Rule 2.47 | Form 2.24B

The Insolvency Act 1986

Administrator's progress report 2.24B

Name of Company	Company Number
Hiflex Fluidpower Limited	01046614

In the	Court case number
High Court of Justice, Chancery Division, Companies Court (full name of court)	7127 of 2008

(a) Insert full name(s) and address(es) of administrator(s)

We David James Bennett of PricewaterhouseCoopers LLP, 9 Greyfriars Road, Reading, Berkshire RG1 1JG and Zelf Hussain and Colin Michael Trevethyn Haig both of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT

administrator(s) of the above company attach a progress report for the period

	from	to
(b) Insert dates	(b) 22 February 2009	(b) 21 August 2009

Signed
Joint ~~Administrator(s)~~

Dated 21 September 2009

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 form. The contact information that you give will be visible to searchers of the public record

ZhiQian Huang	
PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT	
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Companies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff

PRICEWATERHOUSECOOPERS

Hiflex Fluidpower Limited – in Administration
High Court of Justice, Chancery Division, Companies Court
Case No. 7127 of 2008

Joint Administrators' progress report for the six months ended 21 August 2009

21 September 2009

Contents

1. Joint Administrators' progress report for the six months ended 21 August 2009

Introduction

In accordance with Rule 2.47 of the Insolvency Rules 1986 ("IR86"), the Joint Administrators ("the Administrators") write to provide creditors with details of the progress of the Administration of Hiflex Fluidpower Limited (the "Company").

The Administrators are required to provide certain statutory information pursuant to Rule 2.47(1)(a) to (d) of IR86, which is shown in Section 2 of this report.

Adoption of the Administrators' proposals

On 17 October 2008, the Administrators circulated to creditors their proposals for achieving the purpose of the administration. The proposals were approved by creditors, without modification, at a meeting held on 28 October 2008. A creditors' committee was not established as there were insufficient creditors willing to act on it.

Background information and initial actions taken by the Administrators

The Company is a wholly owned subsidiary of Hiflex Europe Limited and was involved in the supply of hydraulic hose assemblies and associated equipment. The Company's business was managed from its head office in Salisbury.

The Company, together with two other group companies, Hiflex Fluidtechnik Limited ("Fluidtechnik") and Hiflex Powerbend Limited ("Powerbend") had a joint and several liability for the Unipoly UK Pension Plan ("Hiflex Pension Scheme"). At the time of our appointment, the Hiflex Pension Scheme was in a deficit position of approximately £82 million being the excess of its liabilities in relation to the scheme's assets (when valued on a Section 75, 'the buyout', basis).

In April 2008, the Directors engaged PricewaterhouseCoopers LLP ("PwC") to consider the ongoing viability of the Company, given the quantum and funding requirements of the Hiflex Pension Scheme.

Following this review, the directors of the Company decided to seek a sale of the business and assets of the Company on a going concern basis.

Accordingly in June 2008, PwC was engaged by the Company to assist in selling the business and certain assets of the Company.

As part of this process, various parties were contacted with a view to achieving a going concern sale of the business. Unfortunately of those parties approached, none were willing to commit to a going concern acquisition of the business and assets and as such it was not possible to achieve a going concern sale. As the Company was insolvent, as soon as the directors became aware that a going concern sale was not achievable, they had no alternative but to seek the appointment of Administrators and the Administrators were appointed on 22 August 2008.

Following the appointment, a number of enquiries were forthcoming from various interested parties who were interested in the assets of this business.

Sale of business and assets

After considering various offers, the business and certain assets of the Company were sold to BMI Hose (Europe) Limited ("BMI") on 3 September 2008 for a total consideration of £280,000. The alternative would have been to conduct a sale of the assets on a piecemeal basis which is likely to have resulted in a lower level of realisations. A further sale of stock and vehicles to another party realised an additional £28,705, however this has subsequently been reduced by £5,057 as the purchaser was unable to collect some of the items of stock included within the sale.

Trading

Immediately upon our appointment, the employees were made redundant, the premises were secured and the Company ceased to trade.

1. Joint Administrators' progress report for the six months ended 21 August 2009

Realisation of other assets

The Administrators have taken steps to realise all known assets of the Company. In the months since our appointment, various realisations have been achieved including cash at bank and business rates refunds.

At the time of the sale of the business and certain assets to BMI, a licence agreement was agreed with BMI to allow them to remain in the properties that were leased by the Company whilst they attempted to negotiate with the landlords as regards their ongoing occupation of the premises. The licence agreement terminated on 2 March 2009 and the Administrators have advised each landlord accordingly.

To date 11 out of 14 leases have been assigned or surrendered.

Receipts and payments account

The receipts and payments account is set out in Section 3 of this report.

Outcome for creditors

It is currently uncertain whether there will be a return to unsecured creditors. Farington Property Company Limited ("Farington") (formerly Unipoly Holdings Limited) holds fixed and floating charges over the Company's assets. The charges support a guarantee liability given by the Company in respect of a loan made to Hiflex Europe Limited. The Administrators have taken legal advice and are currently seeking Counsel's Opinion on the matter of the guarantee and whether Farington's claim against the Company has crystallised.

In the event that the potential claim has or does crystallise during the course of the Administration it is estimated that the value of the prescribed part, as provided for by Section 176A IA86 will be approximately £7,000. In view of this, the Administrators may consider making an application to court under Section 176A(5) IA86 to disapply the paying of the Prescribed Part as the cost of making a distribution of a prescribed part would be disproportionate to the benefits. In any event, even if the potential claim does not crystallise, given the quantum of recoveries on this case, any potential return to creditors will be nominal.

Administrators' remuneration

The Administrators' remuneration is fixed by reference to time properly given by the Administrators and their staff. We provided in our first progress report an analysis of the Administrators' time costs and Category 2 disbursements for the period from 22 August 2008 to 21 February 2009 of £193,446.45 and £409.28 respectively.

Provided in Section 5 of this report is the analysis of the Administrators' time costs and Category 2 disbursements for the period from 22 February 2009 to 21 August 2009.

To date, no remuneration has been drawn by the Administrators.

Extension of Administration

Due to the ongoing uncertainty surrounding Farington's claim against the Company the Administrators made an application to Court for a 12 month extension to the Administration. The Order was duly granted by the Court and the period of the Administration has now been extended to 22 August 2010.

Next report

The Adminstrators' next report to creditors will be at the earlier of the conclusion of the Administration or in approximately six months.

DJ Bennett
Joint Adminstrator
Hiflex Fluidpower Limited

2. Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court 7127 of 2008
Full name:	Hiflex Fluidpower Limited
Trading name:	Hiflex Fluidpower Limited
Registered number:	01046614
Registered address:	12 Plumtree Court, London, EC4A 4HT
Company directors:	Mr D H Oldham, Mr R N Bird, Mr G B Green
Company secretary:	Mr R N Bird
Shareholdings held by the directors and secretary:	None
Date of the Administration appointment:	22 August 2008
Administrators' names and addresses:	David James Bennett of PricewaterhouseCoopers LLP, 9 Greyfriars Road, Reading, RG1 1JG; and Zelf Hussain and Colin Michael Trevethyn Haig of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
Changes in office holder:	None
Appointor's / applicant's name and address:	The directors of the Company (i.e. Mr D H Oldham, Mr R N Bird, Mr G B Green of Hiflex House, Telford Road, Churchfields Industrial Estate, Salisbury, Wiltshire, SP2 7PH)
Objective being pursued by the Administrators:	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration)
Division of the Administrators' responsibilities:	Where there are Joint Administrators, for the purposes of paragraph 100(2) of Schedule B1 to the Insolvency Act 1986 the functions of the Administrators and any act required or authorised under any enactment to be done by an Administrator may be done by either or all of the Joint Administrators either jointly or severally or any persons for the time being holding that office.
Details of extension of Administration	The Administration has been extended to 22 August 2010, by Order of the Court.
Proposed exit of the Administration:	Dissolution or Creditors' Voluntary Liquidation or compulsory liquidation, depending on whether there are sufficient funds with which to make a distribution to unsecured creditors.
Estimated dividend for unsecured creditors:	Nil
Estimated values of the prescribed part and the company's net property:	The prescribed part will only be applicable if the potential claim from the secured creditor crystallises. In this event, the prescribed part is currently estimated to be approximately £7,000.
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	The Administrators do not consider that there will be sufficient funds to make a distribution to general unsecured creditors.
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are main proceedings

3. Receipts and payments account

	Previously reported 22 Aug 2008 to 21 Feb 2009	Movement from 22 Feb 2009 to 21 Aug 2009	Cummulative for the period 22 Aug 2008 to 21 Aug 2009
Receipts	£	£	£
Sale of business and certain assets to BMI:			
- Stock	200,000		200,000
- Plant and machinery	30,000		30,000
- Computer and equipment	3,000		3,000
- Motor vehicles	45,000		45,000
- Fixtures and Fittings	2,000		2,000
	280,000		280,000
Sale of assets to other parties:			
- Stock (refunded to buyer)	24,955	(5,057)	19,898
- Plant and machinery	3,750		3,750
	28,705	(5,057)	23,648
Rent refunded from BMI	74,219	13,772	87,991
Refund of business rates	9,551	337	9,888
Interest received	3,176	1,380	4,556
Receipts from intercompany recharges	653		653
Output VAT	65,629		65,629
Cash from pre appointment bank account	4,282	472	4,754
Dividends received	36		36
Total Receipts	466,251	10,904	477,155
Payments			
Rent	69,604	14,244	83,848
Land registry fee	80		80
Statutory advertising and meeting cost	6,390		6,390
Agents' fees	27,373		27,373
Legal fees	13,310	9,005	22,315
Bank charges	24		24
Business rates	1,595		1,595
Input VAT	19,018	4,176	23,194
VAT payment	49,588		49,588
Total Payments	186,982	27,425	214,407
Cash in hand (Movements)	279,269	(16,521)	262,748

4. Analysis of the Administrators' time costs and Category 2 disbursements for the period 22 February 2009 to 21 August 2009

Time costs summary for the period 22 February 2009 to 21 August 2009

Classification of work	Director (hrs)	Senior Manager (hrs)	Manager (hrs)	Other (hrs)	Total time (hrs)	Time cost (£)	Average hourly rate (£)
Strategy and planning	4.5	9.6		1.0	15.1	4,670.50	309.30
Accounting and treasury			1.8	18.5	20.3	3,613.00	177.98
Statutory and other compliance		7.9	3.0	100.7	111.6	20,371.90	182.54
Realisation of assets		9.1		25.1	34.2	6,997.00	204.59
Creditors/liabilities		5.6		25.8	31.4	6,210.90	197.80
Employees and pension		0.3		2.3	2.6	489.10	188.12
Tax/Vat		1.0	4.8		5.8	2,953.50	509.22
Total to date	**4.5**	**33.5**	**9.6**	**173.4**	**221.0**	**45,305.90**	
Total time cost (£)	**1,598.00**	**10,617.00**	**3,418.50**	**29,672.40**	**45,305.90**		
Average hourly rate (£)	**355.11**	**316.93**	**356.09**	**171.12**	**205.00**		

Narrative of work carried out for the period 22 February 2009 to 21 August 2009

- Strategy and planning - £4,670.50
  - Team meetings;
  - Consideration of appropriate strategy for dealing with known claims and potential future claims;
  - Researching and collating information in respect of the most appropriate strategy and exit route from Administration;
  - Updating and implementing the Administration strategy.

- Accounting and treasury - £3,613.00
  - Processing receipts and payments;
  - Reconciling bank statements to the cash book.

- Statutory and compliance matters - £20,371.90
  - Statutory filings at Companies House and the Court;

4. Analysis of the Administrators' time costs and Category 2 disbursements for the period 22 February 2009 to 21 August 2009

  - Preparing and circulating the Administrators' first progress report;
  - Preparing progress report and witness statement for the application to Court for an extension of the Administration;
  - Coordinating information retrieval of Company servers under lease; and
  - Conducting information retrieval of Company servers to be repossessed by lease company.

- Realisation of assets - £6,997.00
  - Ensuring that sale consideration is received and other aspects of the agreements are adhered to.

- Creditors/liabilities - £6,210.90
  - Dealing with queries and correspondence from creditors;
  - Dealing with retention of title creditors in relation to their stock;
  - Liaising with BMI Hose (Europe) Limited to ensure that creditors are corresponded with appropriately, considering the arrangements agreed within the sale and purchase agreement.
  - Liaising with BMI Hose (Europe) Limited regarding the licence to occupy the Company's leased properties and associated rent payments.
  - Application to Court to obtaining Counsel's Opinion in regards to Farington's claim.

- Employee and pensions - £489.10
  - Dealing with queries from employees;
  - Corresponding with the Pension Regulator and the Pension Protection Fund.

- Tax and VAT - £2,953.50
  - Completion of post appointment VAT returns;
  - Completion of post appointment Corporation Tax return;
  - Corresponding with Her Majesty's Revenue & Customs.

Category 2 disbursements for the period 22 February 2009 to 21 August 2009

Printing	£615.00
Mileage	£42.00

4. Analysis of the Administrators' time costs and Category 2 disbursements for the period 22 February 2009 to 21 August 2009

Summary of legal and other professional firms instructed in the period 22 February 2009 to 21 August 2009

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal advice	Kennedys LLP	Prior experience of the Company and insolvency matters	Time costs
Legal advice	Halliwells LLP	Existing industry knowledge	Time costs

Office holder's charging and disbursement policy

The time charged to the Administration is by reference to the time properly given by the Administrators and their staff in attending to matters arising.

It is the Administrators' policy to delegate tasks in the Administration to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or the Administrators themselves.

Set out below are the relevant charge-out rates per hour worked for the grades of the Administrators' staff actually or likely to be involved on this assignment. Time is charged by reference to actual work carried out on the assignment. There has been no allocation of any general costs or overhead costs.

Grade	Relevant maximum charge out rate per hour £
Partner	473
Director	357
Senior Manager	315
Manager	263
Other	179

4. Analysis of the Administrators' time costs and Category 2 disbursements for the period 22 February 2009 to 21 August 2009

Specialist departments within the Administrators' firm such as Tax, VAT, Property and Pensions may charge a number of hours if and when the Administrators require their expert advice. Such specialists' rates do vary but the figures below provide an indication of the maximum rate per hour.

Grade	**Relevant maximum charge out rate per hour £**
Partner	923
Director	827
Senior Manager	772
Manager	478
Senior associate / Consultant	341
Associate / Assistant Consultant	246
Support staff / Client Service Administrator	95

In common with all professional firms, the scale rates used by the Administrators may periodically rise (for example to cover annual inflationary cost increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors and / or the creditors' committee in the next statutory report.

The Administrators' firm's expenses policy allows for all properly incurred expenses to be recharged to the case. Disbursements are charged to the assignment as follows: -

Disbursements for services provided by the Administrators' own firm(s) (Category 2 disbursements)

Photocopying	At 3 pence per sheet copied, only charged for circulars to creditors and other bulk copying.
Mileage	At a maximum of 62 pence per mile (up to 2,000cc) or 81 pence per mile (over 2,000cc)