitors
Claim 4 – Sub-contractor	Uncertain	True value adjudication and potential claim against surveyor
Claim 5 – Sub-contractor	£70,000	Adjudication may be required
Claim 6 – Surveyor	£70,000	Contract losses – liaising with the relevant parties in order to establish the position

Our enquiries in relation to the above continue and we expect to be able to report more fully to creditors when we issue our first progress report, which covers the first 6 month period of the administration and will be issued within one month thereafter.

IPR assets

As referred to in detail within this report, we have sold the IPR assets for £10,000 plus VAT.

Trade debtors

The director's statement of affairs discloses trade debtors of c£20,000. We have recovered the Company's records and will be making demand for payment where appropriate.

Creditors will appreciate there are a number of restrictions on debt recovery activity as a result of the Covid-19 pandemic.

Cash at bank and in hand

The Company had modest cash balances of c£230.00, which have been offset against the Bank's indebtedness. We do not expect any recoveries in this regard.

Petty cash

The directors' draft statement of affairs disclosed petty cash of £431.04. We have asked for this to be delivered up.

VAT refund

The directors have advised that the Company is due a VAT refund in the sum £49,163.91. It has been noted that VAT refunds have previously been offset against other sums owed to HM Revenue & Customs and recoverability will be subject to a reconciliation of the overall liability to HM Revenue & Customs. HMRC submitted an integrated claim in the CVA of £1,588,019.66, but which the Directors dispute.

Directors' loan accounts

The Company's CVA proposals included sums owned by the directors totalling £ 76,247.00. We are reviewing the Company's financial records to confirm the amount owed before making demand.

Other assets

At this stage, we are not aware of any other assets in the estate.

Liabilities

Secured creditor – Natwest Bank plc ("Bank")

The Bank provided overdraft and loan facilities to the Company, secured by fixed and floating charge security over the Company's assets and undertaking. The charge was created 3 June 2003 and registered 7 June 2003. At this stage, we have no reason to consider that the charge is not valid, however, a routine validity review will be undertaken prior to distributing funds to the Bank by our legal advisors.

At the time of preparing this report, we understand the indebtedness to the Bank is in the region of £306,000.

Where realisations only permit us to be able to make distribution to the Bank against its fixed and floating charges, we shall then move the Company to dissolution in accordance with Paragraph 84 of Schedule B1 of the Insolvency Act 1986.

If we make sufficient realisations to enable a distribution to the unsecured creditors, we will file a notice with the Registrar moving the Administration to Creditors' Voluntary Liquidation ("CVL") in order for the distribution procedure to be followed in accordance with Paragraph 83 Schedule B1 Insolvency Act 1986.

Where, in this scenario, we believe that it will be more cost effective to apply to Court for an order permitting us to distribute funds to the unsecured creditors an application to Court will be made. In this scenario, providing the Order is granted, the Company will move to dissolution in accordance with Paragraph 84 Schedule B1 Insolvency Act 1986 and the Administration will be considered to be concluded.

Prescribed Part

There are provisions of the insolvency legislation that require an Administrator to set aside a percentage of a Company's assets for the benefit of the unsecured creditors in cases where the Company gave a "floating charge" over its assets to a lender on or after 15 September 2003. This is known as the "prescribed part of the net property." A Company's net property is that left after paying the preferential creditors, but before paying the lender who holds a floating charge. An Administrator has to set aside:

- 50% of the first £10,000 of the net property; and
- 20% of the remaining net property;

up to a maximum of £600,000.

The Company gave a fixed and floating charge to National Westminster Bank Plc on 3 June 2003, which was registered with the Registrar of Companies on 7 June 2003. Since this charge was given before 15 September 2003 the prescribed part provisions will not apply.

Preferential creditors – employees

Employees were made redundant on 29 April 2020 having been notified of the possibility on 21 April 2020.

We are aware that employees have submitted claims to the Redundancy Payments Service ("RPS") and we have submitted the required RP14 and RP14a forms.

We are liaising with the RPS in respect of employee related claims and now await the submission of a subrogated claim by the RPS.

We will confirm the position in our next progress report.

Unsecured creditors

Trade and expense

We are aware of 42 creditors with claims totalling £2,224,342.99. Creditors are invited to prove their debt using the proof of debt form provided with this report and creditors should not be unduly concerned if the value stated in this report differs to that stated in their own records; the administrator and/or subsequently appointed liquidator will undertake an independent adjudication of the claims prior to issuing any dividend.

Crown creditors

HMRC submitted a claim in the CVA of £1,588,019.66. This is disputed by the Directors and an appeal was lodged by the Company's former accountants. We await an update on the position.

Connected creditors

Gary Saunders, a shareholder and former director, has submitted a claim of £744,564.00 in the Administration.

6. ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT

I attach a summary of the receipts and payments relating to the Company for the period from when it entered Administration, 16 April 2020, to the date of these proposals, at Appendix 2.

There have been no transactions in this period, although I can confirm that Axia are holding £8,000.00 in relation to the sale of IPR assets to Metrix Developments Limited.

7. PROPOSED FUTURE ACTIONS OF THE ADMINISTRATORS TO ACHIEVE THE OBJECTIVE OF THE ADMINISTRATION

In order to achieve the objective of the Administration of the Company we propose (and have already commenced the work) to investigate the veracity of the purported claims that the directors believe exist against third parties.

We are also investigating and establishing whether the book debts and retentions are collectable.

We have managed to sell certain fixed assets relating to intellectual property. Disclosure pursuant to Statement of Insolvency Practice 13 has been made in these Proposals.

We are investigating the additional assets as disclosed by the directors in their draft Statement of Affairs relating to a pre-appointment VAT refund. We are also investigating HMRC's claim, which we understand will have a significant impact on any potential pre-appointment VAT refund. We note that HMRC's claim did not appear in the Company's CVA Proposal for the amount that they are claiming. Consequently, our investigations remain on-going into potential antecedent transactions which date back to the periods covered by HMRC's claim.

8. ADMINISTRATORS' REMUNERATION AND EXPENSES

At this stage we are not seeking a decision from the creditors on whether or not to approve Administrators' remuneration. Given that we have not yet been able to gather sufficient information to form or give creditors a clear view as to the likely outcome in the Administration, we have decided to defer seeking approval for our remuneration. We will issue remuneration proposals under separate cover when we are able to formalise the position on recoveries in respect of the claims and retention assets.

However, we are considerate of the need to ensure our advisors, experts and solicitors are paid in order to determine the various investigations that are on-going. Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>. Details about how an office holder's fees may be approved for each case type are available in a series of Guidance Notes issued with Statement of Insolvency Practice 9, and they can be accessed at <https://www.labusinessrecovery.com/guide-to-fees>. There are different versions of these Guidance Notes, and in this case please refer to the April 2017 version.

We have used the following agents or professional advisors since our appointment as Administrators:

Agent / Advisor	Nature of Work	Fee Arrangement
Axia Valuation Services Ltd	Valuation and negotiation agent re: sale of fixed assets	10% of assets realised
Axia Valuation Services Ltd	collection of desktops, books and records; data cleanse	Fixed cost – awaiting from agent

Harrison Clark Rickerby Solicitors ("HCR")	Solicitors – insolvency and construction advice	Time Costs – see below for more information
Rabbow & Co	Transfer books and records between locations	Awaiting from agent.

The choice of professionals was based on our perception of their experience and ability to perform this type of work and the complexity and nature of the assignment. I also considered that the basis on which they will charge their fees represented value for money.

HCR's post-appointment fees to date are £7,200 plus VAT. There are no disbursements. Since appointment HCR has undertaken the following work:

- Advising in relation to the interim third party debt orders;
- Dealing with the interim third party debt orders which included correspondence with the various parties, as well as preparing a consent order and filing the same with the court and follow up telephone calls and emails with the court;
- Discussing the various construction assessments and claims;
- Providing advice in relation to employees and assisting with preparation of a letter to the employees;
- Dealing and corresponding with the Landlord in relation to the company's premises and dealing with surrendering the lease; and
- Correspondence with solicitors acting in relation to claims and retentions

The expenses incurred by LA Business Recovery Limited to date are as follows:

Type of expense	Expense Provider	Amount incurred/accrued since appointment	Amount still to be paid
Statutory Bond	AUA Insolvency Risk Services Limited	£80.00 + VAT	£80.00 + VAT
Advertisement	EPE Reynell	£76.00 + VAT	£76.00 + VAT
Open Cover Insurance	AUA Insolvency Risk Services Limited	£150.00 + insurance premium tax	£150.00 + insurance premium tax

The expenses incurred by 360 Insolvency Limited to date are as follows:

Type of expense	Amount incurred/accrued since appointment	Amount still to be paid
Statutory Bond	£260.00	260.00

We have not been able to draw any expenses in this matter as we have not, until recently, been in receipt of funds.

Expenses going forward

Whilst we are unable to anticipate all expenses that we might need to incur, we estimate that we may incur the following up to the date of the next progress report:

- Expert Quantity Surveyor: Estimated between £5,000-£10,000
- Legal fees for: construction/adjudication assistance/initial advice. Estimated at £5,000-£7,500

- Legal Fees: General Insolvency Advice - £10,000-£15,000

If we realise assets beyond our estimates we may need to increase our statutory bonds, which will incur an additional cost, depending on the value of realisations.

Please note that expenses do not have to be approved, but when reporting to any committee and the creditors during the Administration or any subsequent Liquidation, the actual expenses incurred will be compared with the original estimate provided and we will explain any material differences (for example, where legal costs rise due to escalated recovery action).

9. PRE-ADMINISTRATION COSTS

Legal fees - HCR advised us as proposed joint administrators and undertook the necessary legal formalities to put the company into Administration. Their costs for providing that work were £5,662.50 plus VAT and filing fee of £100. This amount is to be sought to be paid as an expense of the Administration with the consent of the secured creditor.

Prior to our appointment HCR undertook the following work:

- Provided advice in relation to withdrawing the proposed CVA
- Discussed appointment and the documents and proposed course of action;
- Assisted with preparing the appointment documentation, filing the same with the court and subsequently serving the same on the relevant parties; and
- Liaising with the secured creditor including a conference call.

We seek approval for HCR's and Axia's costs to be paid as an expense of the Administration.

Initially, creditors are invited to form a committee. If a committee is established, we will seek approval from the committee. If no committee is established, we ask creditors to approve remuneration and costs (where applicable). Documentation for creditors to confirm whether or not they wish to form a committee accompanies this report. Alternatively, to agree these costs by way of a decision process accompany this report.

Further guidance on how an Administrator may be remunerated can be found in Statement of Insolvency Practice No9; "A Creditors' Guide to Administrators' Fees" which can be downloaded from the following web address: <http://www.icaew.com/en/technical/insolvency/creditors-guides>.

Copies of the guide are available online and can be sent to you upon request.

Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>.

10. ADMINISTRATORS' INVESTIGATIONS

We have a duty to consider the conduct of those who have been directors of the Company at any time in the three years preceding the Administration. We are also required to investigate the affairs of the Company in general in order to consider whether any civil proceedings should be taken on its behalf.

The initial investigations are predominately carried out under the guidance of Statement of Insolvency Practice Number 2, ("SIP 2") which sets out best practice to be followed. SIP 2 suggests that enquiries should be made of the Company's creditors as to whether or not they have any concerns they wish to raise or any potential recoveries for the estate.

We should be pleased to receive from you any information you have that you consider will assist us in this duty. I would stress that this request for information forms part of my normal investigation procedure and does not imply any wrongdoing.

We note that a number of creditors have neither provided to us their completed questionnaires nor details of areas for investigation. We encourage creditors to do so and advise that we are looking at certain areas as highlighted by the few creditors who have responded.

Where appropriate to do so, we will provide further information in our next report.

11. RECAST REGULATIONS ON INSOLVENCY PROCEEDINGS

The Centre of the Company's Main Interests is in England and I therefore consider that the EP and Council Regulation (EU) 2015/848 on Insolvency Proceedings (Recast) (the "Recast Regulation") will apply. These proceedings will constitute main insolvency proceedings as defined in Article 3 of the Recast Regulation.

The Company is registered in the United Kingdom and its Centre of Main Interest ("COMI") is considered to be the United Kingdom.

12. ADMINISTRATORS' PROPOSALS

In order to achieve the objective set out at section 3 above, we formally propose to creditors that:

- (a) We continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration. In particular that we:
 - (i) Continue to realise value in any of the Company's assets, which may include (but not be limited to) pursuing or compromising any claims against third parties or debts owed by third parties or connected persons, on such terms as we consider appropriate.
 - (ii) sell the Company's assets at such time(s) on such terms as we consider appropriate;
 - (iii) investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or Company whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or Company which supplies or has supplied goods or services to the Company; and
 - (iv) do all such things and generally exercise all their powers as Administrators as we consider desirable or expedient at our discretion in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these proposals
- (b) the Administration of the Company will end by filing notice of dissolution with the Registrar of companies. The Company will then automatically be dissolved by the registrar of companies three months after the notice is registered.
- (c) the Administration will end by placing the Company into Creditors' Voluntary Liquidation, and propose that
Virgil Harsham Levy and Danny Allen are appointed Joint Liquidators of the Company and that we be authorised to act either jointly or separately in undertaking our duties as Liquidators. Creditors may nominate a different person(s) as the proposed liquidator(s), but they must make the nomination(s) at any time after these proposals are delivered to them, but before they are approved. Information about the approval of the proposals is set out at section 13.

- (d) the Administration will end by the presentation of a winding up petition to the Court for the compulsory liquidation of the Company, and propose that Virgil Harsham Levy and Danny Allen are appointed Joint Liquidators of the Company by the Court.
- (e) the Administration of the Company will end by making an application to Court for an order that the Administration ceases.
- (f) the Administration of the Company will end by giving notice to the Court, creditors and Registrar of Companies that the objective of the Administration has been achieved.
- (g) Upon the placing of the Company into Liquidation or upon the necessary form being filed for the Company to be dissolved, the Administrators be discharged from liability in respect of any action undertaken by them pursuant to Paragraph 98, Schedule B1 of the Act;
- (h) Upon the placing of the Company into Liquidation in the event that another practitioner is nominated, that the Liquidators be authorised to act in a joint and several capacity.

13. APPROVAL OF PROPOSALS

We are seeking decisions by correspondence from the creditors to approve our proposals.

If a creditor wishes to vote on the decisions, they must complete and return the enclosed voting form to LABR by no later than **23.59 on 25 June 2020** (“the decision date”).

If a creditor has not already submitted proof of their debt, they should complete the enclosed form and return it to LABR, together with the relevant supporting documentation. A vote on the decisions by a creditor will not count unless they have lodged proof of their debt by no later than 23.59 on **25 June 2020**.

Creditors are issued with notice of invitation to form a Creditors’ Committee and further instructions are enclosed. To enable the creditors to make an informed decision as to whether they wish to either seek to form a Committee, or to nominate themselves to serve on a Committee, further information about the role of the Committee and what might be expected from its members has been prepared by R3 and can be found is available at the link: <https://www.r3.org.uk/media/documents/publications/professional/R3-Guide-to-Creditors-Committees.pdf>

Please note that we must receive at least one vote by the decision date or the decisions will not be made. If that happens, we will have to incur additional costs seeking further approval from creditors, or from the Court. We would therefore urge creditors to respond promptly.

Should any creditor or group of creditors wish to request a physical meeting of creditors, they must do so within 5 business days of the delivery of the notice that accompanies this letter. Such requests must be supported by proof of their debt, if not already lodged. We will convene a meeting if creditors requesting a meeting represent a minimum of 10% in value or 10% in number of creditors or simply 10 creditors, where “creditors” means “all creditors.”

14. FURTHER INFORMATION

To comply with the Provision of Services Regulations, some general information about LA Business Recovery Limited, including about our complaints policy and Professional Indemnity Insurance, can be found at <https://www.labusinessrecovery.com/complaints-procedure> and information about 360’s provision of services policy can be found here: <https://www.360insolvency.co.uk/provision-of-services>.

If creditors have any queries regarding these proposals or the conduct of the Administration in general, or if they want hard copies of any of the documents made available online, they should contact us by emailing info@labr.co.uk or writing to LA Business Recovery Limited, 1 Beasley's Yard, 126 High Street, Uxbridge, Middlesex, UB8 1JT.



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Virgil H Levy
Joint Administrator



.....
Danny Allen
Joint Administrator

The Joint Administrators are agents of the Company and act without personal liability.