

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company

Cumberland and Dumfriesshire Farmers Mart
Public Limited Company (The)

Company number

00212685

In the

The High Court of Justice, Chancery Division,
Manchester District Registry

(full name of court)

Court case number

2889 of 2015

(a) Insert full
name(s) and
address(es) of
administrator(s)We (a)
Russell Stewart Cash
FRP Advisory LLP
7th Floor
Ship Canal House
98 King Street
Manchester
M2 4WUBenny Woolrych
FRP Advisory LLP
7th Floor
Ship Canal House
98 King Street
Manchester*Delete as
applicable

attach a copy of our proposals in respect of the Administration of the above Company

A copy of these proposals was sent to all known creditors on

(b) 1 September 2015

Signed


Joint / Administrator(s)

Dated

1 September 2015

Contact Details:You do not have to give any contact
information in the box opposite but if
you do, it will help Companies House to
contact you if there is a query on the
formThe contact information that you give
will be visible to researchers of the
public recordRussell Stewart Cash
FRP Advisory LLP
7th Floor
Ship Canal House
98 King Street
Manchester
M2 4WU

DX Number

0161 833 3344
DX ExchangeWhen you have completed and signed this form, please send it to the
Registrar of Companies at -
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

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COMPANIES HOUSE



**Cumberland and Dumfriesshire Farmers Mart Plc
In Administration
The Joint Administrators' Proposals
1 September 2015**

Contents and abbreviations



The following abbreviations may be used in this report:

Section	Content	
1.	Introduction	FRP FRP Advisory LLP
2.	Conduct of the administration	The Company Cumberland and Dumfriesshire Farmers Mart Plc - In Administration
3.	The Joint Administrators' remuneration, disbursements and pre-administration costs	The Joint Administrators Russell Stewart Cash and Benny Woolrych of FRP Advisory LLP
4.	Estimated outcome for creditors	CVL Creditors' Voluntary Liquidation
Appendix	Content	CVA Company Voluntary Arrangement
A.	Statutory information about the Company and the administration	STP Statement of Insolvency Practice
B.	Joint Administrators' Receipts & Payments Account	QFCH Qualifying floating charge holder
C.	Disclosure to creditors in accordance with Statement of Insolvency Practice 16	HMRC HM Revenue & Customs
D.	Schedule of Joint Administrators' time costs, disbursements and charge out rates	The Purchaser Thomson, Roddick & Laurie Limited and C & D Auction Marts Limited
E.	Schedule of pre-administration costs	The Bank Barclays Bank Plc
F.	Estimated Statement of Affairs, including a list of creditors' names and addresses	

1. Introduction

On 25 August 2015, the Company entered Administration and Russell Stewart Cash and Benny Woolrych were appointed as Joint Administrators.

This document, together with its appendices, forms the Joint Administrators' statement of proposals to creditors in accordance with Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and the Insolvency Rules 1986.

Certain statutory information about the Company and the Administration is provided at **Appendix A**.

A sale of the business and certain of the assets of the Company was effected on 25 August 2015 by the Joint Administrators. Background information regarding the Company together with full details of the events that resulted in the appointment of the Joint Administrators and this transaction taking place, including why it was considered to be in the overall best interest of the creditors of the Company as a whole, are set out in the statement attached at **Appendix C** in accordance with SIP 16.

2. Conduct of the administration

The Objectives of the Administration

The Joint Administrators think that objective (a) of the administration, as detailed in Paragraph 3(1) of Schedule B1 to the Insolvency Act 1986, being to rescue the Company as a going concern, will not be achieved due to the financial position of the Company.

As such, it is envisaged that objective (b) will be achieved, a better result for the Company's creditors as a whole than would be likely if the Company had been wound-up (without first being in administration).

I can confirm that the transaction detailed in **Appendix C** will enable the statutory purpose identified above to be achieved and that the sale price was the best reasonably obtainable in all the circumstances and was considered to be in the overall best interests of all creditors of the Company.

The Joint Administrators' actions to date

Sale of Business and Assets

In order to maximise realisations for creditors, it was decided that the Company's business and assets should be sold as a going concern.

A sale of the Company's business and certain assets was subsequently completed on 25 August 2015 to C & D Auction Marts Limited and Thompson Roddick & Laurie Limited (together "the Purchaser").

Further details of the sales process may be found at **Appendix C**.

Assets excluded from the sale of the business

Book Debts

As at the date of appointment, the Company's book debt ledger totalled £5,963m.

The ledger has a significant amount of bad and doubtful debts. After applying a specific provision for these debtors and a further general provision, together totalling £4.175m, the book debt ledger was estimated to realise £1,788m, as detailed in the estimated Statement of Affairs attached at **Appendix F**.

Ventas Commercial Services were instructed to review the Company's debtor ledger and to assist the Joint Administrators with the debt collection process. As part of the sale of the business and assets, the Purchaser has also agreed to assist with the collection of debtors.

An update on the debtor collection process will be provided in the next report to creditors.

Property

The business owns a freehold property at 17/19 High Street, Longtown from which the estates division currently operates.

As part of the sale of the business and assets, the property is being occupied by the Purchaser under a Licence to Occupy for a two month period at a monthly rent of £875 Net of VAT.

The property has been marketed for sale for a number of months by C&D Rural. Given their local expertise, the property is to continue to be marketed for sale by C&D Rural, however this process is to be overseen by Wignall Brownlow LLP, the Joint Administrators agents, to ensure that property realisations are maximised for creditors.

A further update will be provided in my next report to creditors.

Motor Vehicles

The Company owned two motor vehicles which were excluded from the sale of business and assets. The Joint Administrators agents, Wignall Brownlow LLP, are

2. Conduct of the administration



dealing with the sale of these vehicles and a further update will be provided in the next report to creditors.

Receipts and Payments Account

A copy of the Joint Administrators' receipts and payment account to date is attached as **Appendix B**.

The monies from the sale of the business are currently in the process of being transferred from our solicitors account.

The directors' Statement of Affairs

The directors of the Company have been asked to submit a Statement of Affairs under paragraph 47 of Schedule B1 of the Insolvency Act 1986 and this is awaited.

Details of the financial position of the Company at the latest practical date, prepared from information available to the Joint Administrators and including a list of Creditors' names and addresses is provided at **Appendix F**. As and when the directors' Statement of Affairs is received, it will be filed with the Registrar of Companies.

Matters requiring investigation

I am required as part of my duties to establish what assets the Company owns and to consider the way in which the Company's business has been conducted, and am required under the provisions of the Company Directors Disqualification Act 1986 to report to the Secretary of State for Business Innovation and Skills on the conduct of the directors. If you have any information or concerns regarding the way in which the Company's business has been conducted, or have information regarding potential recoveries for the estate please contact me as soon as possible.

Matters to be progressed following this report

The Joint Administrators will continue to manage the affairs, business and property of the Company to achieve the purpose of the Administration. In particular they will, inter alia:

- Realise the Company's remaining assets, being the book debts, motor vehicles excluded from the sale and the freehold property in High Street, Longtown.
- Investigate and, if appropriate, pursue any claims that the Company may have against any person, firms or company whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or company that supplies or has supplied goods or services to the Company.
- Do all such things and generally exercise all their powers as Joint Administrators as they in their discretion consider desirable or expedient in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these proposals.
- Distribute realisations to the secured creditor.
- Ensure all statutory and compliance matters are attended to.
- Pay all administration expenses and bring the Administration to an end when deemed appropriate by the Joint Administrators

The end of the Administration

The Administration will end automatically after twelve months from the date of appointment of the Joint Administrators. This period can be extended with consent of the creditors for up to twelve months or longer by application to the Court as required.

2. Conduct of the administration

If the Joint Administrators think the Company has no property which might permit a distribution to its unsecured creditors, or if they also consider that an exit from the administration into Liquidation is not appropriate they will send a notice to the Registrar of Companies in accordance with Paragraph 84 of Schedule B1 to the Insolvency Act 1986 to bring the administration to an end and three months after the filing of the notice the Company will be deemed to be dissolved.

If the Joint Administrators are of the view that a dividend will become available to the unsecured creditors (other than by virtue of the prescribed part which is not applicable in this instance due to the age of the debenture) it is appropriate for the Company to move from Administration into CVL pursuant to Paragraph 83 of Schedule B1 to the Insolvency Act 1986. If applicable, the Joint Administrators will take steps to place the Company into CVL.

Should a dividend not become available to the unsecured creditors but it is still appropriate for the Company to enter Liquidation, the Joint Administrators will petition the Court pursuant to Paragraph 79 of Schedule B1 to the Insolvency Act 1986 for an order to bring the Administration to an end with a consequential order for the compulsory winding up of the Company.

Pursuant to Paragraph 83 of Schedule B1 to the Insolvency Act 1986, should the creditors not nominate a Liquidator, the proposed Joint Liquidators are to be Russell Stewart Cash and Benny Woolrych. Any act to be done by the Joint Liquidators may be done by all or any one of them. Pursuant to Paragraph 83(7)(a) of Schedule B1 to the Insolvency Act 1986 and the Insolvency Rules 1986, creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of these proposals and before these proposals are approved.

If the Joint Administrators are of the view that it is appropriate for the creditors to consider the approval of a CVA, the proposed supervisors are to be Russell Stewart Cash and Benny Woolrych. Creditors may nominate different supervisors at the meeting of creditors convened to consider the CVA proposals.

Meeting of creditors

Based on information currently available, the Joint Administrators think that the Company has insufficient property to enable a distribution to be made to unsecured creditors. They are therefore not required to call a creditors' meeting pursuant to Paragraph 51 of Schedule B1 to the Insolvency Act 1986.

The Joint Administrators must however summon a meeting if requested to do so by creditors whose debts amount to at least 10% of the total debts of the Company. The request must be in the prescribed form (form 2.21B) and be made within 8 business days of the date of this report, in accordance with the Insolvency Rules 1986 (as amended).

In accordance with the Insolvency Rules 1986 (as amended), where the Joint Administrators have not called a creditors' meeting, the proposals set out below will be deemed to have been approved by the creditors unless at least 10% by value of the creditors requisition a meeting of creditors within 8 business days of the date of this report.

3. The Joint Administrators' remuneration, disbursements and pre-appointment costs

Joint Administrators' remuneration

The Joint Administrators' remuneration after the date of appointment will be drawn from the Company's assets and it is proposed that it will be charged on a time cost basis.

The Joint Administrators' remuneration is based on computerised records of all time spent on the administration of the estate. Matters dealt with during the assignment are dealt with by different members of staff depending on the level of complexity and the experience required. Time is charged to the case in maximum chargeable units of six minutes. Charge-out rates are based on individual expertise, qualification and grade. The costs of the firm's support staff are not directly charged to the estate unless dealing with directly identifiable case specific matters.

Charge out rates are reviewed at least annually, details of FRP's charge out rates are included at **Appendix D**.

Details of the time charged to this case to date, analysed between the different types of work undertaken, are enclosed at **Appendix D**. The basis of the Joint Administrators' remuneration has not yet been approved, and the Joint Administrators have accordingly not drawn any remuneration in this case.

As there is not anticipated to be any return to unsecured creditors, the Joint Administrators must seek consent for their remuneration from the Bank as the sole secured creditor and this will be done through separate communication. Unsecured creditors will be appraised of the remuneration basis agreed and the amount drawn, if any, in my next report.

Should the Company subsequently be placed into Liquidation and the Joint Administrators appointed as Joint Liquidators, the basis agreed for the drawing of the Joint Administrators' remuneration will also be that utilised in determining the Liquidators' remuneration, without further recourse to creditors in accordance with the Insolvency Rules 1986.

Cumberland and Dumfrieshire Farmers Mart Plc - In Administration
The Joint Administrators' Proposals

Joint Administrators' disbursements

The Joint Administrators' disbursements are a recharge of actual costs incurred by the Joint Administrators on behalf of the Company. Mileage payments made for expenses relating to the use of private vehicles for business travel, which is directly attributable to the administration of the Company, are paid by FRP at the HMRC approved mileage rate. It is proposed mileage is recharged and drawn at the HMRC approved mileage rate prevailing at the time the mileage was incurred.

Pre-administration costs charged or incurred by the Joint Administrators

FRP's fees relate to the provision of advice to the Company with regard to its financial position and placing the Company into Administration. A significant amount of time was also spent in assisting with the sale of the Company's business and assets including carrying out the following activities:

- On-going advice to the Board in relation to the appropriateness of the continuation of trade.
- Advice to the Board in relation to the appointment of Joint Administrators.
- Negotiations with the Purchaser with a view to the sale of the business and assets and providing the Company with regular updates on the sales process and status of negotiations.
- Liaising with lawyers regarding the sale and purchase agreement.
- Preparation of a contingency plan in the event that a sale of the business and/or assets as a going concern was not achieved.
- Dealing with any matters in connection with our statutory obligation, including but not limited to those contained within "SIP 16", in order to effect a sale of the business of the Company immediately upon the appointment of Joint Administrators.

3. The Joint Administrators' remuneration, disbursements and pre-appointment costs

- Providing advice to the Company on any other matters we consider should be brought to their attention.

Attached at **Appendix E** is a statement of pre-administration costs charged or incurred by the Joint Administrators, of which a total of £75,000, plus disbursements of £1,330.07 was paid by the Company prior to it entering Administration.

I am seeking to obtain approval from the secured creditor for the payment of the remaining amounts, being the legal and agents costs, which will be done under separate cover.

The Joint Administrators do not intend seeking approval to pay their remaining unpaid pre-administration time costs.

Creditors' ability to challenge the Joint Administrators' remuneration and expenses

Creditors have a right to request further information from the Joint Administrators and further have a right to challenge the Joint Administrators' remuneration and other expenses under the Insolvency Rules 1986 following receipt of a progress report.

Further details of these rights can be found in the Creditors' Guide to Fees which you can access by using the following link <http://creditors.frapadvisory.com/feesguide.htm> and select the one for administrations. Alternatively a hard copy of the relevant guide will be sent to you on request.

4. Estimated outcome for the creditors

Outcome for Secured Creditor

The Company granted the Bank, the following security over the Company's assets yet to be satisfied:

Description	Created	Particulars
Legal Charge	25/04/1977	Land at Longtown, Cumbria (3 acres & 32 Perches)
Legal Charge	25/04/1977	Land at Longtown, Cumbria (2 acres & 1016 Square Yards)
Legal Charge	09/01/1984	Land & Buildings near to the Railway Station at Longtown, Carlisle (1 acre & 536 decimal parts of an acre)
Debenture	28/04/1992	Fixed & Floating charge over all property and assets
Legal Charge	27/03/2000	17 & 19 High Street, Longtown
Assignment by way of Security	23/05/2011	All Monies due on any account whatsoever
Legal Charge	27/05/2011	3A & 5 Swan Street, Carlisle*
Legal Charge	27/05/2011	Freehold Land on North East of the River Esk, Arthuret, Longtown
Legal Charge	27/05/2011	Freehold Land to rear of 17 High Street, Longtown
Legal Charge	27/05/2011	17/19 High Street, Longtown

*It is understood this property has been already been sold

At the date of the Administration, the sum of approximately £4.9m was due to the Bank in respect of an outstanding overdraft and loans provided to the Company.

The sum available to distribute to the Bank will be predominately dependent upon the amounts realised from property and the book debt ledger, together with the costs of the Administration process.

However, it is estimated that the Bank will suffer a significant shortfall.

Outcome for Preferential Creditors

As part of the business and sale agreement, the Company's employees were transferred to the Purchaser in accordance with the Transfer of Undertaking (Protection of Employment) Regulations 2006.

As a result, there are no preferential creditors in this matter.

Prescribed Part

The prescribed part is a carve out of funds available to the holder of a floating charge which is set aside for the unsecured creditors in accordance with Section 176A of the Insolvency Act 1986. The prescribed part only applies where the floating charge was created after 15 September 2003 and the net property available to the floating charge holder exceeds £10,000.

A prescribed part is not applicable because the Bank's security pre-dates 15 September 2003.

Outcome for Unsecured Creditors

It is currently anticipated that there will be insufficient funds to enable a distribution to be paid to the Company's unsecured creditors.

Appendix A

Statutory Information about the Company and the Administration



COMPANY INFORMATION:

Other trading names:	C&D Rural
Date of incorporation:	25 March 1926
Company number:	00212685
Registered office:	c/o FRP Advisory LLP 7th Floor, Ship Canal House, 98 King Street, Manchester, M2 4WU
Previous registered office:	N/A
Business address:	Mart Offices, Townfoot, Longtown, Cumbria, CA6 5LY
Directors:	Derek G. Armstrong Ian W. Brown William H. Gass Thomas Irving David Lawton James W. Robertson David Sloan Swinburn P. Walton
Company Secretary:	Malcolm Bendle (Resigned 31 July 2015)

The directors and Company Secretary have the following shareholdings in the Company:

Name	Shares	Type	%
Derek G Armstrong	460	Ordinary	>1%
Ian W Brown	1200	Ordinary	>1%
William H Gass	600	Ordinary	>1%
Thomas Irving	800	Ordinary	>1%
David Lawton	400	Ordinary	>1%
James W Robertson	808	Ordinary	>1%
David Sloan	300	Ordinary	>1%
Swinburn P. Walton	460	Ordinary	>1%
Malcolm Bendle	400	Ordinary	>1%

ADMINISTRATION DETAILS:

Names of Administrators:	Russell Stewart Cash and Benny Woolrych
Address of Administrators:	FRP Advisory LLP 7th Floor Ship Canal House 98 King Street Manchester M2 4WU
Date of appointment of Administrators:	25 August 2015

Appendix A

Statutory Information about the Company and the Administration



Court in which administration proceedings were brought:

The High Court of Justice,
Chancery Division, Manchester
District Registry

Court reference number:

2889 of 2015

Date of notice of intention to appoint Administrators presented to Court:

17 August 2015

Administration appointment made by:

Directors

Consent to the notice to appoint an Administrator provided by the qualifying charge holder as follows:

Holder of Qualifying Floating Charge	Date of consent
Barclays Bank Plc	21 August 2015

The appointment of the Administrators included a declaration that they are acting jointly and severally as administrators of the Company in accordance with Paragraph 100 of Schedule B1 to the Insolvency Act 1986.

The EC Regulation on Insolvency Proceedings will apply in this matter and accordingly the administration will constitute main proceedings.

Extracts from the financial statements available are summarised opposite:

Cumberland and Dumfriesshire Farmers Mart Plc - In Administration
The Joint Administrators' Proposals

	Management Accounts Year Ended 30/03/2015 £,000's	Audited Accounts Year Ended 31/03/2014 £,000's	Audited Accounts Year Ended 31/03/2013 £,000's	Audited Accounts Year Ended 31/03/2012 £,000's
Profit & Loss				
Turnover	3,026	2,982	3,217	3,756
Cost of Sales	(1,162)	(1,215)	(1,246)	(1,373)
Gross Profit	1,864	1,767	1,969	2,383
Overheads & Charges	(1,439)	(2,097)	(2,270)	(2,672)
Net Profit (Loss) for FY	425	(330)	(301)	(289)
Profit/Loss Brought Forward	904	1,267	1,801	1,912
Dividends and other movements	(116)	(33)	(33)	(22)
Profit/(Loss) Carried Forward	1,213	904	1,267	1,601

Appendix A

Statutory Information about the Company and the Administration

	Management Accounts	Audited Accounts	Audited Accounts	Audited Accounts
	Year Ended 30/03/2015 £,000's	Year Ended 31/03/2014 £,000's	Year Ended 31/03/2013 £,000's	Year Ended 31/03/2012 £,000's
Balance Sheet				
Fixed Asset				
Tangible	1,727	1,845	1,884	1,910
Intangible	12	13	16	18
	<u>1,739</u>	<u>1,858</u>	<u>1,900</u>	<u>1,928</u>
Current Asset				
Trade Debtors	5,351	4,526	5,208	5,879
Cash at Bank and in Hand	40	774	881	688
Other Debtors and	352	429	499	513
Prepayments				
Deferred Tax	144	144	89	15
	<u>5,887</u>	<u>5,873</u>	<u>6,677</u>	<u>7,095</u>
Total	<u>7,626</u>	<u>7,731</u>	<u>8,577</u>	<u>9,023</u>
Creditors				
Secured Overdraft & Bank Loans	(4,075)	(4,345)	(4,392)	(4,936)
Trade Creditors	(207)	(198)	(210)	(150)
HMRC	(161)	(129)	(160)	(190)
Other Loans & Creditors	(516)	(480)	(761)	(700)
Accruals & Deferred Income	(6)	(107)	(116)	(120)
	<u>(4,965)</u>	<u>(5,259)</u>	<u>(5,639)</u>	<u>(6,096)</u>
Aged Overdraft & Bank Loans	-	(225)	(350)	-
Aged Accruals, Deferred Income & HP	-	(34)	(9)	(12)
	<u>-</u>	<u>(259)</u>	<u>(359)</u>	<u>(12)</u>
Total Assets Less Total Liabilities	<u>3,874</u>	<u>3,117</u>	<u>3,846</u>	<u>4,516</u>

Cumberland and Dumfriesshire Farmers Mart Plc - In Administration
The Joint Administrators' Proposals

Cumberland and Dumfriesshire Farmers Mart Plc
(In Administration)
Joint Administrators' Abstract of Receipts & Payments
To 25/08/2015

S of A £		£	£
	SECURED ASSETS		
840,000 00	Longtown Property	NIL	
137,000 00	High Street Carlisle Property	NIL	
3 00	IP, Goodwill & Customer Lists	NIL	
			NIL
	SECURED CREDITORS		
(1,040,000.00)	Barclays Bank Plc	NIL	
			NIL
	ASSET REALISATIONS		
14,998 00	Furniture & Equipment	NIL	
41,997 00	Motor Vehicles	NIL	
746,200.00	Contribution from Purchaser	NIL	
2 00	Stock & WIP	NIL	
1,788,000 00	Book Debts	NIL	
			NIL
	FLOATING CHARGE CREDITORS		
(3,900,000 00)	Barclays Bank Plc	NIL	
			NIL
	UNSECURED CREDITORS		
(646,028 00)	Trade Creditors	NIL	
(51,000 00)	HMRC - VAT	NIL	
(60,000 00)	HMRC - PAYE/NI	NIL	
(1,750,000.00)	Farming Creditors	NIL	
			NIL
	DISTRIBUTIONS		
(240,000.00)	Ordinary Shareholders	NIL	
			NIL
(4,118,828.00)			NIL
	REPRESENTED BY		
			NIL

Cumberland and Dumfriesshire Farmers Mart Plc

In Administration

Appendix C

Disclosure to creditors in accordance with Statement of Insolvency Practice 16

1 September 2015

Contents and abbreviations



Sections

This document is split into the following sections:

1. Introduction
2. Statement of Insolvency Practice 16 – Pre-packaged sales in administrations: An overview for creditors
3. Background information and events leading to the appointment of the Administrators
4. Pre-appointment considerations

Abbreviations

The following abbreviations are used in this document:

FRP	FRP Advisory LLP
The Company	Cumberland and Dumfriesshire Farmers Mart Plc - In Administration
The Administrators	Russell Stewart Cash and Benny Woolrych of FRP Advisory LLP
SIP	Statement of Insolvency Practice
CVA	Company Voluntary Arrangement
IA86	The Insolvency Act 1986
IR86	The Insolvency Rules 1986 (as amended)
CDDA86	The Company Directors Disqualification Act 1986
IP	Insolvency Practitioner
NDA	Non-Disclosure Agreement

1. Introduction



To all known creditors

Following the appointment of the Administrators on 25 August 2015, we are required to provide the creditors with a detailed narrative explanation of the justification of the pre-pack sale within seven days of completion in accordance with SIP 16.

I set out in this document full details of the sale and reasons behind the decision for this sale and why it was considered to be in the overall best interests of all creditors of the Company as a whole.

I can confirm that the transaction will enable the statutory purpose of the administration, a better result for the Company's creditors as a whole, to be achieved and that the sale price realised was the best reasonably obtainable in all the circumstances.

Should you require any further information regarding this report or the administration in general please contact Michael Cheetham of my staff.

Yours faithfully
For and on behalf of
Cumberland and Dumfrieshire Farmers Mart Plc


Russell Cash
Joint Administrator

Licensed in the United Kingdom by the Institute of Chartered Accountants in England & Wales

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

The affairs, business and property of the Company are being managed by Russell Stewart Cash and Benny Woolrych who were appointed Joint Administrators on 25 August 2015.

2. Statement of Insolvency Practice 16 – Pre-packaged sales in administrations

An overview for creditors

What is a SIP?

The purpose of SIPs is to promote and maintain high standards by setting out required practice and harmonising the approach of IPs to particular aspects of insolvency practice. They apply in parallel to the prevailing statutory framework.

SIPs set principles and key compliance standards with which IPs are required to comply. Failure to observe the principles and/or maintain the standards set out in a SIP is a matter that may be considered by an IP's regulatory authority for the purposes of disciplinary or regulatory action in accordance with that authority's membership and disciplinary rules.

SIPs set out required practice, but they are not statements of the law or the obligations imposed by insolvency legislation itself.

What is a pre-packaged sale?

The term 'pre-packaged sale' refers to an arrangement under which the sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an administrator and the administrator effects the sale immediately on, or shortly after, appointment.

The particular nature of an IP's position in these circumstances renders transparency in all dealings of primary importance. Creditors and other interested parties should be confident that the IP has acted professionally and with objectivity; failure to demonstrate this clearly may bring the practitioner and the profession into disrepute.

What are the principles of SIP 16?

The IP should differentiate the roles that are associated with an administration involving a pre-packaged sale.

Creditors should be provided with sufficient information such that a reasonable and informed third party would conclude that the pre-pack was appropriate and that the administrator has acted with due regard for the creditors' interests.

Key Compliance Standards

Preparatory work – the IP should be clear about the nature and extent of the role of adviser in the pre-appointment period. The IP should bear in mind the duties and obligations owed to both the company and the creditors in the pre-appointment period. The IP should keep a detailed record of the reasoning behind the decision to undertake a pre-packaged sale and all alternatives considered.

After appointment – the administrator should be able to demonstrate that the duties of an administrator have been considered.

Disclosure – the administrator should provide creditors with a detailed narrative explanation of the justification of the pre-pack sale within 7 days of completion. The following information should be included:

- Source of the initial introduction to the IP;
- Pre-appointment considerations;
- Marketing of the business and assets;
- Valuation of the business and assets; and
- Details of the transaction including the assets sold and the consideration received.

The SIP does not restrict an administrator from not disclosing information in certain limited circumstances in accordance with the IA86.

Further information

A copy of SIP 16 can be found at:

[https://www.r3.org.uk/media/documents/technical_library/SIPs/SIP_16_-_Version_2_\(effective_from_1_November_2013\).pdf](https://www.r3.org.uk/media/documents/technical_library/SIPs/SIP_16_-_Version_2_(effective_from_1_November_2013).pdf)

3. Background information of events leading to the appointment of the Administrators



Background information regarding the Company

The Company, incorporated in March 1926, provided a livestock auctioneering and marketing service for farming customers throughout the UK.

The business is owned by over 100 shareholders with issued share capital of £240,000. The largest single shareholder is Thompson Roddick & Laurie Limited ("TRL"), which holds 20.48%.

The Company operated from freehold premises at Longtown Mart and leasehold premises in Dumfries. Historically, Longtown accounted for approximately 75% of turnover.

The Dumfries business was acquired from TRL in 2001 with the property being leased at an annual cost of £20k per annum.

The mainstream business can be split into two sales categories:

- Wholesalers/abattoirs – This accounted for c65% of the business with sales to wholesalers and abattoirs from across the UK.
- Farmers/Store Farms – This accounted for c35% of the business with sales of younger animals which were later returned to market by the purchaser.

In addition, the Company also operated a property services company called C & D Rural. The business, operated by a separate management team, traded from a freehold property at 17/19 High Street, Longtown.

The business operated as an estate agents, dealing with the sale and rental of commercial and residential properties, primarily to the local farming market.

Events leading to the appointment of the Administrators

The Company's business model, receiving a commission of approximately 4% on sales through the auction mart whilst taking on the risk of collecting debtors, means that it is particularly vulnerable to bad debts which have a disproportionate impact on cash flow and results.

The business has suffered losses and cash flow pressures in recent years as a result of poor debtor collection processes and bad debts incurred.

The Company subsequently uncovered evidence that it had been the victim of a material fraud in July 2015, which significantly worsened the Company's financial position.

The Joint Administrators are investigating this as a priority, to ascertain the circumstances and quantum of the fraud, as well as giving consideration to potential avenues of recovery to benefit the Company's creditors. Due to the complex nature of the position it is not possible to provide further detail at this stage.

Further updates will be provided in future reports to creditors.

4. Pre Appointment Considerations



Appointment of the Joint Administrators, initial introduction and pre-appointment involvement

- In view of the Company's financial position, an introduction was made by the Company's bankers, Barclays, with Russell Cash meeting with a number of directors on 17 July 2015
- FRP were engaged by the Company and Barclays Bank Plc on 20 July 2015 to conduct a critical analysis of the Company's financial position, including recent trading performance and cash flow forecasts, to assist with an assessment of the viability of the business.
- This scope of the work was subsequently broadened following the discovery of the extent of the fraud to include advice in relation to the appropriateness of continuing to trade and efforts to secure a sale of the business, as further detailed in Appendix E;
- In order to protect the Company and its assets from proprietary creditor action, the Directors filed a Notice of Intention to Appoint Administrators on 17 August 2015.
- A Notice of Appointment of Administrators was subsequently filed in court on 25 August 2015 whereupon Benny Woolrych and I were appointed Joint Administrators.

Purpose of the administration

In accordance with Paragraph 3 of Schedule B1 to the IA86, an Administrator of a company must perform his functions with the objective of:

- a) Rescuing the Company as a going concern, or
- b) Achieving a better result for the Company's creditors as a whole than would have been likely if the Company were wound up (without first being in administration) or,

- c) Realising property in order to make a distribution to one or more of the secured or preferential creditors.

The Joint Administrators think that objective (a) of the Administration will not be achieved due to the financial position of the Company.

As such, it is envisaged that objective (b) will be achieved, a better result for the Company's creditors as a whole than would be likely if the Company had been wound-up (without first being in administration).

Alternative courses of action considered

The following insolvency options were considered:

Company Voluntary Arrangement ("CVA")

This was not considered feasible for the following reasons:

- Given the reliance of the business on farmers bringing livestock to the auction, it was viewed that a CVA proposal would have led to a significant reduction in volumes, resulting in the business becoming unviable;
- In view of the historic trading performance of the business, it would not have been possible to generate sufficient cash to repay historic creditors; and
- It was unlikely that any third party funds would be made available to form the basis of a CVA.

Creditors' Voluntary Liquidation ("CVL")

This was not considered viable for the following reasons:

- In view of the statutory requirements of a liquidation process, it is likely that there would have been a break in trade thereby eroding business goodwill and reducing returns to creditors;

4. Pre Appointment Considerations



- It was likely that a prospective purchaser would decrease/retract their offer in a Liquidation scenario; and
- A close down/liquidation scenario would impact on the recoverability of book debts and the return to creditors.

Trading In Administration followed by a sale of business

This was not considered feasible for the following reasons:

- Given the nature of the business, it was deemed unlikely that farmers would continue to bring livestock to the auction, leading to a significant erosion in business goodwill and viability;
- Trading within administration was likely to incur losses after professional fees and would therefore erode the return to creditors;
- A significant level of funding would have been required to trade during the Administration, with no source deemed likely to provide this; and
- It was deemed unlikely that any period of trading would generate a better offer for the business and assets.

It was therefore considered that an accelerated sale process ahead of an Administration should be commenced with a view to a sale of the business and assets immediately following the Joint Administrators appointment.

In view of the cash flow pressures, and the perception of Administration as a rescue procedure, the Directors considered an Administration preferable.

Consultation with major creditors

The Company's major secured creditor is Barclays Bank Plc who were consulted throughout the sales process and consented to the transaction.

The Company's major unsecured creditors were a private 3rd party investor and HM Revenue and Customs. Both were consulted in advance of the administration and the sale of the business.

Marketing activities undertaken

A broader marketing strategy was not possible for the following reasons.

- The Purchaser owned the Dumfries mart and as a result they would have had to provide their sanction to any transfer of the lease;
- Given the nature of the business and reliance on farmers bringing their sheep/cattle to the mart, any marketing of the business would have likely reduced the volume of livestock going through the mart. It was considered unlikely that a 'business as usual' strategy could be adopted whilst actively marketing the business; and
- There are only a handful of auction houses with sufficient cash/debt capacity to consider an acquisition. The Company's board of directors did not believe that any other auction house would realistically have an appetite to acquire the business.

Valuation of assets

The Company owned two properties being the Longtown Mart and 17/19 High Street, Longtown from which C & D Rural currently operates.

Barclays Bank plc instructed Sanderson Weatherall LLP in August 2015 to perform an updated valuation of the Longtown mart. This indicated a value of £1.6m on a going concern basis and a value of £575k in a close down scenario.

4. Pre Appointment Considerations



17/19 High Street was valued by Walton Goodland Chartered Surveyors in 2014 at £135k.

The Joint Administrators instructed Wignall Brownlow LLP, chartered surveyors to value the Company's motor vehicles and chattel assets. Wignall Brownlow indicated a valuation of £50,350 for the Company's motor vehicles and £25,300 for its chattel assets.

Wignall Brownlow LLP have confirmed their independence in this matter.

Offers received

Thomson, Roddick and Laurie Limited and C & D Auction Mart Limited (together "the Purchaser") expressed an interest in purchasing the Company's business and assets.

Both companies are controlled by the Thomson family, who were 20.48% shareholders in the Company.

Following meetings and discussions with FRP and existing management, an offer was submitted by the Purchaser (see below).

The transaction

The Company was placed into Administration on 25 August 2015.

The Joint Administrators completed a sale of the business and assets to the Purchaser on the same day.

Thomson Roddick and Laurie limited purchased the Longtown mart property, whilst C & D Auction Mart Limited, purchased the business and other assets.

As part of the transaction, it was recognised that should the farmers not be paid for livestock previously brought to auction and sold by the Company, it was likely that they would cease to do so going forward, significantly reducing volumes and the viability of the business.

In order to secure a sale and a future for the business, all existing farmers would therefore have to be paid in full. In addition to the sale consideration, the Purchaser agreed to contribute £746,200 to the payment of these creditors, totalling approximately £1,750k on appointment.

All farming creditors have previously been issued with cheques in respect of livestock brought to auction. The Bank have agreed that they will continue to honour these cheques, providing they are presented within 4 weeks of the Administration appointment.

All farming creditors have been written to by the Purchaser to advise them of this and the Joint Administrators would like to reinforce the message that all cheques should be presented as soon as possible.

The offer from the Purchaser alongside the valuation provided by our agents is as follows:

£	Break up valuation	Offer
Longtown Mart	575,000	840,000
IP/Goodwill & Customer Lists	-	3
Motor Vehicles	50,350	34,997
Stock & WIP	-	2
Other chattel assets	25,300	14,998
Contribution to farming creditors	-	746,200
	650,650	1,636,200

4. Pre Appointment Considerations



The sale consideration was received in full upon completion and will be transferred from our solicitors' account once the estate account is open.

Whilst the offer for the motor vehicles was below the agent's valuation, the Purchaser advised that they require the vehicles as part of the sale and that should these have been sold separately, the deal would not be progressed.

The offer included a transfer of all employees under the TUPE regulations therefore preserving all jobs and mitigating claims for wages, holiday pay, redundancy pay and pay in lieu of notice.

In addition to the consideration above, the Purchaser has also agreed to pay a further £19,800 to the Company, being the apportionment of monthly wages for staff paid by the Company prior to Administration, but relating to the Purchaser.

The Purchaser has also agreed to assist with the collection of the Company's book debts which were excluded from the sale. In return for this, a commission structure has been agreed as noted below, based on realisations of 'Collection debts', those debtors not deemed to be bad or doubtful:

- 0% commission payable on debtor receipts up to 75% of the Collection debts;
- 5% commission payable on debtor receipts between 75% and 80% of the Collection debts;
- 10% commission payable on debtor receipts between 80% and 85% of the Collection debts;
- 20% commission payable on debtor receipts between 85% and 90% of the Collection debts;
- 25% commission payable on debtor receipts in excess of 90% of the Collection debts.

The commission payable is subject to a maximum limit of £50,000.

The Purchaser has entered into a Licence to Occupy in relation to the 17/19 High Street property for a period of 2 months from completion in return for a licence fee of £875 (Net of VAT) per month.

Our agents recommended that we accept the offer for the following reasons:

- The offer exceeded the break-up value of the assets;
- The offer provides the ability for farming creditors to be paid in full, in comparison to a liquidation which would see them suffer a significant shortfall;
- The sale would ensure continuity of service for the Company's customers thereby maximising the recovery from book debts;
- All employees have been transferred to the Purchaser under the TUPE regulations thereby mitigating in full all claims for arrears of wages and accrued holiday pay as well as redundancy pay and payment in lieu of notice. The saving of all c70 jobs is also a boost for the local economy; and
- The Joint Administrators signed a deed of surrender on appointment in relation to the Dumfries property, minimising unsecured creditor claims in relation to the unexpired term of the lease.

The Purchaser was advised by Anderson Strathern LLP and Atkinson Ritson LLP whilst the Joint Administrators were advised by DLA Piper UK LLP.

The sale was not part of a wider transaction and there are no buy-back agreements or other conditions in the sale agreement aside from those detailed above.

Barclays Bank plc have provided funding to the Purchaser to enable a sale to be effected.

4. Pre Appointment Considerations



It is understood that a number of current and former directors have provided personal guarantees to the private 3rd party investor in support of their unsecured loan to the Company, albeit we understand the validity of the guarantees is disputed.

As overall the transaction resulted in an improved outcome for unsecured creditors in comparison to an Administration with no sale, the transaction was completed by the Joint Administrators.

Appendix D

Schedule of Administrators' time costs, disbursements and charge out rates

Cumberland and Dumfriesshire Farmers Mart PLC (The) (In Administration)
Time charged for the period 01 July 2015 to 25 August 2015

Total Hours	Appointment		Managers /		Junior Professional & Support	Total Hours	Total Cost		Average Hourly Rate
	Takers / Partners	Directors	Other Professional				£	£	
⊖ Administration and Planning	65.00		2.50		4.25	71.75	26,968.00	375.86	
Case Control and Review	65.00				0.50	65.50	26,052.50	397.75	
General Administration				2.50	3.20	5.70	866.00	151.93	
Fee and WIP					0.55	0.55	49.50	90.00	
⊖ Asset Realisation	21.50	114.50				136.00	50,465.00	371.07	
Debt Collection		5.00				5.00	1,350.00	270.00	
Sale of Business	21.50	109.50				131.00	49,115.00	374.92	
⊖ Creditors		11.00				11.00	2,970.00	270.00	
Secured Creditors		11.00				11.00	2,970.00	270.00	
⊖ Investigation					2.10	2.10	220.50	105.00	
Investigatory Work					2.10	2.10	220.50	105.00	
⊖ Statutory Compliance					7.85	7.85	822.00	104.71	
Statutory Reporting/ Meetings					7.70	7.70	808.50	105.00	
Appointment Formalities					0.15	0.15	13.50	90.00	
⊖ Pre-Appointment	36.50	159.00			7.70	203.20	63,888.50	314.41	
Pre Appointment	36.50	159.00			7.70	203.20	63,888.50	314.41	
Total Hours	123.00	284.50	2.50		21.90	431.90	145,334.00	336.50	
Total Cost £	49,200.00	93,315.00	530.00				2,289.00		
Average Hourly Rate £	400.00	328.00	212.00				104.52		

FRP Charge out rates

Grade	From	1st July 2013
Appointment taker / Partner		275-495
Managers / Directors		225-455
Other Professional		85-275
Junior Professional & Support		70-320

Disbursements for the period 01 July 2015 to 25 August 2015

	Value £
⊖ Category 1	
Parking	48.00
Taxis	32.00
Telephone	177.92
Travel	336.00
⊖ Category 2	
Car/Mileage Recharge	324.00
Grand Total	917.92

Mileage is charged at the HMRC rate
prevailing at the time the cost was incurred

Cumberland and Dumfriesshire Farmers Mart Plc - In Administration
The Joint Administrators' Proposals

Appendix D

Schedule of Administrators' time costs, disbursements and charge out rates

Cumberland and Dumfriesshire Farmers Mart PLC (The) (In Administration)

Time charged from the start of the case to 25 August 2015

	Total Hours	Total Cost £	Average Hrry Rate £
⊖ Administration and Planning	71.75	26,968.00	375.86
Case Control and Review	65.50	26,052.50	397.75
General Administration	5.70	866.00	151.93
Fee and WIP	0.55	49.50	90.00
⊖ Asset Realisation	136.00	50,465.00	371.07
Sale of Business	131.00	49,115.00	374.92
Debt Collection	5.00	1,350.00	270.00
⊖ Creditors	11.00	2,970.00	270.00
Secured Creditors	11.00	2,970.00	270.00
⊖ Investigation	2.10	220.50	105.00
Investigatory Work	2.10	220.50	105.00
⊖ Statutory Compliance	7.85	822.00	104.71
Statutory Reporting/ Meetings	7.70	808.50	105.00
Appointment Formalities	0.15	13.50	90.00
⊖ Pre-Appointment	203.20	63,888.50	314.41
Pre Appointment	203.20	63,888.50	314.41
Grand Total	431.90	145,334.00	336.50

Appendix E

Schedule of pre-administration costs



	Note	Fees Charged (£)	Expenses Incurred (£)
FRP pre-administration costs	1 & 2	145,334	1,330.07
Amounts paid		(75,000)	(1,330.07)
FRP unpaid pre-administration costs for which approval is not being sought		20,334	Nil
Legal Fees – DLA Piper	3	64,800	1,825
Agents' Fees - Wignall Brownlow		975	-
Amounts Paid		Nil	Nil
Unpaid Pre-administration costs		133,309	1,825
Pre Administration costs for which approval is being sought (see Statement of Proposals)		65,775	1,825

Notes

- The costs detailed above have been incurred in accordance with the letter of engagement dated 20 July 2015 between the Company and FRP Advisory LLP ("FRP") which was signed by the Company on 23 July 2015. The letter of engagement provided that pre-appointment fees would be charged on a time cost basis.
- Under the terms of the engagement letter dated 20 July 2015, FRP were engaged to conduct a brief critical analysis of the Company's current financial position, including recent trading performance and cash flow forecasts, to enable Barclays to assess the viability of the business and whether Barclays' support of the Company should continue.

In addition, FRP also provided the Company with the following services:

 - Advise the directors in relation to the appointment of Joint Administrators.
 - Assist the directors and members in filing the appropriate legal notices to obtain a Court moratorium.
 - Assist the directors in preparing supporting information to be made available to potential purchasers ("Interested Parties") of the business and/or assets.

Appendix E

Schedule of pre-administration costs



- iv. Conducting negotiations as appropriate with a view to the sale of the business and/or assets and provide the Company with regular updates on the sales process and status of negotiations.
- v. As may be required, prepare a contingency plan for the event that a sale of the business and/or assets as a going concern appears unlikely.
- vi. Deal with any matters in connection with our statutory obligation, including but not limited to those contained within "SIP 16" (attached at appendix 4), in order to effect a sale of the business of the Company immediately upon the appointment of Joint Administrators.
- vii. Liaising with the Bank and other key creditors throughout the process.
- viii. Provide advice to the Company on any other matters we consider should be brought to their attention.
3. DLA Piper LLP were instructed to provide the following services:
 - i. Drafting appointment documents;
 - ii. Lodging the notice of intent to appoint and service on various parties;
 - iii. Lodging the notice of appointment and service on various parties; and
 - iv. Pre-appointment advice to the proposed administrators in relation to the sale of business and assets including drafting of the sale and purchase agreement, licences to occupy and negotiations with the buyers solicitor.

- 4 The Joint Administrators also appointed Agents Wignall Brownlow LLP to prepare a valuation of the Company's chattel assets.

The payment of the unpaid pre-administration costs set out above is subject to approval in accordance with the Insolvency Rules 1986, Rule 2.67A and is not part of the proposals subject to approval under the Insolvency Act 1986, Schedule B1, Paragraph 53.

Appendix F

Estimated Statement of Affairs



Cumberland and Dumfriesshire Farmers Mart Plc
Statement Of Affairs as at 25 August 2015

A - Summary of Assets

Assets	Book Value £	Estimated to Realise £
Assets subject to fixed charge:		
Longtown Property	Unknown	840,000 00
High Street Carlisle Property	Unknown	137,000 00
IP, Goodwill & Customer Lists		3 00
Barclays Bank Plc	1,040,000 00	(1,040,000 00)
Deficiency c/d		(62,997 00)
Assets subject to floating charge:		
Furniture & Equipment	205,181 00	14,998 00
Motor Vehicles	141,730 00	41,997 00
Contribution from Purchaser		746,200 00
Stock & WIP		2 00
Book Debts	5,963,000 00	1,788,000 00
Uncharged assets:		
Estimated total assets available for preferential creditors		2,591,197 00

Signature _____ Date _____

Cumberland and Dumfriesshire Farmers Mart Plc
Statement Of Affairs as at 25 August 2015

A1 - Summary of Liabilities

	Estimated to Realise £
Estimated total assets available for preferential creditors (Carried from Page A)	2,591,197 00
Liabilities	
Preferential Creditors -	NIL
Estimated deficiency/surplus as regards preferential creditors	2,591,197 00
Debts secured by floating charge pre 15 September 2003	
Deficiency b/d	62,997 00
	2,528,200 00
Other Pre 15 September 2003 Floating Charge Creditors	
Barclays Bank Plc	3,900,000 00
	3,900,000 00
	(1,371,800 00)
Estimated prescribed part of net property where applicable (to carry forward)	NIL
Estimated total assets available for floating charge holders	(1,371,800 00)
Debts secured by floating charges post 15 September 2003	
	NIL
Estimated deficiency/surplus of assets after floating charges	(1,371,800 00)
Estimated prescribed part of net property where applicable (brought down)	NIL
Total assets available to unsecured creditors	(1,371,800 00)
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	
Trade Creditors	646,028 00
HMRC - VAT	51,000 00
HMRC - PAYE/NI	60,000 00
Farming Creditors	1,750,000 00
	2,507,028 00
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F C's post 14 September 2003)	(3,878,828 00)
Estimated deficiency/surplus as regards creditors	(3,878,828 00)
Issued and called up capital	
Ordinary Shareholders	240,000 00
	240,000 00
Estimated total deficiency/surplus as regards members	(4,118,828 00)

Signature _____ Date _____