

The Insolvency Act 1986

S.48(1)**Administrative
Receiver's Report**

Pursuant to Section 48(1) of
the Insolvency Act 1986 and Rule 3.8(3)
of the Insolvency Rules 1986

To the Registrar of Companies

For Office Use

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Company Number

01524963

Insert full name
of company

Name of Company

Wares Building Services

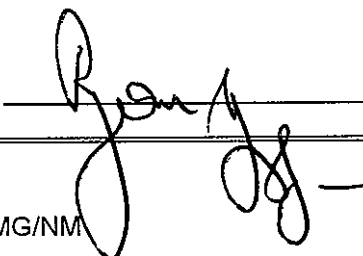
Limited

We, Roger Murray Griffiths and Graham Ritchie

of Ernst & Young, Norham House, 12 New Bridge
Street West, Newcastle upon Tyne, NE1 8AD

administrative receiver(s) of the company attach a copy of our report to creditors ~~and a~~
~~copy of the statement of affairs of the company~~

Signed



Dated

12 July 1994

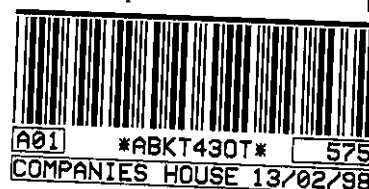
Presenter's name,
address and reference
(if any):

X942/RMG/NM

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Liquidation
Section

Post Room



PRIVATE & CONFIDENTIAL AND NOT FOR PUBLICATION

REPORT OF R M GRIFFITHS AND G RITCHIE JOINT ADMINISTRATIVE RECEIVERS OF WARES BUILDING SERVICES LIMITED ("WARES")

PURSUANT TO SECTION 48 OF THE INSOLVENCY ACT 1986

We confirm that on 21 November 1997 Roger Murray Griffiths and Graham Ritchie were appointed Joint Administrative Receivers of Wares by the debenture holder, the Bank of Scotland. The appointment was made under the powers contained within a debenture dated 10 June 1996 registered on 14 June 1996 which confers fixed and floating charges on the undertaking and all other property, assets and rights of the company.

Events Leading up to the Appointment of Joint Administrative Receivers

Wares was incorporated as UBM Wares Electrical Limited on 28 October 1980. It changed its name to Wares Electrical Limited on 31 May 1983, then to Wares Electrical and Plumbing Services Ltd on 19 February 1985, and eventually to Wares on 22 July 1996. Its principal activity is listed as the provision of electrical, plumbing and mechanical building services.

On 10 June 1996 Wares Holdings Limited acquired the entire share capital of Wares. Wares operated from leasehold premises on the Team Valley Trading Estate in Gateshead with a small division located in Middlesbrough, Cleveland.

The latest financial information can be summarised as follows:-

	<u>Management</u> <u>Accounts</u> <u>Period Ended</u> <u>30 September</u> <u>1997</u> <u>£'000</u>	<u>Audited</u> <u>Accounts</u> <u>Year Ended</u> <u>31 December</u> <u>1996</u> <u>£'000</u>	<u>Audited</u> <u>Accounts</u> <u>Year Ended</u> <u>31 December</u> <u>1995</u> <u>£'000</u>
Turnover	6,986	7,355	12,832
Cost of sales	(6,253)	(6,275)	(11,165)
Gross profit	733	1,080	1,667
Overheads	(837)	(1,376)	(1,628)
Interest payable and other charges	(56)	(66)	(134)
Exceptional items	(20)	605	-
Net (loss)/profit	(180)	243	(95)

Historically Wares has not been profitable with only the year ended 31 December 1996 out of the last five years showing a profit. In June 1996 a management team led by Mr R Skelly

purchased Wares from Tolent Holdings Limited, the purchase being via a holding company, Wares Holdings Limited. It was hoped that the company could be made profitable under the new owners and new management. Unfortunately Wares was not able to win contract tenders with acceptable margins and this, coupled with difficulties experienced in agreeing and collecting final account balances led to Wares suffering cashflow problems in late 1997. As a result of these cashflow problems suppliers were not paid on a timely basis and a number of the larger suppliers put Wares on stop. This action significantly affected Wares ability to continue trading and after taking appropriate advice the directors requested the debenture holder to appoint administrative receivers. The Administrative Receivers were duly appointed on 21 November 1997.

Disposal of the Assets of the Business

Immediately following our appointment a meeting was held with Wares' two directors to discuss the receivership strategy. It was agreed that the receiver should continue to trade the business of Wares in order to protect the book debts of the company, thereby maximising realisations and in the meantime an attempt would be made to dispose of the business as a going concern without advertising the business in the press. Despite some initial interest by a small number of parties there has been no offers from any party wishing to purchase all of the business but we have been successful in negotiating a sale of the business assets of the Teesside operation.

The receivership strategy has been relatively successful, despite a number of main contractors determining contracts. Work has been continued on a large number of contracts and to date some £500,000 of contract debts has been collected. There are a significant number of contract debts still outstanding and employees of Wares, external quantity surveyors appointed by ourselves and our staff are continuing to pursue collection of these. It is anticipated that like all construction insolvencies it will take some considerable period of time to collect all outstanding balances.

Wares also had a small amount of plant, equipment and two motor vehicles. Some of these assets have been sold by private treaty although the bulk of them will be sold at auction when the contract works have been completed.

Amounts Payable to the Debenture Holder

The Bank of Scotland holds fixed and floating charges over the assets and undertaking of Wares. These charges are contained in a debenture dated 10 June 1996. The indebtedness to the Bank at the date of the Receivers' appointment was £590,895. The Bank also holds cross guarantees from two related companies, Wares Holdings Limited and New Bridge Security Systems Limited (formerly Wares Security Systems Limited), the estimated liability under these guarantees being £541,679.

Amounts Payable to Preferential Creditors

The claims of the preferential creditors are yet to be agreed but are estimated to total £192,000 as follows:-

		£,000
HM Customs & Excise	- VAT	77
Inland Revenue	- PAYE	27
Department of Social Security	- NIC	38
Department of Employment	- Arrears of wages and holiday pay	50
		<hr/>
		192
		<hr/>


The Receivers consider that it is unlikely that there will be any funds available to meet the claims of the preferential creditors in Wares although it is likely that the preferential claim from HM Customs and Excise will receive a dividend from Wares Security Systems Limited due to the group registration.

Amounts Payable to Other Creditors

The liabilities to the unsecured creditors total approximately £860,000. It is unlikely that there will be any funds available to meet the claims of the unsecured creditors.

Directors' Statement of Affairs

The sworn Statement of Affairs has not yet been prepared although I anticipate that this will be received shortly.


 Roger M Griffiths
 Joint Administrative Receiver

10 February 1998