

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

F.W.E. Realisations Limited

(formerly F.W. Evans Cycles (UK) 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

25 November 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 (leasehold premises)
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 April 2020 to 29 October 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	38	39	Up to 12 months
ECI	Nil	Nil	N/A
Preferential creditors	N/A	N/A	N/A
Unsecured creditors	3.34	3.34	Declared on 30 April 2020 Paid on 28 July 2020

Secured creditors

We have estimated that HSBC and AIB are expected to share distributions totalling £10.84m which represents 39% of their total indebtedness. To date, we have made distributions of £10.50m to these lenders and therefore further distributions are estimated at £0.34m. 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 our most recent update was issued in September 2020.

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/£. In the circumstances of this case, the dividend was 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 of £483,352 was distributed on 28 July 2020. The total amount of admitted unsecured creditor claims was £14,470,233.

Dividends for admitted claims have been paid by cheque and we have been re-issuing cheques where appropriate. 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

For details of the work we have done in prior periods of the administration, please refer to the Proposals and our previous progress reports, which can be found on our case website: www.pwc.co.uk/evanscycles. If you would prefer a hard copy of any of the reports, please contact May Mehdi by email at maysoon.mehdi@pwc.com.

When we last reported, the key outstanding matters in the administration were as follows:

- Finalise asset realisations;
- Pay future and final distributions to HSBC and AIB;
- Complete the final payment to landlords and return 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.

This report provides an update on these key outstanding matters.

Progress since we last reported

Leasehold Property

As advised in our previous report, the LtO was terminated on 14 February 2020 as all lease agreements had been dealt with.

The Purchaser had previously contributed £116k in respect of our costs and £51k for the prescribed part cash indemnity. The Purchaser had also paid £61k for the costs incurred by our solicitors during the process of transferring the leasehold property portfolio.

We spent time in this latest period chasing refunds from landlords which were due to the Purchaser, in order to conclude our final reconciliation with the Purchaser. The property account in Appendix A shows the amounts paid and received in the period and the total for the administration to date.

As at 29 October 2020 (the period end), we were holding funds of £207k (excluding VAT), the majority of which was due to the Purchaser. Since that time, we have repaid the Purchaser £191k (plus VAT) less a further contribution to costs of £10k, which will appear in the receipts and payments account in our next report.

All that remains to do, is discharge our final costs for dealing with the property portfolio and close the associated bank account.

Book debts

Ride to Work (“R2W”)

At the time of our last progress report, we had recovered £1.08m (against an opening ledger of £1.2m) and we advised that further recoveries were not expected to be material. As shown in Appendix A, we have recovered a further £4.7k and debt collection efforts have now ceased.

Gift cards and other

We previously reported gift card recoveries of £230k from an opening ledger totalling £428k. No further recoveries were expected, with the potential exception of an amount of £46k which we were holding pending confirmation that it belonged to the Company. This has now been confirmed, as shown in Appendix A. However, we have recently recovered a further £21k in gift card debts that our work identified had been paid to the Purchaser in error. This will be shown in the receipts and payments account in our next report.

During the period, we have also successfully recovered an additional £21k in relation to other debts and as above, no further recoveries are expected from this source.

V12 Finance

We advised in our last progress report that there may be an additional small and final receipt from the residual retention held by V12 Finance. During the period, we realised £8.6k in respect of this residual retention and agreed that it would be the final settlement.

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.

During the period covered by this report and mindful that the administration was due to end on 29 October 2020, we liaised with the claims management firm to assess the options available to the Company. These claims are the principal reason for the Company remaining in administration for the benefit of creditors.

We explored and assessed options to sell the claims to a third party or assign them to the Secured Creditors (as the principal beneficiaries), without needing the administration to remain open. However, as a result of our work and encouraging developments on the claims, we concluded that it would be in the best interests of creditors for the

administration to be extended for a further period, during which it is hoped that the outcome of the claims will become clearer.

Any realisations made in respect of these claims will be caught under HSBC and AIB's floating charges and recoveries will not be available to unsecured creditors.

We will provide an update in our next report to creditors, insofar as it does not prejudice any potential settlement discussions.

Bank interest and other receipts

During the period covered by this report, some £63 has been received in respect of bank interest accruing on the funds held in the administration bank accounts.

We have also realised £2.8k in respect of sundry debts and refunds, which consist mainly of monthly instalments relating to a Court compensation order.

Third Party Funds - Debtor Overpayments

As advised in our last report, the Company's records suggested that a number of customers paid amounts in excess of the balance owing at the time of our appointment and we had been attempting to return overpayments to them. We have continued to successfully liaise with many of these customers and reduce the amount still held by us to £7k.

We believe that we have exhausted efforts to return these funds and given the time that has passed since our appointment, we have concluded that the Company's records may not be accurate in these instances. If no customers contact us in this respect, we will treat the remaining funds as an asset of the Company, distributable to the Secured Creditors prior to closure of the administration.

Unsecured creditor dividend

Our notice of intended dividend to all unsecured creditors 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.

As advised in our last report, 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 totaled £483,352 after the deduction of costs (administrators' fees and expenses) from the maximum fund of £600k.

In order to declare the dividend, we fixed the quantum and set aside £115k (plus expenses of £1.6k) from the prescribed part fund and any costs incurred in excess of these amounts will not be recovered. Following the easing of COVID19 restrictions, we were able to issue cheques to creditors (with admitted claims) on 28 July 2020. As a result of the period of the administration being extended, we are allowing extra time for creditors to bank their cheques and we are organising the reissue of cheques, where appropriate.

Currently, there is approximately £72k of unbanked cheques. If you are yet to bank a cheque that you have received, please do so as soon as possible.

Extension to administration

Since we last reported, we have prepared an application to the Court and witness statement to support our view that the administration should be extended solely to allow for the progress of the class action claims, as referred to above.

As advised, the sole beneficiaries of potential recoveries from the class action claims are HSBC and AIB. To support our application to Court, we obtained approval of the extension from all of the Secured Creditors.

We can confirm that on 1 October 2020 we received the Court order confirming that an extension of a further 12 months has been granted, bringing the current administration period to an end on 29 October 2021 (unless further extended).

Investigations and actions

As previously advised, within 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 April 2020 to 29 October 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.

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/administration-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

Our future work will focus on the following areas:

- Finalise asset realisations;
- Pay future and final distributions to HSBC and AIB;
- Transfer surplus funds to the Purchaser in respect of the leasehold properties and cash indemnity;
- Reissue any cheques to unsecured creditors where appropriate and pay across unclaimed dividends to the Insolvency Service at the appropriate time;
- Monitor the progress of the class action claims as referred to above; and
- Conclude all statutory matters, including VAT and tax clearance.

The Company will be dissolved three months after we cease to act as joint administrators.

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.

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 the 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](https://www.pwc.co.uk) website or by contacting the joint administrators.

Appendix A: Receipts and payments

Statement of Affairs £		From 30/04/2020 To 29/10/2020 £	From 30/10/2018 To 29/10/2020 £
	ASSET REALISATIONS		
2,478,652.00	Bank Interest Gross	62.50	26,607.59
	Book Debts		
	Ride To Work	4,712.98	1,080,077.42
	Cyclescheme	NIL	913,555.95
	Gift Card	46,420.44	276,530.98
	Insurance, Corporate & Other	20,742.56	70,655.22
772,418.00	V12	8,640.01	278,666.91
	Cash In Transit		
	Barclaycard	NIL	707,849.26
	PayPal	NIL	187,366.67
	Amex	NIL	60,868.56
677,815.00	Stores	NIL	4,890.39
2.00	Prepayments - Rent & Service Charge	NIL	677,669.85
7,937,987.00	Sale of business	NIL	13.00
	Stock	NIL	7,878,522.00
	Store Floats	NIL	62,000.00
	Sundry Debts & Refunds	2,756.68	106,479.94
	Third Party Funds - Debtor Overpayme	4,533.44	6,883.44
	Trading Surplus/(Deficit)	5,486.09	208,901.50
		<u>93,354.70</u>	<u>12,545,538.68</u>
	COST OF REALISATIONS		
	Agents' Fees - Property & Assets	NIL	3,602.01
	Bank Interest & Charges	62.50	92.50
	Corporation tax / Income tax	2,374.43	2,374.43
	Debt Collection Fees	NIL	5,025.76
	Duress Payments	NIL	1,446.06
	Insurance	233.73	8,674.01
	Legal fees & Expenses	24,586.32	45,340.42
	Office holders' expenses	NIL	2,618.00
	Office holders' fees-time costs	NIL	700,000.00
	Office holders' fees-time costs (p.part)	116,647.85	116,647.85
	Pre admin fees & expenses	NIL	31,007.00
	Statutory Advertising	NIL	958.00
	Storage Costs	4,151.35	10,379.41
		<u>(148,056.18)</u>	<u>(928,165.45)</u>
	CREDITORS		
(61,385,970.00)	Floating Charge Creditors	120,000.00	10,500,473.04
(59,465.00)	Preferential Creditors	NIL	NIL
(25,708,746.00)	Trade & Expense Creditors	475,988.31	475,988.31
		<u>(595,988.31)</u>	<u>(10,976,461.35)</u>
(75,287,307.00)		<u>(650,689.79)</u>	<u>640,911.88</u>
	REPRESENTED BY		
	Barclays Bank - General		97,956.60
	Barclays Bank - Prescribed Part		11,424.44
	Barclays Bank - Rent account		250,104.81
	Vat Control Account		295,882.45
	Vat Payable		(37,958.16)
	VAT Receivable		23,501.74
			<u><u>640,911.88</u></u>

Joint administrators' property account *

Statement of Affairs £	From 30/04/2020 To 29/10/2020 £	From 30/10/2018 To 29/10/2020 £
PROPERTY INCOME		
Contributions to Legal Costs	17,373.50	77,921.00
Funding for LTO extension costs	NIL	116,000.00
Licence Fees - Insurance	NIL	80,811.04
Licence Fees - Overpayment	NIL	(0.17)
Licence Fees - Rent	NIL	3,041,851.65
Licence Fees - Service Charges	NIL	313,038.53
Third party funds - PP indemnity	NIL	51,000.00
	17,373.50	3,660,622.05
PROPERTY COSTS		
Insurance	864.42	52,504.78
Legal Costs - Lease Assignments	17,373.50	77,921.00
Office holders' fees-% realisations	NIL	100,000.00
Rents	(12,714.73)	2,961,589.23
Service Charges	6,364.22	261,705.54
	(11,887.41)	(3,453,720.55)
TRADING SURPLUS/(DEFICIT)	5,486.09	206,901.50

* 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 31 October 2020, refunds totalling £317k 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.
- 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 October 2020, we were holding funds totalling £207k (excluding VAT), of which some £191k (plus VAT) has since been paid to the Purchaser.

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	4,151	10,379	1,858	12,237	8,000	4,237
Bank charges	30	63	93	57	150	150	-
Legal fees & disbursements	45,340	-	45,340	-	45,340	50,000	(4,660)
Statutory advertising	958	-	958	-	958	1,750	(792)
Insurance	8,440	234	8,674	-	8,674	8,964	(290)
Total	71,070	4,448	75,518	1,915	77,433	74,447	2,986

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 we have now extended the administration for a 12 month period, we have included a further provision of £1,858 for additional storage costs for books and records.

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

As advised previously, the Company periodically invoiced the Purchaser for our time in attending to matters arising as a result of its extended occupation of the properties. The Secured Creditors agreed that we could 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. The amount paid has no impact on creditors of the Company.

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 further £10k has recently been contributed by the Purchaser and we will therefore shortly be drawing final (percentage of realisation) fees of £26k.

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 was 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 £120k. 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	3.2	-	4.1	3.6	1.0	7.7	19.5	8,676	446
Asset realisation									
Sale of business	-	-	0.3	-	-	0.4	0.7	241	370
ROT	-	-	-	-	-	-	-	-	-
Book debts and cash-in-transit	-	-	10.1	3.6	-	26.0	39.7	13,070	330
Property	-	-	0.6	-	-	-	0.6	351	585
Costs of the insolvency process									
Initial letters & notices	-	-	-	-	-	-	-	-	-
Reporting to creditors	-	0.3	5.7	3.8	1.7	10.2	21.6	8,129	376
Other statutory & compliance	-	0.3	3.3	3.7	-	13.0	20.2	6,503	322
Statement of affairs	-	-	-	-	-	-	-	-	-
Managing the Company's affairs									
Accounting & treasury	-	-	0.9	2.7	13.6	23.4	40.6	12,141	299
Pensions	-	-	0.3	-	-	1.5	1.8	507	282
Tax	1.4	-	2.4	17.0	-	23.6	44.3	21,662	489
VAT	-	-	6.5	0.4	17.2	11.9	35.9	16,129	449
Other stakeholders	-	-	-	-	-	-	-	-	-
Group matters	-	-	-	-	-	-	-	-	-
Dealing with creditors									
Secured creditors	-	-	20.3	0.4	-	0.3	21.0	11,473	548
Unsecured creditors (claims agreement)	0.5	1.0	4.0	6.3	33.9	14.2	59.8	20,373	341
Creditor enquiries	-	-	0.5	-	2.7	0.9	4.0	1,159	286
Press, PR & websites	-	-	-	-	-	-	-	-	-
Grand Total	5.1	1.6	58.7	41.5	69.9	132.9	309.6	120,412	389

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	93	44,016	13	4,000	105	48,016	60,802	12,787
Asset realisation								
Sale of business	82	39,197	-	-	82	39,197	31,354	(7,843)
ROT	47	14,570	-	-	47	14,570	18,212	3,642
Book debts and cash-in-transit	277	108,142	24	7,500	301	115,642	96,240	(19,402)
Property	588	139,955	-	-	588	139,955	159,723	19,768
Costs of the insolvency process								
Initial letters & notices	70	19,830	-	-	70	19,830	19,821	(9)
Reporting to creditors	100	37,570	63	20,000	164	57,570	33,859	(23,711)
Other statutory & compliance	259	77,039	24	7,500	283	84,539	37,620	(46,920)
Statement of affairs	8	2,462	-	-	8	2,462	2,462	-
Managing the Company's affairs								
Accounting & treasury	276	76,696	19	6,000	295	82,696	68,349	(14,347)
Pensions	16	7,598	2	500	18	8,098	6,487	(1,611)
Tax	87	38,725	16	5,000	103	43,725	19,296	(24,429)
VAT	326	111,294	29	9,000	355	120,294	54,633	(65,661)
Other stakeholders	1	138	-	-	1	138	138	1
Group matters	0	70	-	-	0	70	70	0
Dealing with creditors								
Secured creditors	140	66,572	16	5,000	156	71,572	56,415	(15,157)
Unsecured creditors (claims agreement)	467	126,203	8	2,500	474	128,703	80,088	(48,615)
Creditor enquiries	155	33,891	2	750	157	34,641	32,458	(2,183)
Press, PR & websites	10	2,446	-	-	10	2,446	2,001	(445)
Grand Total	3,002	946,411	215	67,750	3,217	1,014,161	780,028	(234,133)

Further approval

Whilst our costs overall have increased compared to our initial estimate, 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. As a result, the Secured Creditors approved an increase in the fees estimate from £780k to £880k.

We capped our fees for dealing with the prescribed part at £115k (compared to costs to date of £127k), the payment of which can be seen in Appendix A and includes other expenses of £1.6k.

As we have sought and obtained a further extension of the administration to 29 October 2021 to allow for further progress of the class actions claims, we will be liaising with the Secured Creditors at the appropriate time with regards to potentially seeking a further increase in our fees as a result of the additional costs arising. We are likely to do this once we have more clarity on the outcome of the claims.

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 hours). 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 2020 £/hour	From 1 July 2020 £/hour
Partner	690 (910)	850 (955)
Director	595 (800)	720 (840)
Senior Manager	515 (605)	585 (665)
Manager	405 (525)	475 (575)
Senior Associate	310 (435)	390 (465)
Associate	210 (270)	245 (297)
Support Staff	120 (140)	125 (155)

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.

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 2020 £	From 1 July 2020 £
Partner	1,520	1,600
Director	1,465	1,465
Senior Manager	1,290	1,355
Manager	775	815
Senior Associate/Consultant	575	605
Associate/Assistant Consultant	305	325
Support Staff	250	250

In common with many professional firms, our scale rates may rise to cover annual inflationary cost increases.

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:

- Additional reporting to the Secured Creditors;
- Property account reconciliation work;
- Quarterly VAT returns;
- Chasing up refunds due to the Purchaser; 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.	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"> • 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"> • Communications with our brokers for them to assess and if relevant pass on information to the Company's pre appointment insurers.
	Class action claims	<ul style="list-style-type: none"> • Liaising with manager of claims regarding the progress being made and assess any potential recoveries for the Company; and • Assessing options available to the Company by approaching third party purchasers.

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.
	Unsecured claims	<ul style="list-style-type: none"> Strategy discussions regarding the effect of Covid-19 on the payment of the dividend; Physically sending out the cheques to the creditors with admitted claims; Dealing with queries from creditors specifically relating to the dividend and reissues of cheques; and Preparing insolvency software to reissue cheques.
Dealing with the insolvency process Our work in these various areas arises 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 third progress report, for the period ending 29 April 2020, to the creditors.
	Case reviews	<ul style="list-style-type: none"> Conducting the six-monthly case review; and Dealing with statutory and other case management prompts on internal systems and keeping these up-to-date.
	Extension to administration	<ul style="list-style-type: none"> Preparation and review of application and witness statement to Court for the extension of the administration to October 2021; Liaising with lawyers to ensure documents were filed; and Issuing required notices of extension to the Registrar and creditors of the Company.
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 October 2019 tax return in the administration; and Ad hoc tax queries.
	VAT	<ul style="list-style-type: none"> Preparing and submitting the sixth and seventh 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; and Conducting periodic bank reconciliations.

Our future work

As at 29 October 2020, we still needed 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"> Arranging transfer of surplus funds back to the Purchaser.
	Debtors	<ul style="list-style-type: none"> Finalising debtor collections (if beneficial to do so); and Concluding 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"> Monitoring progress of the class action claims and any potential settlement; and Liaising with the managers of the claims providing information where required.

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"> ● Dealing with any unbanked cheques and reissuing as appropriate; and ● Sending any unbanked cheques to the Insolvency Services Account.
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 when appropriate; ● 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.	199
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	260
	Records archiving	5,258
	Total	5,717

Payments to associates

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

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. Extension of 12 months to 29 October 2021, granted by the Court.
