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 (b) 22 August 2008 to (b) 21 February 2009

(b) Insert dates

Signed

Joint / Administrator(s)

Dated 13 March 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

John D Baker

PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT

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DX Number | DX Exchange

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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 February 2009

13 March 2009

Contents

1. Joint Administrators' progress report for the six months ended 21 February 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") in the six months since the Administrators' appointment on 22 August 2008.

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. The Administrators have also provided a summary of their proposals, shown in Section 3.

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 the head office operation based 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 as a result Administrators were appointed on 22 August 2008.

Following the Administration of the Company a number of enquiries were forthcoming from various interested parties and the Administrators offered the assets of the business for sale out of Administration.

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. A further sale of stock and vehicles to another party realised an additional £28,705. The alternative would have been to cease trading and conduct a sale of assets on a piecemeal basis which is likely to have resulted in a lower level of realisations.

Trading

Following our appointment as Administrators on 22 August 2008, the employees were made redundant and the premises were secured. The company did not trade during the period of Appointment to the sale of the business and certain assets of the Company to BMI on 3 September 2008.

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 pre appointment bank account balances 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 the landlords accordingly

Receipts and payments account

The Administrators receipts and payments account is set out in Section 4 of this report.

Outcome for creditors

It is currently uncertain whether there will be a return to unsecured creditors. Unipoly Holdings Limited holds fixed and floating charges over the Company's assets secured against a loan made to Hiflex Europe Limited although it is not certain as to when, if at all, the charge may crystallise against the Company.

In the event that the potential claim does crystallise, 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. For the period 22 August 2008 to 21 February 2009, the Administrators have incurred time costs of £193,446.45. The Administrators have yet to draw remuneration.

An analysis of the Administrators' time costs and Category 2 disbursements for the period 22 August 2008 to 21 February 2009 is provided in Section 5.

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
Proposed end 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:	Uncertain
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 may consider making an application to court under Section 176A(5) IA 1986 if the net property is less than the prescribed minimum (£10,000 per IA 1986 (Prescribed Part) Order 2003) and the

2. Statutory and other information

	Administrator thinks that the costs of making a distribution would be disproportionate to the benefits (IA 1986 S176A(4))
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. Summary of the Joint Administrators' proposals

The Joint Administrators made the following proposals for achieving the purpose of the administration, and these proposals were approved by the creditors.

i) The Administrators will continue to manage and finance the Company's business, affairs and property from asset realisations in such manner as they consider expedient with a view to 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).

ii) The Administrators may investigate and, if appropriate, pursue any claims that the Company may have under the Companies Act 1985 or IA86 or otherwise. In addition, the Administrators shall do all such other things and generally exercise all their powers as Administrators as they in their discretion consider desirable in order to achieve the purpose of the Administration or to protect and preserve the assets of the Company or to maximise their realisations or for any other purpose incidental to these proposals.

iii) If the Administrators think that funds will become available for unsecured creditors, the Administrators may at their discretion establish in principle the claims of unsecured creditors for adjudication by a subsequent liquidator and that the costs of so doing be met as a cost of the Administration as part of the Administrators' remuneration (where the Administrators think there will be sufficient funds for a distribution to unsecured creditors other than by virtue of the prescribed part) or out of the prescribed part as costs associated with the prescribed part (where the Administrators think that funds will become available to the unsecured creditors by virtue of the prescribed part but not otherwise).

iv) A creditors' committee will be established if sufficient creditors are willing to act on it. The Administrators propose to seek the election of a creditors' committee and to consult with it from time to time. Where the Administrators consider it appropriate, they will seek sanction from the committee to a proposed action rather than convening a meeting of all creditors.

v) The Administrators will consult with the creditors' committee concerning the necessary steps to extend the Administration beyond the statutory duration of one year if an extension is considered advantageous. The Administrators shall either apply to the court or seek consent from the appropriate classes of creditors for an extension.

vi) The Administrators may use any or a combination of "exit route" strategies in order to bring the Administration to an end, but in this particular instance the Administrators are likely to wish to pursue the following options as being the most cost effective and practical in the present circumstances: -

(a) If it transpires that there are sufficient funds with which to make a distribution to unsecured creditors, once the purpose of the Administration has been achieved, the Administrators will place the Company into creditors' voluntary liquidation. In these circumstances, it is proposed that DJ Bennett and CMT Haig be appointed as Joint Liquidators and any act required or authorised to be done by the Joint Liquidators may be done by any of them. In accordance with Paragraph 83(7) Sch.B1 IA86 and Rule 2.117(3) IR86, creditors may nominate alternative liquidators, provided that the nomination is made after the receipt of these proposals and before they are approved.

3. Summary of the Joint Administrators' proposals

(b) If it transpires, once the purpose of the Administration has been achieved, that there are funds remaining but they are insufficient to allow for a distribution to creditors then the Administrators may make an application to Court for the Company to be wound up under section 117 of the Insolvency Act 1986.

(c) If it transpires that there are insufficient funds with which to make a distribution to unsecured non-preferential creditors, once all of the assets have been realised and the Administrators have concluded all work within the Administration, the Administrators will file a notice under Paragraph 84(1) Sch.B1 IA86 with the Registrar of Companies, following registration of which the Company will be dissolved three months later.

vii) The Administrators shall be discharged from liability pursuant to Paragraph 98(1) Sch.B1 IA86 in respect of any action of theirs as Administrators at a time resolved by the creditors' committee, or, if there is no creditors' committee, 14 days after they cease to be Administrators of the Company or in any case at a time determined by the court.

viii) It is proposed that the Administrators' fees be fixed under Rule 2.106 of the Insolvency Rules 1986 by reference to the time properly given by the Administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that disbursements for services provided by the Administrators' own firm (defined as Category 2 disbursements in Statement of Insolvency Practice No.9) be charged in accordance with the Administrators' firm's policy. It will be for the creditors' committee to fix the basis and level of the Administrators' fees and Category 2 disbursements but if no committee is appointed, it will be for the general body of creditors to determine these instead.

Creditors will be asked to vote upon the following matters at the initial meeting of creditors: -

- The approval of the Administrators' proposals for achieving the purpose of the Administration
- The formation of a creditors' committee
- If a creditors' committee is not formed – the basis and level of the Administrators' fees and Category 2 disbursements
- If a creditors' committee is not formed – the timing of the Administrators' discharge from liability pursuant to Paragraph 98(1) Sch.B1 IA86.

4. Receipts and payments account for the period 22 August 2008 to 21 February 2009

	Previously reported 22 August to 03 October 2008 £	Movements in the period 04 October 2008 to 21 February 2009 £	Cumulative for the period 22 August 2008 to 21 February 2009 £	Notes
Receipts				
Sale of business and certain assets to BMI:				
- Stock	200,000			
- Plant and machinery	30,000			
- Computer and office equipment	3,000			
- Motor vehicles	45,000			
- Fixtures and fittings	2,000			
	280,000		280,000	1
Sale of assets to other parties:				
- Stock	24,955			
- Plant and machinery	3,750			
	28,705		28,705	
Rent refund from BMI	8,985	65,234	74,219	2
Refund of business rates	2,513	7,038	9,551	
Interest received	977	2,199	3,176	
Receipts from intercompany recharges		653	653	3, 4
Output VAT	54,892	10,737	65,629	
Cash from pre appointment bank account		4,282	4,282	
Dividend received		36	36	
Total Receipts	376,072	90,179	466,251	
Payments				
Rent	11,263	58,341	69,604	
Land registry fees	80		80	3
Statutory advertising and meeting costs	1,075	5,315	6,390	4
Agents' fees		27,373	27,373	5
Legal fees		13,310	13,310	6
Bank charges		24	24	
Business rates		1,595	1,595	
Input VAT	2,061	16,957	19,018	
VAT payment		49,588	49,588	
Total Payments	14,479	172,503	186,982	
Cash in hand / (Movements)	361,593	(82,324)	279,269	7

4. Receipts and payments account for the period 22 August 2008 to 21 February 2009

Notes

1. The consideration received for the sale of the business and certain assets has been received in full from BMI.
2. BMI has agreed to indemnify the Company for rent payments while BMI is occupying the Company's leased properties.
3. Land registry fees of £40 have now been recharged to Hiflex Fluidtechnik Limited (£20) and Hiflex Powerbend Limited (£20).
4. Statutory advertising and meeting costs of £613 have now been recharged to Hiflex Fluidtechnik Limited (£306.50) and Hiflex Powerbend Limited (£306.50).
5. This represents the payments to Allsop LLP (£6,500) and Hilco Appraisal Limited (£20,873)
6. This represents the payments to Kennedys LLP (£10,000) and Halliwells LLP (£3,310).
7. All cash in hand is held on interest bearing accounts.

5. Analysis of the Administrators' time costs and Category 2 disbursements for the period 22 August 2008 to 21 February 2009

Time costs summary for the period 22 August 2008 to 21 February 2009

Classification of work	Partner (Hrs)	Director (Hrs)	Senior Manager (Hrs)	Manager (Hrs)	Other (Hrs)	Total hours (Hrs)	Time cost (£)	Average hourly rate (£)
Strategy and planning	-	11.50	9.20	-	15.76	36.46	9,349.20	256.42
Accounting and treasury	-	-	-	3.10	77.96	81.06	14,028.20	173.06
Statutory and other compliance	-	11.50	36.50	10.40	161.04	219.44	44,836.80	204.32
Realisation of assets	-	9.00	18.70	98.00	47.95	173.65	41,321.50	237.96
Creditors/liabilities	-	-	21.00	31.00	232.70	284.70	53,609.00	188.30
Employees/pensions	-	-	7.00	36.00	33.18	76.18	19,519.00	256.22
Tax/VAT	0.50	-	5.30	6.85	12.45	25.10	10,782.75	429.59
Total To Date	**0.50**	**32.00**	**97.70**	**185.35**	**581.04**	**896.59**		
Total time cost (£)	**439.50**	**10,880.00**	**32,500.50**	**47,741.75**	**101,884.70**	**193,446.45**		
Average hourly rate (£)	**879.00**	**340.00**	**332.66**	**257.58**	**175.35**	**215.76**		

Narrative of work carried out for the period 22 August 2008 to 21 February 2009

- Strategy and planning issues - £9,349.20
  - Implementing and reviewing the Administration strategy;
  - Team management.

- Accounting and treasury - £14,028.20
  - Arranging for Administration bank accounts to be opened;
  - Processing receipts and payments;
  - Reconciling bank statements to the cash book.

5. Analysis of the Administrators' time costs and Category 2 disbursements for the period 22 August 2008 to 21 February 2009

- Statutory and compliance matters - £44,836.80
    - Sending initial notifications of the Administrators' appointment to various parties;
    - Statutory filings at Companies House and the Court;
    - Preparing and circulating the Administrators' proposals;
    - Convening and holding the initial meeting of creditors;
    - Notification to creditors of the outcome of the initial meeting of creditors;
    - Ensuring the Company's assets are appropriately insured;
    - Complying with the Administrators duties under the Company Directors Disqualification Act 1986.

- Realisation of assets - £41,321.50
    - Corresponding and negotiating with interested parties;
    - Assessing offers received;
    - Drafting appropriate sale and purchase agreements and finalising those agreements with purchasers;
    - Ensuring that sale consideration is received and other aspects of the agreements are adhered to;
    - Recovery of pre appointment bank balances;
    - Negotiating and carrying out the sale of certain remaining assets of the Company.

- Creditors/liabilities - £53,609.00
    - Dealing with a large number of queries and correspondence from creditors;
    - Liaising with the Company's "staff" to ensure that all creditors are included on the Administrators' mailing list;
    - Dealing with retention of title creditors in relation to their stock;
    - Investigating and understanding the nature of the Company's liabilities and their relationships with other group companies;
    - 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.

- Employee and pensions - £19,519.00
    - Assessing the position of employées within the Hiflex group;
    - Corresponding with employees (used by the Company) to notify them of the Administrators' appointment and their position;
    - Dealing with a high number of queries from "employees";
    - Corresponding with the Pension Regulator and the Pension Protection Fund.

5. Analysis of the Administrators' time costs and Category 2 disbursements for the period 22 August 2008 to 21 February 2009

- Tax and VAT - £10,782.75
  - Obtaining and reviewing the Corporation Tax and VAT information from the Company;
  - Completion of pre and 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 August 2008 to 21 February 2009

Printing	£223.81
Mileage	£185.47

Summary of legal and other professional firms instructed in the period 22 August 2008 to 21 February 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	Experience in providing advice required	Time costs
Chattel agents and valuers	Hilco Appraisal Limited	Existing industry knowledge	Fixed fee
Property valuations	Allsop LLP	Experience in valuing properties	Fixed fee

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.

5. Analysis of the Administrators' time costs and Category 2 disbursements for the period 22 August 2008 to 21 February 2009

Grade	Relevant maximum charge out rate per hour £
Partner	450
Director	340
Senior Manager	300
Manager	250
Other	170

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	879
Director	788
Senior Manager	735
Manager	455
Senior associate / Consultant	325
Associate / Assistant Consultant	234
Support staff / Client Service Administrator	90

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)