

Joint administrators' progress report from 30 October 2019 to 29 April 2020

F.W.E. Realisations Limited
(in administration)

High Court of Justice, Chancery Division,
Business and Property Courts in Leeds,
Insolvency and Companies List (ChD)

Case no. 1106 of 2018

26 May 2020

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Abbreviations and definitions

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

Abbreviation or definition	Meaning
Firm / PwC	PricewaterhouseCoopers LLP
Administrators / we / us / our	David Robert Baxendale and Mark James Tobias Banfield
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
the Company	F.W.E. Realisations Limited formerly F.W. Evans Cycles (UK) Limited
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 30 October 2018 (up to a maximum of £800);2. accrued holiday pay for any period before 30 October 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 IA86 (Prescribed Part) Order 2003
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
Proposals	The joint administrators' proposals for achieving the purpose of administration, dated 5 November 2018
The Purchaser	Three companies all of whom are ultimately owned by Sports Direct International Plc. The business now trades as Evans Cycles Limited, formerly SDI (Propco 78) Limited.
Addleshaws	Addleshaw Goddard LLP
Dentons	Dentons LLP
HSBC	HSBC Bank Plc
AIB	Allied Irish Bank Plc
ECI	ECI Partners LLP
Secured Creditors	HSBC, AIB & ECI
LtO	Licence to Occupy
ROT	Retention of Title

This report has been prepared by David Robert Baxendale and Mark James Tobias Banfield as joint administrators of the Company, solely to comply with their statutory duty to report to creditors under IR16 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

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

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

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

Please note you should read this report in conjunction with the Joint Administrators' previous reports issued to the Company's creditors, which can be found at www.pwc.co.uk/evanscycles. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

David Robert Baxendale and Mark Tobias Banfield have been appointed as Joint Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.

The Joint Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Key messages

Why we've sent you this report

We're writing to update you on the progress of the administration of the Company in the six months from 30 October 2019 to 29 April 2020. Creditors may wish to read this report in conjunction with our previous reports and our Proposals, all of which continue to be available on our website at www.pwc.co.uk/evanscycles. The information provided in those reports is not repeated here unless considered necessary or beneficial for the purposes of this update.

Please get in touch with May Mehdi on 0113 289 4742 or at maysoon.mehdi@pwc.com if you need any of the passwords to access the reports.

How much creditors may receive

The following table summarises the possible outcome for creditors, based on what we currently know.

Class of creditor	Previous estimate (p in £)	Current estimate (p in £)	Timing
Secured creditors			
HSBC / AIB	37	38	3-6 months
ECI	Nil	Nil	N/A
Preferential creditors	N/A	N/A	N/A
Unsecured creditors	Less than 2.2	3.34	Unknown

Secured creditors

We have estimated that HSBC and AIB are expected to share distributions totalling c£10.8m which represents 38% of their total indebtedness. To date, we have made distributions of £10.38m to these lenders and therefore further distributions are estimated at £0.4m. Due to the order of priority between the charge holders, ECI is not expected to recover any of its debt.

We report to HSBC and AIB separately with regards to the periodic release of funds to them and a further update is being issued around the time of this report.

Preferential creditors

All of the Company's employees transferred to the Purchaser, therefore we are not anticipating any preferential claims.

Unsecured creditors

On 30 April 2020, a first and final dividend was declared to unsecured creditors at a rate of 3.34p/£, representing an improvement on our previous expectations.

In the circumstances of this case, the dividend is available from the prescribed part fund, capped at the statutory maximum amount of £600,000. The costs associated with adjudicating creditors' claims and distributing the funds have been deducted and the net amount to be distributed is £483,352. The total amount of admitted unsecured creditor claims is £14,470,233.

Dividends for admitted claims will be paid by cheque. However due to Covid-19, we are currently unable to issue cheques and unfortunately payments will therefore be unavoidably delayed. We will make the payments as soon as we are practically and safely able to do so. We apologise for any inconvenience this may cause.

Other than this prescribed part dividend, there will be no further distributions to unsecured creditors.

What you need to do

As advised above, we have now declared the first and final dividend to the unsecured creditors by virtue of the prescribed part. Therefore, this report is for your information and you don't need to do anything.

Recap on the administration

As advised in our first progress report and in our Proposals, the Company's business and assets were sold via a pre-packaged sale shortly following our appointment on 30 October 2018. The transaction represented the successful rescue of the Company's trading operations and secured the transfer of all the Company's employees. Our work in the administration was therefore expected to focus on the key areas set out below. In our previous reports we explained our progress in each of these areas, a reminder of which is included below. All of these matters were incomplete or still ongoing at the time of our last report.

Collecting the book debts and cash in transit

We had successfully recovered book debts and cash in transit totalling £2.35m and £757k respectively, from a variety of different sources. Future recoveries were uncertain and efforts were being made to discuss any potential recoveries for the estate with Barclaycard and V12 in particular.

Managing the Company's leasehold property portfolio

The Company had an interest in 75 leases. During the first six months of the administration, 24 were transferred to the Purchaser and nine stores were vacated. Whilst the Purchaser continued to occupy the stores under licence (prior to vacation or transfer), we continued to receive licence fees in order to discharge the Company's ongoing obligations under the leases.

At the time of our last report, we were holding funds of £587k (excluding VAT) in relation to potential payments to landlords. Dealing with the leasehold properties (and landlord claims) was expected to be the key issue in determining the timing for distributing the prescribed part fund and closing the administration. We can now advise that all remaining leasehold properties have been dealt with since our last report and further details are set out later.

Overseeing the resolution of ROT claims

As part of the sale transaction, the Purchaser was obliged to deal with all ROT claims, which had a value initially estimated at over £10m. Our work has been limited to forwarding any ROT claims received to the Purchaser and monitoring the resolution of claims. We previously reported that the Purchaser believed all ROT claims had been resolved, although at the time, we had not received full information on the settlements reached.

Agreeing creditor claims and distributing the prescribed part fund

At the time of writing our last report, we had completed further adjudications of creditor claims totalling £6.7m (bringing total claims agreed to £11.7m); and we were preparing to issue the notice of intended dividend.

Fulfilling our statutory obligations as joint administrators

Throughout the administration we must deal with several one-off and periodic statutory and regulatory duties. In the first year of the administration, these included: issuing our Proposals to creditors, seeking approval to the basis of our remuneration, reviewing the conduct of the Company's directors and submitting our findings to the Insolvency Service and extending the administration with consent of the Secured Creditors.

Dealing with the Company's affairs

Whilst there continues to be receipts and payments in the administration, we will need to fulfil the Company's ongoing obligations to prepare and submit returns to HMRC for tax and VAT purposes. Since our last report, we have continued to prepare and submit quarterly VAT returns. We are now looking to seek tax clearance by submitting computations for the relevant period to HMRC.

In the remainder of this report, we provide an update on each of the above, and other relevant matters in the administration, for the six-month period to 29 April 2020.

Progress in the period

Property – LtO extensions and lease assignments

We advised in our last report that towards the end of September 2019, we agreed a further extension of the LtO for a period of two months. Given the further delay in being able to distribute the prescribed part fund, we requested a cash indemnity from the Purchaser to protect the level of the dividend should the Purchaser's ongoing negotiations with landlords adversely impact the value of claims made against the Company by those landlords.

At the time of our last report, there remained 10 leases still to be dealt with before the LtO expired in early January 2020. Several shorter extensions were subsequently granted to allow the Purchaser to complete the transfer of the remaining properties as this would not materially impact on progressing other matters in the administration. A condition of granting all extensions to the LtO was that all associated costs of doing so would be met by the Purchaser, to avoid any impact on the Company's creditors. We can now confirm that the LtO was terminated on 14 February 2020 as all lease agreements have been dealt with.

As shown on the enclosed receipts and payments account, the Purchaser has contributed £116,000 in respect of our costs and £51,000 for the cash indemnity referred to above. The Purchaser has also paid £61k for the costs incurred by our solicitors during the process of transferring the leasehold property portfolio.

Property - licence fees and rent

In the six months ended 29 April 2020, we received further licence fees from the Purchaser and continued to make monthly payments to landlords. This includes payments in respect of earlier periods as payments are only made on receipt of a valid invoice.

In Appendix A, we have included an account of the property related receipts and payments. This shows the amounts paid and received in the period covered by this report and the total for the administration to date. It also shows the amount of property legal costs incurred (funded by the Purchaser) and contributions received in respect of our costs.

Excluding VAT, we are holding funds in the region of £201k which will be used to make final payments to landlords and discharge our costs. Once these payments have been made, we will prepare a final reconciliation and refund any balance to the Purchaser.

In the following sections, we provide an update on other asset realisations in the period.

Book debts - Ride to Work ("R2W")

At the time of our last progress report, we had recovered £934k (against an opening ledger of £1.2m) and we advised that we were liaising with the Purchaser with regards to amounts recovered by them from employees of the business (through salary deductions), in relation to bike purchases prior to the administration. We can confirm that during the period, we have recovered an additional £101k in this regard plus a further £40k from other R2W debtors, bringing total R2W receipts to £1.08m.

As part of our work to quantify the potential value of a VAT Bad Debt Relief claim (in respect of unpaid debts) we have been making renewed and targeted efforts to recover certain debts where there may be value for creditors. A small number of debtors are engaging positively with us and further recoveries may be possible, but these are not expected to be material given the largely successful debt collection exercise previously undertaken.

We also explained previously that we had identified customer overpayments of £55k (42 customers) and had commenced the refund process. All overpayments were refunded by cheque however there still remains £22k of unbanked cheques. We are liaising with the appropriate parties to arrange bank transfers to return the funds.

V12 Finance

As advised in our last progress report, we received a payment shortly after the period ended totalling £52k which represented the final instalment on the payment plan agreed with V12. This is now shown on the enclosed receipts and payments account. There may be an additional release from the residual retention however we do not expect the amount to be significant.

Cash in transit - Barclaycard

We previously reported total recoveries of £504k after agreeing the split of funds held with the Purchaser. During the period covered by this report, we are pleased to report that as a result of our continued discussions with Barclaycard regarding further amounts due to the Company, a final amount of £204k has been recovered for the benefit of the administration estate.

Class action claim

As advised in our previous report, the Company is part of class action claims in respect of inflated credit card interchange fees and alleged price fixing by truck manufacturers. These are still ongoing and we are assessing potential assignments to third parties, to allow the Secured Creditors to derive any potential value without needing the administration to remain open.

Other assets

Since our previous report, our solicitors have assisted us in the recovery of funds relating to a compensation order in relation to a former employee, who has been ordered by the Court to pay the Company a total of £51k via instalments (starting from August 2019).

To date, we have received £17.5k in respect of this matter. We will shortly be looking into a potential assignment of the benefit of this claim to the Secured Creditors as we are aiming to close the administration prior to the end of the expected monthly payments.

The suspense account balance of £46k on our receipts and payments account represents an amount received from a former customer that may represent an additional debt recovery; and we are continuing to seek confirmation of the position.

Creditors Claims

We issued our notice of intended dividend to all unsecured creditors on 31 January 2020 and advertised the same in the London Gazette. The notice gave a deadline of 4 March 2020 for submission of claims. As per insolvency law, we had two months from the last date for proving claims to declare the dividend.

The prescribed part dividend was declared on 30 April 2020 at a rate of 3.34p/£ against admitted claims of £14,470,233. The fund for distribution totals £483,352.15 after the deduction of costs (administrators' fees and expenses) from the maximum fund of £600k.

In our Remuneration Report in March 2019, we initially estimated that the prescribed parts costs could be in the region of £80k. To 29 April 2020, our costs were £105k and the additional costs incurred reflect the wide range of claims we have needed to deal with including landlords, various EU authorities (for VAT), foreign nationals (VAT Retail Export Scheme), customers with unredeemed gift cards, retention of title claimants, HMRC, former customers (with larger purchase ledger balances) and regular trade suppliers.

We expect that our future costs for issuing the dividend, responding to creditor queries and dealing with unbanked cheques will be in the region of £15k to £20k. In order to declare the dividend, we have fixed the quantum and set aside £115k (plus expenses of £1.5k) from the prescribed part fund and any costs incurred in excess of these amounts will not be recovered.

Indemnity for prescribed part costs

In our last report, we advised that we agreed to give the Purchaser further time to secure a transfer of the remaining properties, because it could reduce the value of unsecured claims received from those landlords (and avoid diluting the dividend amount). One landlord in particular had a potentially significant claim. There was a risk that if the Purchaser was unsuccessful in its negotiations then the administration would be burdened with additional landlord claims, in addition to the delay in being able to distribute the prescribed part fund.

We agreed that the Purchaser would indemnify the prescribed part costs, such that the level of dividend would not be affected by any claim received from a certain landlord. As the prescribed part has a statutory maximum level (of £600k), the indemnity was a contribution to the costs of agreeing claims and distributing the fund.

We can confirm that the Purchaser was successful in its negotiations with the relevant landlord and subsequently the landlord has not made a claim in the administration. Therefore we consider that the cash indemnity can now be refunded in full to the Purchaser. This will be added to our final reconciliation exercise on the property accounts, referred to earlier.

ROT

As advised previously, the Purchaser was obliged to deal with all ROT claims with an initial estimated value of £10.4m. Since our last progress report, we have received details from the Purchaser to confirm that there are no active ROT claims remaining. We have not received any correspondence from third parties to suggest otherwise.

Bank interest

During the period covered by this report, some £4.4k has been received in respect of bank interest accruing on the funds held in the administration bank accounts.

Sundry debts & refunds

We have also realised £18.7k in respect of sundry debts and refunds, which consist mainly of instalments in respect of the Court compensation order.

Changes of administrator

In our last report, we explained that due to internal leadership restructuring within PwC, Ian David Green, one of the joint administrators, intended to resign as administrator. An application had been made to the Court and we can now confirm that it was granted with effect from 19 December 2019. It has also been confirmed by the Court that on the aforementioned date, Ian David Green was replaced by Mark James Tobias Banfield as joint administrator of the Company.

Ian David Green will be released from all liability in respect of his conduct as administrator with effect from 28 days from the date of this report. Creditors have 28 days from receiving this notice to apply to Court to vary or discharge the Court order.

Investigations and actions

As previously advised, three months following our appointment, we fulfilled our statutory obligations and filed our submissions on the conduct of the directors of the Company with the Insolvency Service, the contents of which are confidential.

Nothing has come to our attention during the period under review to suggest that we need to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 and SIP 2.

Our receipts and payments account

We set out in Appendix A an account of our receipts and payments in the administration from 30 October 2019 to 29 April 2020.

Our expenses

We set out in Appendix B, a statement of the expenses we've incurred to the date covered by this report and an estimate of our future expenses. The statement excludes any potential tax liabilities that we may need to pay as an administration expense in due course because amounts due will depend on the position at the end of the tax accounting period.

Our fees

We set out in Appendix C, an update on our remuneration which covers our fees, disbursements and other related matters in this case.

Pre-administration costs

Information on pre-administration costs was detailed in our Proposals. On 17 June 2019, we received the third of three consents from the Secured Creditors, approving the payment of pre-administration costs of £31k as an expense of the administration. During the period covered by this report, these costs were paid in full, as shown in Appendix A.

Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

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

You can also get a copy free of charge by telephoning May Mehdi on 0113 289 4742.

What we still need to do

The following is a summary of the key areas of our work before the administration can be concluded:

- Finalise asset realisations;
- Pay future and final distributions to HSBC and AIB;
- Complete the final payment to landlords and transfer surplus funds to the Purchaser in respect of the leasehold properties and cash indemnity;
- Issue payment of the declared unsecured creditor dividend; and
- Conclude all statutory matters including VAT and tax matters.

Next steps

We expect to send our next report to creditors at the end of the administration or in about six months, whichever is the sooner. If you've got any questions, please get in touch with May Mehdi on 0113 289 4742.

Yours faithfully
For and on behalf of the Company



David Baxendale
Joint administrator

David Robert Baxendale and Mark James Tobias Banfield have been appointed as joint administrators of F.W.E. Realisations Limited formerly F.W. Evans Cycles (UK) Limited to manage its affairs, business and property as its agents and without personal liability. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales

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Appendix A: Receipts and payments

Statement of Affairs £	From 30/10/2019 To 29/04/2020 £	From 30/10/2018 To 29/04/2020 £	
	ASSET REALISATIONS		
2,478,652.00	Bank Interest Gross	4,402.03	26,545.09
	Book Debts		
	Ride To Work	141,422.65	1,075,364.44
	Cyclescheme	NIL	913,555.95
	Gift Card	NIL	230,110.54
	Insurance, Corporate & Other	NIL	49,912.66
772,418.00	V12	52,226.00	270,026.90
	Cash In Transit		
	Barclaycard	203,726.99	707,849.26
	PayPal	NIL	187,366.67
	Amex	NIL	60,868.56
	Stores	NIL	4,890.39
677,815.00	Prepayments - Rent & Service Charge	NIL	677,669.85
2.00	Sale of business	NIL	13.00
7,937,987.00	Stock	NIL	7,878,522.00
	Store Floats	NIL	62,000.00
	Sundry Debts & Refunds	18,663.68	103,723.26
	Third Party Funds - Debtor Overpayme	NIL	2,350.00
	Trading Surplus/(Deficit)	(385,963.63)	201,415.41
		<u>34,477.72</u>	<u>12,452,183.98</u>
	COST OF REALISATIONS		
	Agents' Fees - Property & Assets	NIL	3,602.01
	Bank Interest & Charges	NIL	30.00
	Debt Collection Fees	NIL	5,025.76
	Duress Payments	NIL	1,446.06
	Insurance	684.28	8,440.28
	Legal fees & Expenses	NIL	20,754.10
	Office holders' expenses	2,618.00	2,618.00
	Office holders' fees-time costs	700,000.00	700,000.00
	Pre admin fees & expenses	31,007.00	31,007.00
	Statutory Advertising	83.00	958.00
	Storage Costs	NIL	6,228.06
		<u>(734,392.28)</u>	<u>(780,109.27)</u>
	CREDITORS		
(61,385,970.00)	Floating Charge Creditors	275,000.00	10,380,473.04
(59,465.00)	Preferential Creditors	NIL	NIL
(25,708,746.00)	Trade & Expense Creditors	NIL	NIL
		<u>(275,000.00)</u>	<u>(10,380,473.04)</u>
<u>(75,287,307.00)</u>		<u>(974,914.56)</u>	<u>1,291,601.67</u>
	REPRESENTED BY		
	Barclays Bank - General		300,583.68
	Barclays Bank - Prescribed Part		604,060.60
	Barclays Bank - Rent account		110,514.73
	Suspense Account		(45,570.44)
	Vat Control Account		186,569.13
	Vat Payable		(4,265.21)
	VAT Receivable		139,709.18
			<u>1,291,601.67</u>

Joint administrators' property account *

Statement of Affairs £	From 30/10/2019 To 29/04/2020 £	From 30/10/2018 To 29/04/2020 £
PROPERTY INCOME		
Contributions to Legal Costs	9,785.50	60,547.50
Funding for LTO extension costs	46,000.00	116,000.00
Licence Fees - Insurance	11,568.07	60,811.04
Licence Fees - Overpayment	NIL	(0.17)
Licence Fees - Rent	419,271.55	3,041,851.65
Licence Fees - Service Charges	49,381.74	313,038.53
Third party funds - PP indemnity	51,000.00	51,000.00
	587,006.86	3,643,248.55
PROPERTY COSTS		
Insurance	20,575.39	51,640.36
Legal Costs - Lease Assignments	9,785.50	60,547.50
Office holders' fees-% realisations	100,000.00	100,000.00
Rents	777,755.16	2,974,303.96
Service Charges	64,854.44	255,341.32
	(972,970.49)	(3,441,833.14)
	(385,963.63)	201,415.41

* Referred to as "Trading Surplus/(Deficit)" on previous page

Notes to the receipts and payments account

- All amounts shown exclude VAT unless otherwise stated. The VAT balances collectively represent the amount payable / receivable at the period end. Upon submission of the VAT return for the quarter ended 30 April 2020, refunds totalling £322k will be due from HMRC. We are chasing HMRC regularly in respect of previous refunds.
- The statement of affairs (estimated to realise) balances for Book Debts and Cash in Transit were as at close of business on 29 October 2018, however receipts on the 30 October 2018, prior to our appointment, have been retained by the Bank as pre-appointment receipts.
- The balance shown in the suspense account of c£46k relates to funds held for gift cards that we are discussing with the customer.
- We have shown all transactions in relation to the management of the Company's leasehold property portfolio in the above Property Account. As at 29 April 2020, we were holding funds totalling £201k (excluding VAT) due either to landlords or the Purchaser after the settlement of costs.
- The balance of 'third party funds – debtor overpayments' of £2,350 represents cheques returned that will be reissued in due course. This will increase by £19.2k when other unrepresented cheques are cancelled.

Appendix B: Expenses

The following table provides details of our expenses. Expenses are amounts properly payable by us as administrators from the estate and include our fees, but exclude distributions to creditors. The table also excludes any potential tax liabilities that we may need to pay as an administration expense because amounts becoming due will depend on the position at the end of the tax accounting period.

The table should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the period and the total paid to date.

	Brought forward £	Incurred in the period £	Cumulative £	Estimated future £	Anticipated total £	Initial estimate £	Variance £
Agents' Fees	3,602	-	3,602	-	3,602	4,137	(535)
Duress Payments	1,446	-	1,446	-	1,446	1,446	-
Debt collection fees ¹	5,026	-	5,026	-	5,026	-	5,026
Storage costs ²	6,228	-	6,228	3,987	10,215	8,000	2,215
Bank charges	30	-	30	120	150	150	-
Legal fees & disbursements	38,434	6,906	45,340	4,660	50,000	50,000	-
Statutory advertising	875	83	958	-	958	1,750	(792)
Insurance	7,756	684	8,440	-	8,440	8,964	(524)
Total	63,397	7,673	71,070	8,767	79,837	74,447	5,390

Notes to the expenses account

1. Debt collection fees are in relation to commission deducted at source by a debt collection agent, which has been included as an expense to allow for input VAT recovery.
2. As per the terms of the SPA, the Purchaser was obliged to retain possession of certain books and records until the end of the initial (12-month) administration term. A provision was included in our last report (for £5,000) for the estimated future storage costs of these records, the actual cost of which has now been confirmed.

Appendix C: Remuneration update

The basis of our fees for acting as joint administrators of the Company has been determined by the Secured Creditors as follows:

- A percentage of realisations in relation to work performed for the benefit of (and paid for by) the Purchaser; and
- Time costs for all other work, including dealing with the prescribed part fund.

Further details on each of the above are set out in this Appendix.

Fees as a percentage of realisations

The Company has continued to periodically invoice the Purchaser for our time in attending to matters arising as a result of its extended occupation of the properties. We asked the Secured Creditors to agree that we can draw fees in relation to this work, calculated as 100% of the VAT-exclusive amount invoiced by the Company. This mechanism was chosen in order to avoid interfering with the fees estimate in our Remuneration Report, given the indeterminate amount of work involved. During the period, we received the final of three consents to this proposal from the Secured Creditors.

As shown in Appendix A and in line with the approval given, we have so far drawn fees of £100k (plus VAT) from the invoiced contribution to costs of £116k. As discussed earlier in this report, a reconciliation exercise will need to be undertaken to understand the entirety of the costs that should be borne by the Purchaser and further funds will be requested from (or returned to) the Purchaser as appropriate.

Fees on a time cost basis

In our Remuneration Report, we proposed that our fees be determined on a time costs basis and we gave an estimate for those fees of £780k. Included in that amount, was an estimate of £80k for dealing with the agreement of creditor claims and distributing the prescribed part fund, which is payable from the fund itself with the net amount being distributed to creditors.

In accordance with insolvency legislation and in the circumstances of this case, it was for the Secured Creditors to consider the above proposal; and their consent was duly obtained.

As summarised in the following table, our time costs for the six-month period of this report were £98k. This represents the work we described earlier in this report, further details of which are set out later in this Appendix.

We also provide the total time costs for the administration since our appointment and a comparison to the above estimate. We also give an indication on the likelihood of seeking further approval to draw fees in excess of the fees estimate.

Our hours and average rates

Time costs incurred in the period

Work category	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Total hours	Total cost	Average rate per hour
Strategy and planning									
Project management	1.3	-	1.4	0.5	-	1.5	4.6	2,350	511
Asset realisation									
Sale of business	-	-	2.5	-	-	1.5	4.0	1,577	399
ROT	-	-	-	-	-	0.7	0.7	158	210
Book debts and cash-in-transit	-	-	6.2	1.2	1.1	17.5	26.0	7,685	296
Property	-	-	2.3	-	-	0.1	2.4	1,206	502
Costs of the insolvency process									
Initial letters & notices	-	-	-	-	-	-	-	-	-
Reporting to creditors	-	0.5	-	-	-	-	0.5	400	800
Other statutory & compliance	0.1	-	4.9	10.4	1.6	16.1	33.0	10,652	323
Statement of affairs	-	-	-	-	-	-	-	-	-
Managing the Company's affairs									
Accounting & treasury	-	-	2.8	2.3	11.3	13.4	29.8	8,665	291
Pensions	-	-	1.3	-	1.4	0.2	2.9	1,642	576
Tax	-	-	0.3	1.4	0.7	5.5	7.9	2,568	325
VAT	-	-	3.1	1.0	5.8	12.4	22.2	8,050	363
Other stakeholders	-	-	-	-	-	-	-	-	-
Group matters	-	-	-	-	-	-	-	-	-
Dealing with creditors									
Secured creditors	-	-	6.0	0.4	-	0.9	7.3	3,456	473
Unsecured creditors (claims agreement)	-	-	18.9	13.8	80.0	59.2	171.8	48,714	284
Creditor enquiries	-	-	-	-	-	5.9	5.9	1,229	210
Press, PR & websites	-	-	-	-	0.1	-	0.1	31	310
Grand Total	1.4	0.5	49.5	31.0	101.9	134.7	318.9	98,380	309

Total time costs for the administration

Work category	Total hours (to date)	Total cost (to date)	Estimated future hours	Estimated future cost	Estimated total hours	Estimated total cost	Fees estimate	Variance
Strategy and planning								
Project management	73.5	35,546	13	4,000	86	39,546	60,802	21,256
Asset realisation								
Sale of business	81.6	38,956	2	500	83	39,456	31,354	(8,102)
ROT	46.6	14,570	2	500	48	15,070	18,212	3,142
Book debts and cash-in-transit	237.4	95,072	7	2,000	244	97,072	96,240	(832)
Property	587.2	139,604	-	-	587	139,604	159,723	20,119
Costs of the insolvency process								
Initial letters & notices	69.7	19,830	-	-	70	19,830	19,821	(9)
Reporting to creditors	78.8	29,441	16	5,000	95	34,441	33,859	(582)
Other statutory & compliance	239.1	70,536	24	7,500	264	78,036	37,620	(40,417)
Statement of affairs	8.2	2,462	-	-	8	2,462	2,462	-
Managing the Company's affairs								
Accounting & treasury	235.3	64,555	20	6,000	255	70,555	68,349	(2,206)
Pensions	14.4	7,123	2	500	16	7,623	6,487	(1,136)
Tax	43.0	17,063	16	5,000	59	22,063	19,296	(2,767)
VAT	290.5	95,164	29	9,000	320	104,164	54,633	(49,531)
Other stakeholders	0.5	138	-	-	1	138	138	1
Group matters	0.2	70	-	-	0	70	70	0
Dealing with creditors								
Secured creditors	119.1	55,100	16	5,000	135	60,100	56,415	(3,685)
Unsecured creditors (claims agreement)	405.1	105,176	49	15,000	454	120,176	80,088	(40,088)
Creditor enquiries	147.1	31,084	2	750	150	31,834	32,458	624
Press, PR & websites	10.4	2,446	2	500	12	2,946	2,001	(945)
Grand Total	2,687.3	823,934	200	61,250	2,887	885,184	780,028	(105,157)

The previous tables show only the time for which our fees are based on a time cost basis. They do not include the work which is being done for the principal benefit of the Purchaser, as this does not impact the creditors of the Company. We have now drawn £700k in respect of these time costs.

Further approval

As the second table shows and as previously anticipated, we have exceeded our initial fees estimate and as a result, a further proposal to the Secured Creditors is necessary. We intend to seek such approval in our report to HSBC and AIB shortly. The table shows our estimate of the likely total costs for dealing with the administration, however this does not necessarily mean we will seek (or obtain) approval to draw up to this amount. In particular, we have capped our proposed fees for dealing with the prescribed part at £115k, compared to estimated total costs of £120k.

In our previous report we set out some of the key reasons why the time spent dealing with matters in the administration has been higher than originally expected; and those are not repeated here. Further reasons include the additional costs of dealing with the prescribed part fund (as explained earlier) and to a lesser extent, time spent reporting to the Secured Creditors, accounting and treasury matters and attending to our statutory duties.

Whilst our costs have increased, our work has successfully increased asset realisations by a significantly greater amount (when compared to initial expectations), with a resultant net benefit for the administration estate. We will update creditors on the outcome of any further approval given by the Secured Creditors in our next report.

Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

All of our staff who work on the administration (including our cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Work carried out by our cashiers, support and secretarial staff is charged for separately and isn't included in the hourly rates charged by partners or other staff members. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We don't charge general or overhead costs.

We set out below the maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the administration.

Grade	Up to 30 June 2019 £/hour	From 1 July 2019 £/hour
Partner	640 (890)	690 (910)
Director	540 (780)	595 (800)
Senior Manager	465 (590)	515 (605)
Manager	365 (510)	405 (525)
Senior Associate	275 (425)	310 (435)
Associate	180 (265)	210 (270)
Support Staff	95 (135)	120 (140)

We call on colleagues in our Tax, VAT, Real Estate and Pensions departments where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

Grade	Up to 30 June 2019 £/hour	From 1 July 2019 £/hour
Partner	1,520	1,520
Director	1,390	1,465
Senior Manager	1,230	1,290
Manager	770	775
Senior Associate	570	575
Associate	305	305
Support Staff	250	250

In common with many professional firms, our scale rates may rise to cover annual inflationary cost increases. The charge-out rates in brackets represent rates applicable to staff based in London (or central functions) who charge a relatively small number of hours.

Payments to associates

We have not made any payments to any associates in the period covered by this report.

Our work in the period

There were tasks that needed to be undertaken as a result of the extension of the LtO and the administration (not including closure and other tasks that would be incurred in any event) and the costs of these are being met entirely by the Purchaser (including legal fees and expenses) for the period after 31 July 2019. The tasks which we have undertaken in respect of the above for the period covered by this report include the following:

- Drafting and completing legal documents relating to the properties;
- Additional reporting to the Secured Creditors, including to seek their consent to the extension;
- Ongoing calculation of monthly licence fees and applications for payment;
- Verification of landlord invoices and query resolution;
- Monthly batch payments to landlords;
- Ad hoc completion payments;
- Drafting and issuing this progress report to creditors for the six month period ending 29 April 2020;
- Insurance requirements for the properties up to the expiry of the LtO on 14 February 2020;
- Property account reconciliation work;
- Quarterly VAT returns; and
- General other work arising from the prolonged period of administration, including responding to creditor queries, updating secured creditors.

Whilst this is not an exhaustive list, in the following table we provide more detail on the key areas of work undertaken in the period.

Category of work	General description	Work included
Strategy and planning Appropriate and robust oversight of the administration is required in order to ensure it progresses on a timely basis in accordance with agreed strategies.	Project management and administrator oversight	<ul style="list-style-type: none"> Monitoring costs against fee budget; Setting goals and deadlines in order to further progress outstanding matters in the administration; Ensuring that all matters in the initial strategy are followed; and Holding team meetings and discussions regarding status and progress of the administration.
Assets Our work in these areas follows on from the sale of the business and assets or involve the realisation of other assets. The work therefore has a direct financial benefit for creditors.	Property	<ul style="list-style-type: none"> Creating and maintaining records for the periodic receipt of licence fees and payment of rent and other obligations under the terms of the LtO; Liaising with Addleshaws on a variety of legal matters including the surrender, assignation and forfeiture of various lease agreements; Compiling and issuing of monthly licence fee invoices to the Purchaser; and Preparation of monthly batch rental payments to landlords of the properties. <p>*See the previous page for other tasks involved with property for which the Purchaser has met the costs.</p>
	Debtors	<ul style="list-style-type: none"> Chasing remaining debtors and corresponding with them regarding payment if appropriate; Liaising with the Purchaser regarding any additional debtor realisations for the estate; Chasing former customers for the refund of overpayments; and Posting receipts on our accounting system.
	Retention of title claims	<ul style="list-style-type: none"> Liaising with the Purchaser and their legal advisors with regards to concluding the ROT claims position; and Dealing with any claims received during the period and corresponding with those claimants regarding their unsecured claims taking into account settlements with the Purchaser.
	Insurance	<ul style="list-style-type: none"> Corresponding with our post-appointment insurance brokers regarding insurance requirements for properties up to the expiry of the LtO; Communications with our brokers for them to assess and if relevant pass on information to the Company's pre appointment insurers; and Correspondence with our brokers regarding any final matters to deal with prior to closure of the case.
Creditors Although it has no direct financial benefit, during the course of the administration we must respond to queries received and update the secured creditors regarding their proprietary interests in the Company's assets. The agreement of creditor claims is a necessary step in determining each creditor's entitlement and share of any funds available.	Creditor enquiries	<ul style="list-style-type: none"> Maintaining and updating the content of our dedicated website for the delivery of initial and ongoing communications and reports; Maintaining a mailbox for creditor enquiries; Receiving and following up creditor enquiries via telephone, email mailbox and post; and Reviewing and preparing correspondence to creditors and their representatives.
	Secured creditors	<ul style="list-style-type: none"> Preparing quarterly updates to secured creditors; Maintaining communications and responding to secured creditors' queries; and Making distributions in accordance with security entitlements.

Category of work	General description	Work included
	Unsecured claims	<ul style="list-style-type: none"> Dealing with proofs of debt for dividend purposes; Preparing correspondence to potential creditors inviting lodging of proof of debt; Receiving proofs of debt and maintaining creditor claims records; Adjudicating on all claims received, including requesting further information from claimants; Preparing correspondence to creditors advising the outcome of adjudication; Issuing notice of intended dividend to unsecured creditors on 31 January 2020; Preparation of dividend calculation and checklist for the file; Declaration of dividend (issued on 30 April 2020); and Strategy discussions with the team regarding the effect of Covid-19 on the payment of the dividend.
Dealing with the insolvency process Our work in these various areas arise from statutory obligations which do not directly have any financial benefit to creditors. However, we have a duty to perform our work effectively in order to mitigate our costs.	Books and records	<ul style="list-style-type: none"> Dealing with and arranging for the collection of records that the Purchaser was holding.
	Reporting to creditors	<ul style="list-style-type: none"> Drafting and issuing the second progress report for the period ending 29 October 2019 to the creditors.
	Case reviews	<ul style="list-style-type: none"> Conducting the second six-monthly case review; and Dealing with statutory and other case management prompts on internal systems and keeping these up-to-date.
Managing the Company's affairs Our work in these various areas arise from obligations on the Company, including statutory and regulatory obligations which do not necessarily have any direct financial benefit to creditors. However, it is necessary to ensure tax and VAT liabilities are accurately calculated and funds appropriately invested.	Tax	<ul style="list-style-type: none"> Preparation for the submission of the final tax return in the administration and seeking clearance from HMRC; and Ad hoc tax queries.
	VAT	<ul style="list-style-type: none"> Preparing and submitting the fourth and fifth quarterly VAT returns; Review and maintenance of internal systems; and Liaising with HMRC and EU VAT authorities.
	Accounting and treasury	<ul style="list-style-type: none"> Dealing with receipts, payments and journals; Conducting periodic bank reconciliations; and Corresponding with the bank regarding specific transfers (including monthly batch payments of rent & completion payments to landlords).

Our future work

We still need to do the following work to achieve the purpose of administration and in order to wind-down the Company's affairs prior to the administration ending and the Company being dissolved.

Category of work	General description	Work we need to do
Assets	Property	<ul style="list-style-type: none"> Reconciliation of internal systems in respect of property receipts and payments; and Arranging transfers of surplus funds back to the Purchaser.
	Debtors	<ul style="list-style-type: none"> Finalise debtor collections (if beneficial to do so); Deal with the remaining overpayment refunds; and Conclude assessment into whether it's beneficial to submit a bad debt relief claim to HMRC (and if so, to prepare/submit a claim).
	Other assets	<ul style="list-style-type: none"> Dealing with a potential assignment of the class actions claims; and Dealing with an assignment of the legal settlement from a former employee to the Secured Creditors.

Category of work	General description	Work we need to do
Creditors	Creditor enquiries	<ul style="list-style-type: none"> ● Maintaining and updating the content of our dedicated website for delivery of ongoing communications and reports; ● Maintaining the mailbox for creditor enquiries; ● Receiving and following up creditor enquiries via telephone, email mailbox and post; and ● Reviewing and preparing correspondence to creditors and their representatives.
	Secured creditors	<ul style="list-style-type: none"> ● Preparing final updates to secured creditors; and ● Making final distributions in accordance with security entitlements.
	Unsecured creditors	<ul style="list-style-type: none"> ● Paying the prescribed part dividend to unsecured creditors once it is possible and safe to do so; ● Dealing with any unbanked cheques and reissuing as appropriate; and ● Sending any unbanked cheques to the Insolvency Services Account after two months have passed.
Dealing with the insolvency process	Books and records	<ul style="list-style-type: none"> ● Dealing with the records in storage and arranging for final invoices to be paid.
	Case reviews	<ul style="list-style-type: none"> ● Conducting six monthly case reviews; and ● Dealing with statutory and case management prompts on internal systems and keeping these up-to-date.
Strategy and planning	Project management and administrator oversight	<ul style="list-style-type: none"> ● Monitoring costs against fee budget; ● Setting goals and deadlines in order to conclude outstanding matters in the administration in preparation to close the case prior to the second anniversary; ● Ensuring that all matters in the initial strategy are followed; and ● Holding team meetings and discussions regarding status and progress of administration.
Managing the Company's affairs	Tax	<ul style="list-style-type: none"> ● Submission of final tax return and obtaining tax clearance from HMRC.
	VAT	<ul style="list-style-type: none"> ● Preparing and submitting final quarterly VAT return; ● Review and maintenance of internal systems; ● Concluding EU VAT matters; and ● Deregistering the Company for VAT purposes and submitting a final return.
	Accounting and treasury	<ul style="list-style-type: none"> ● Dealing with receipts, payments and journals; ● Carrying out bank reconciliations; and ● Corresponding with the bank regarding specific transfers.
	Closure	<ul style="list-style-type: none"> ● Conducting closure review of case; ● Closing bank accounts; and ● Closing down internal systems.

Disbursements

We don't need to get approval to draw expenses or disbursements unless they are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying, communication facilities. These types of expenses are called "Category 2" disbursements and they must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves our fees. Our expenses policy allows for all properly incurred expenses to be recharged to the administration and has been approved by the Secured Creditors.

The following disbursements arose in the period of this report.

Category	Policy	Costs incurred £
2	Photocopying – At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying.	1,092
2	Mileage – At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	-
1	All other disbursements reimbursed at cost	
	Postage	1,166
	Specific Bond	10
	Total	2,268

Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the administration where the relationship could give rise to a conflict of interest.

Professionals and subcontractors

The following table provides details of the professionals we've engaged in the administration, plus subcontractors used to undertake work that we could otherwise do ourselves.

Service provided	Name of firm	Reason selected	Basis of fees
Legal advice, including: <ul style="list-style-type: none"> • General advice following the appointment of the administrators • Assistance with legal matters in relation to the leasehold properties 	Addleshaw Goddard LLP	Insolvency expertise	Time costs and disbursements
Legal services in connection to class action claims	Dentons UK and Middle East LLP	Existing advisor to the Company on this matter	Costs funded by a third party. Administration only paying recoverable VAT on invoices.
Collection of rates refunds on properties	CAPA	Insolvency and industry expertise	15% of realisations

We require all third party professionals to submit time costs analyses and narrative or a schedule of realisations achieved (if appropriate) in support of any invoices rendered. We are satisfied with the amounts paid to date, in the circumstances of the case.

Appendix D: Other information

Court details for the administration:	Business and Property Courts in Leeds, Insolvency & Companies List (ChD), Case 1106 of 2018
Company's registered name:	F.W.E. Realisations Limited formerly F.W. Evans Cycles (UK) Limited
Trading name:	Evans Cycles
Registered number:	02784079
Former registered address:	Camino Park James Watt Way Crawley West Sussex RH10 9TZ
Current registered address:	Level 8 Central Square 29 Wellington Street Leeds LS1 4DL
Date of the joint administrators' appointment:	30 October 2018
Joint administrators' names, addresses and contact details:	David Robert Baxendale and Mark Tobias Banfield, of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT
Appointer's name:	The directors of the Company, Stephen Trowbridge and Alan Fort
Extension to the initial period of appointment:	Extension of 12 months to 29 October 2020, granted by the Secured Creditors.
