

The Insolvency Act 1986

Statement of administrator's proposals**2.17B**

| | |
|---|-----------------------------------|
| Name of Company KINGS HEATH PATTERN CO LIMITED | Company number 01901937 |
| In the Birmingham District Registry <small>[full name of court]</small> | Court case number 8257 of 2009 |

(a) Insert full name(s) and address(es) of administrator(s) I/We (a) P D Masters & A Clifton of Leonard Curtis, Bamfords Trust House,
85-89 Colmore Row, Birmingham B3 2BB

attach a copy of ~~my~~ / our proposals in respect of the administration of the above company.

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

* Delete as applicable

(b) Insert date

(b) 18 MAY 2009.

Signed

P D Masters & A Clifton - Joint /Administrator(s)

Dated

18 May 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

| | |
|--|-------------------|
| Leonard Curtis | |
| Bamfords Trust House, 85-89 Colmore Row, Birmingham, | |
| B3 2BB | Tel 0121 200 2111 |
| DX Number | DX Exchange |

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

WEDNESDAY



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20/05/2009

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COMPANIES HOUSE



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**KINGS HEATH PATTERN CO LIMITED
(IN ADMINISTRATION)**

Registered Number 01901937
Court Ref: 8257 of 2009
Birmingham District Registry

**Statement of Joint Administrators' Proposals pursuant to Para 49
of Schedule B1 Insolvency Act 1986**

18 May 2009

Leonard Curtis

Bamford Trust House, 85-89 Colmore Row, Birmingham, B3 2BB
Tel: 0121 200 2111 Fax: 0121 200 2122

Ref: B/20/AK/K250C/1000

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TO: THE REGISTRAR OF COMPANIES
THE COURT
ALL CREDITORS
ALL SHAREHOLDERS

1 INTRODUCTION

- 1.1 I refer to the appointment of myself and Alan Clifton as Joint Administrators of Kings Heath Pattern Co Limited ("the Company") on 14 April 2009 and now write to present the Joint Administrators' proposals ("the Proposals") (Appendix A) for the Company pursuant to the Insolvency Act 1986 ("the Act").
- 1.2 The Joint Administrators consider that realisations in this matter could be sufficient to enable a dividend to be paid to non-preferential unsecured creditors. The Joint Administrators are therefore required to call an initial meeting of creditors in order to present their proposals to creditors. However, in order to minimise costs, it is proposed that this be dealt with by correspondence as allowed by Paragraph 58 of Schedule B1 Insolvency Act 1986.
- 1.3 Creditors whose debts amount to at least 10% of the total debts of the Company may, within 5 business days from the date of this report, request the Administrator to summon a meeting of creditors. The procedure by which creditors may request that a meeting be held if they require it is summarised at Appendix F. The deadline for requesting such a meeting is 25 May 2009.

2 STATUTORY INFORMATION

- 2.1 The Administration proceedings are under the jurisdiction of the High Court of Justice, Birmingham District Registry, Chancery Division under Court reference number 8257 of 2009.
- 2.2 The Company's registered office was changed from 23 Crown Road, Kings Norton, Birmingham, West Midlands, B30 3HY to Regent House, Bath Avenue, Wolverhampton, WV1 4EG on 17 April 2009. The registered number is 01901937.
- 2.3 The Company operated from leasehold premises at 23 Crown Road, Kings Norton, Birmingham, West Midlands, B30 3HY.
- 2.4 The Company's directors and secretary are:

| Name | Role | Date Appointed |
|-----------------|-----------------------------|-----------------|
| Lynnette Harris | Company Secretary /Director | 30 October 1998 |
| Stephen Harris | Director | 30 October 1998 |

- 2.5 The Company's authorised share capital is 200 ordinary shares of £1 each. The issued share capital comprises 200 ordinary shares and these are owned as follows:

| Name | Class of Share | No. of Shares | % of Total Owned |
|-------------------|----------------|---------------|------------------|
| Cell Trip Limited | Ordinary | 200 | 100% |
| | | <u>200</u> | <u>100%</u> |

KINGS HEATH PATTERN CO LIMITED – IN ADMINISTRATION

- 2.6 According to the information registered at Companies House, the Company has one registered charge against it, a rent deposit deed for the sum of £12,484 created on 11 April 2008 and registered on 17 April 2008 in favour of Segro (KNBC) Limited.
- 2.7 The Company's main centre of operations is based in the UK. The EC Regulation on Insolvency Proceedings applies and the proceedings are main proceedings under the Regulation.

3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION

- 3.1 The Company was founded in 1957 and was incorporated on 3 April 1985. The Company traded from a factory in Kings Heath. At this time the British car industry was booming and one of the Company's largest customer was Lucas Electrical in Birmingham. The Company produced prototype brackets for starter motors, dynamos and alternators. The Company expanded into the Coal industry producing patterns for mining machinery and it further expanded into engineering other goods.
- 3.2 Stephen Harris started as a General Manager in 1986 with the aim of expanding the customer base into many different spheres of engineering including the manufacture of replacement engines and gearbox parts for vintage, veteran and classic cars. Stephen Harris then brought the Company in 1998 and became a director. The Company had steady growth for the next 10 years whilst many other pattern companies closed due to the demise of the British Foundry industry and many UK companies started buying patterns and castings from overseas. In 2008 the Company moved into newer premises at Kings Norton Business Centre. The Company was making a profit at this time and an increase in overheads seemed achievable as long as the turnover remained stable as it had been over the last few years.
- 3.3 The Company was affected by the down turn in the economy and orders from many of the Company's customers began to dry up and the last five months of 2008 saw all of the Company's cash reserves used up. In January 2009 the Company's order book started filling up again and turnover improved however in February 2009 no new orders were placed. By March 2009 it was clear that the collapse in orders and the huge rise in overheads due to the relocation meant that the Company could not continue to trade and the directors of the Company sought professional assistance from Leonard Curtis. On the 14th April 2009 Kings Heath Pattern Co Ltd was placed into Administration.

4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

- 4.1 The Company's trading results for the 2 years to 31 December 2007 are detailed below:

| | Year ended 31/12/07 £ | Year ended 31/12/06 £ |
|--------------------------|-----------------------------|-----------------------------|
| Turnover | 1,197,153 | 1,144,859 |
| Gross Profit | 306,346 | 292,954 |
| Gross Profit % | 25.6 | 25.6 |
| Administrative expenses | (311,083) | (285,455) |
| Operating Profit/(Loss) | (4,737) | 7,499 |
| Interest and charges | 1,475 | 2,188 |
| Profit/(Loss) before tax | (3,262) | 9,687 |
| Taxation | 418 | (1,559) |
| Loss/Profit for the year | (2,844) | 8,128 |
| Retained Profit b/f | 36,710 | 48,182 |
| Reserve Movement | Nil | (19,600) |
| Retained profit c/f | 33,866 | 36,710 |

4.2 No management accounts are available for the period after 31 December 2007.

4.3 The balance sheets as at 31 December 2006 and 31 December 2007 are detailed below:

| | 31/12/07 £ | 31/12/06 £ |
|--|---------------|---------------|
| Fixed Assets | | |
| Tangible Assets | 29,176 | 37,757 |
| Current Assets | | |
| Stocks | 1,500 | 1,500 |
| Debtors | 365,120 | 232,186 |
| Cash | 16,909 | 19,775 |
| | 383,529 | 253,461 |
| Creditors: Amounts falling due within one year | (378,639) | (254,308) |
| Net Current Assets | 4,890 | (847) |
| Net Assets | 34,066 | 36,910 |
| Represented by | | |
| Called up share capital | 200 | 200 |
| Profit and Loss account | 33,866 | 36,710 |
| Shareholders' Funds | 34,066 | 36,910 |

4.3 Statement of Affairs

In accordance with paragraph 47 of Schedule B1 of the Insolvency Act 1986 the directors of the Company have been requested to provide a Statement of Affairs of the Company as at the date of the commencement of the Administration. No order limiting the disclosure of the Statement of Affairs pursuant to rule 2.30 of the Insolvency Rules 1986 (as amended) has been made by the Court.

A sworn Statement of Affairs is in the course of preparation. An estimated Statement of Affairs has been prepared by the joint administrators for the purposes of this report and this is attached at Appendix B along with supporting notes. Please note that no provision has been made for costs and expenses of realisation, costs of the Administration and any corporation tax which may be payable. The following comments are considered to be relevant and should be borne in mind when reading the figures:

4.4 Prescribed Part

As the Company has no unsatisfied post-Enterprise Act charges, there will be no requirement to set aside a prescribed part in this case.

4.5 Secured Creditor

According to information registered at Companies House, Segro (KNBC) Limited ("Segro") hold a rent deposit deed for the sum of £12,484 that was created on 11 April 2008 and registered on 17 April 2008. According to the Company records Segro is due a sum of £5,307 however I have requested from the landlord detail of its claim.

4.6 Preferential Claims

With effect from 15 September 2003 preferential status has been abolished for debts owing to HM Revenue and Customs. Such debts rank alongside other unsecured non-preferential creditors' claims. The claims which remain preferential are those of employees in respect of wages (up to £800 per employee) and holiday pay. As employees were transferred to the Purchaser of the business in accordance with the TUPE Regulations, no preferential claims are anticipated in this case.

4.7 Unsecured Non Preferential Claims

All unsecured non-preferential claims will be subject to agreement by a subsequently appointed Liquidator in due course, should liquidation be the appropriate exit route from the administration process. The extent of any dividend available to this class of creditor is largely dependent upon the amount recovered (if any) from the debtor ledger reassigned from Lloyds TSB Commercial Finance Limited ("LTSBCF") (see paragraph 5.2 for further details).

4.8 Receipts and Payments

A receipts and payments account for the period of Administration to date is enclosed at Appendix C.

5 EVENTS FOLLOWING THE ADMINISTRATORS' APPOINTMENT**5.1 Sale of Business**

Prior to and upon appointment, the administrators investigated the possibility of concluding a sale of what remained of the business and assets as it was considered that a sale of all or part of the business as a going concern would allow the following:

- Enhanced asset values;
- The potential of customer continuity and resultant improved debtor collections;
- Minimise preferential creditor claims;
- Mitigate any finance creditor shortfall.

An offer of £20,000 was made to the proposed joint administrators. Following advice from our appointed agents, SHM Smith Hodgkinson who valued the unencumbered assets at £17,000 in situ and £7,200 on a forced sale basis and CK Chartered Accountant, who had valued the Company's goodwill at £5,000, this offer was accepted and the business sale was concluded on 14 April 2008.

The Purchaser of the business and assets of the Company was K H Pattern Limited ("the Purchaser"), an associated party as defined by Section 435 of the Act. Stephen Harris who is a director of the Company is involved in the management of K H Pattern Limited but is not a director. Our legal advisors in this matter were Higgs and Sons LLP. The agreed sales consideration was £20,000, of which £15,000 was payable on completion with the balance being payable by the 8 May 2009. The sales consideration was apportioned as follows:

| | £ |
|-------------------|---------------|
| Goodwill | 5,000 |
| Stocks | 2,000 |
| Contracts | 1 |
| WIP | 1 |
| Plant & Machinery | 12,998 |
| | <u>20,000</u> |

It should be noted that the deferred consideration has been personally guaranteed by Paul Martin Mulvey, who is a director of K H Pattern Limited. We wrote to creditors on 21 April 2009 providing further information on the sale of the business and assets. A copy of the letter is attached at Appendix I.

5.2 Assigned Book Debts

In addition to the above, the Company had a book debt ledger which was legally assigned to LTSBCF. As at the date of administration the gross value of the outstanding ledger was approximately £198,452 with a corresponding balance of £118,743 due to LTSBCF. LTSBCF have advised that debt collections to date amount to £79,709. It is envisaged therefore that LTSBCF are likely to be repaid in full, although it is not possible to estimate the level of surplus, if any that may be available to unsecured creditors.

5.3 Professional Advisors Used

On this assignment the Joint Administrators have used the professional advisors listed below.

| Name of Professional Advisor | Service Provided | Basis of Fees |
|-------------------------------------|---------------------------|----------------------|
| Higgs and Co LLP | Legal advice | Time costs |
| SHM Smith Hodgkinson | Asset valuation advice | Time costs |
| CK Chartered Accountants | Goodwill valuation advice | Time costs |

Details of this firm's policy regarding the choice of advisors and the basis for their fees are given in Appendix E, "A Creditors' Guide to Administrators' Fees".

6 ACHIEVING THE PURPOSE OF ADMINISTRATION

6.1 The Joint Administrators must perform their functions with the objective of:

- (a) Rescuing the Company as a going concern, or (if this cannot be achieved)
- (b) 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), or (if (a) and (b) cannot be achieved)
- (c) Realising property in order to make a distribution to one or more secured or preferential creditors.

6.2 In my opinion, it was not possible to achieve the first objective given the extent of the historic liabilities.

6.3 The second objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were to be wound up (without first being in Administration). In my opinion this objective is capable of being achieved and it is estimated that there could be a small return to unsecured creditors in this instance.

6.4 The third objective is to realise property in order to make a distribution to secured or preferential creditors. I do not anticipate any preferential claims because all the employees were transferred to K H Pattern Limited. The only secured creditor is Segro who hold a rent deposit deed limited to £12,484.

6.5 The Administration has been, and will continue to be, financed by monies received from asset realisations.

7 ADMINISTRATORS' PROPOSALS AND EXIT ROUTE

- 7.1 The Joint Administrators Proposals are attached at Appendix A.
- 7.2 As allowed by Paragraph 58 of Schedule B1 to the Insolvency Act 1986, the Joint Administrators are asking the creditors to consider the Proposals by correspondence.
- 7.3 The Joint Administrators are obliged to hold an initial creditors meeting if 10% in value of the creditors require it. If you wish for a meeting to be held, you must notify me in writing using the prescribed form (which is available upon request) on or before 25 May 2009. Please supply written details of your debt as at the date of the Joint Administrators' appointment. Security for the costs of holding the meeting must also be provided.
- 7.4 In the event that no meeting is requested, the Joint Administrators will review all Forms 2.25B received by the deadline of 12 noon on 3 June 2009 and notify the creditors of the outcome of the voting on the Proposals.
- 7.5 On completion of the Administration, the Proposals allow the Joint Administrators to place the Company into Creditors' Voluntary Liquidation ("CVL") if appropriate and appoint myself and/or A Clifton as (Joint) Liquidator(s). Creditors may nominate a different person to be Liquidator provided that the nomination is made after receipt of the Proposals and before they are approved.
- 7.6 Alternatively, if no distribution will be available to unsecured creditors, then the Proposals allow for the administrators to apply for the Company to be dissolved.
- 7.7 Once approved, the affairs of the Company will be managed in accordance with the Proposals and financed out of asset realisations.

8 ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 8.1 Included within the resolutions to be considered on 3 June 2009, is a resolution which asks the general body of creditors to determine the basis upon which the remuneration of the Joint Administrators is fixed.
- 8.2 In accordance with the provisions of Rule 2.106(2) of the Insolvency Rules 1986 the remuneration of the Joint Administrators may be fixed either as a percentage of the assets realised and distributed in the Administration or, alternatively, by reference to the time spent. In this case I am requesting the creditors to agree to the latter.
- 8.3 Enclosed at Appendix D is a summary of the Joint Administrators time costs to date. The summary shows that time costs of £4,988 have been incurred which represents 28 hours at a rate of £178.14 per hour. Attached at Appendix E is "A Creditors' Guide to Administrators' Fees".
- 8.4 In addition to the above £1,035 of costs were incurred in the period prior to our appointment on 14 April 2009. Creditors are not required to approve payment of these costs although this time will be written off.
- 8.5 The Joint Administrators also require approval in respect of the basis upon which they recharge internal disbursements that include an element of allocated costs. These are known as Category 2 costs and the basis of their calculation is detailed in Appendix E. Other disbursements known as Category 1 costs comprise precise sums expended to third parties and no prior authorisation is required. I have incurred Category 1 disbursements of £75.60 (no Category 2 disbursements have been incurred) and have I have yet to draw any disbursements.

| | |
|---------------|--------------|
| Disbursements | £ |
| Advertising | <u>75.60</u> |
| Total | <u>75.60</u> |

9 ANTICIPATED OUTCOME AND RELEASE OF ADMINISTRATORS FROM LIABILITY

- 9.1 It is considered likely that there could be a small return to the Company's unsecured creditors in this instance although any return is dependent upon recoveries achieved in respect of surplus debtor recoveries and discharging of the professional costs associated with the administration.
- 9.2 As soon as all outstanding matters in the Administration have been attended to it is anticipated that the Joint Administrators will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation.
- 9.3 In the event that there are no monies remaining to be distributed, the Joint Administrators will file a Notice with the Registrar of Companies that the Company should be dissolved.
- 9.4 On the registration of the relevant notice with the Registrar of Companies, the Administration and the appointment of the Administrators will automatically cease.
- 9.5 It is for the creditors to fix the date upon which the Joint Administrators are discharged from liability in respect of any action of theirs during the Administration and the Proposals contain a resolution that the Joint Administrators be discharged from liability immediately upon their appointment ceasing to have effect.

10 VOTING PROCEDURE AND CONCLUSION

- 10.1 Attached at Appendix H is Form 2.25B – Notice of Conduct of Business by Correspondence. Creditors should consider the resolutions shown on this form along with the Proposals at Appendix A, complete the form and ensure that it is returned to this office by **NO LATER THAN 12.00 NOON ON 3 JUNE 2009**. All forms should be accompanied by a statement of claim. A claim form has been attached at Appendix J for your use.
- 10.2 Creditors will be notified of the outcome of voting in due course.

If any creditor requires any further information to enable them to vote on the Joint Administrators' proposals, they should contact Anjna Kalia at this office.

for and on behalf of
KINGS HEATH PATTERN CO LIMITED



P D MASTERS

Joint Administrator

Licensed by Institute of Chartered Accountants in England and Wales

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability.

APPENDIX A

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

It is proposed that:

1. The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration.
2. If appropriate, the Joint Administrators will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors Voluntary Liquidation. It is further proposed that Paul Masters and/or Alan Clifton be appointed (Joint) Liquidator(s) of the Company. NB. Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved.
3. In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators will file a Notice with the Registrar of Companies that the Company should be dissolved.
4. The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company.
5. The Company may be placed into compulsory liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that Paul Masters and/or Alan Clifton be appointed (Joint) Liquidator(s) of the Company.
6. The Joint Administrators be discharged from liability immediately upon their appointment ceasing to have effect.

APPENDIX B

ESTIMATED STATEMENT OF AFFAIRS AS AT 14 APRIL 2009

| | Notes | Book value £ | Estimate to realise £ |
|---|-------|------------------|-----------------------------|
| Assets specifically pledged | | | |
| Factored book debt ledger | 1 | 198,452 | 178,606 |
| less: sum due to Lloyds TSB Commercial Finance Limited | | <u>(118,743)</u> | <u>(118,743)</u> |
| Surplus as regards Lloyds TSB Commercial Finance Limited | | <u>79,709</u> | <u>59,863</u> |
| Rent Deposit Deed | | | |
| Segro (KNBC) Limited | 2 | 12,484 | 12,484 |
| Less sum due to Segro (KNBC) Limited | | <u>(5,307)</u> | <u>(12,485)</u> |
| Surplus/ shortfall as regards Segro (KNBC) Limited | | <u>7,177</u> | <u>(1)</u> |
| Assets not specifically pledged | | | |
| Surplus from rent deposit deed | | 7,177 | Nil |
| Surplus from book debts | | 79,709 | 59,863 |
| Plant & Machinery | 3 | 29,176 | 12,998 |
| Stocks | 3 | 1,500 | 2,000 |
| Work In Progress | 3 | Nil | 1 |
| Contracts | 3 | Nil | 1 |
| Goodwill | 4 | <u>Nil</u> | <u>5,000</u> |
| | | 117,562 | 79,863 |
| Preferential creditors (arrears of pay and holiday pay) | | <u>Nil</u> | <u>Nil</u> |
| Available for floating charge creditor | | 117,562 | 79,863 |
| Floating charge creditor | | <u>Nil</u> | <u>Nil</u> |
| | | 117,562 | 79,863 |
| Available for unsecured creditors | | | |
| Unsecured creditors | | | |
| H M Revenue & Customs – PAYE / NI | 5 | (5,000) | (5,000) |
| H M Revenue & Customs - VAT | 6 | (3,736) | (3,736) |
| Trade and expense creditors | 7 | (183,156) | (183,156) |
| Shortfall from rent deposit deed | | <u>Nil</u> | <u>(1)</u> |
| | | <u>(191,892)</u> | <u>(191,893)</u> |
| Estimated deficiency as regards unsecured creditors | | <u>(74,330)</u> | <u>(112,030)</u> |

NOTES TO THE ESTIMATED STATEMENT OF AFFAIRS

All book values have been taken from the Company's latest financial information or from valuations obtained upon administration by independent valuers. It should be noted that the no provision has been made for the costs and expenses of the administration.

1. Factored Book Debt Ledger

The Company's debtor ledger is subject to a factoring agreement with Lloyds TSB Commercial Finance Limited ("LTSBCF"). The book value of the ledger as at the date of administration was £198,452. The corresponding amount due to LTSBCF as at the date of administration was £118,743. It is estimated that 90% of book debts will be realisable.

2. Rent Deposit Deed

Segro (KNBC) Limited hold a rent deposit deed limited to £12,484 created on 11 April 2008 and registered on 17 April 2008. The Company books and records show a sum of £5,307 due to Segro. For the purpose of the Statement of Affairs I have assumed that there will be no surplus available to creditors, although I am awaiting a formal claim from Segro.

3. Plant and Machinery, Stock, WIP and Contracts

The book values of these assets have been taken from the Company's unaudited accounts as at 31 December 2007. SHM Smith Hodgkinson valued the assets at the date of our appointment upon our appointment.

4. Goodwill

The Goodwill of the Company had a value of £nil in the books and records. However, an independent valuation of goodwill was obtained from C K Accountants which indicated that a value of £5,000 could be attributed to this asset. The business sale consideration included an amount of £5,000 for the goodwill.

5. HM Revenue & Customs (PAYE/NI)

The amount due in relation to PAYE has been estimated.

6. HM Revenue & Customs (VAT)

A formal claim has been submitted by HMRC in relation to the VAT liability.

7. Trade & Expense Creditors

Trade and expense creditors include VAT where appropriate and have been estimated from the Company's books and records. The amounts stated should not be regarded as agreed amounts.

APPENDIX B

CREDITORS LIST FOR ESTIMATED STATEMENT OF AFFAIRS

| Name | Address | | | | | Per Statement of affairs |
|------------------------------------|---|-----------------------------|------------------------------------|---------------|---------------|--------------------------------|
| A B Engineering | Unit 10 | Ware Farm Industrial Estate | Linton | Maidstone | Kent | ME17 4BB 6,666.00 |
| A & W Jigboring Ltd | Unit 46 Padgets Lane | South Moons Moat Ind Est | REDDITCH | Worcs | | B98 ORD 11,895.30 |
| Formcast Ltd | Shale Street | Bilston | WOLVERHAMPTON | | | WV14 0HF 12,619.30 |
| GPD Developments Ltd | Kelsey Close | Attleborough Fields Ind Est | Nuneaton | Warks | | CV11 6RS 29,340.38 |
| Narvik Developments Ltd | Clay Lane | Oldbury | West Midlands | | | B69 4TH 9,490.00 |
| Joseph & Jesse Siddons Ltd | Howard Street | Hill Top | West Midlands | | | B70 OTB 10,592.21 |
| Smestow Pattern & Tool Company Ltd | Turfs Street | Sedgley | Dudley | West Midlands | | DY3 1HH 19,607.50 |
| Standard Engineering (UK) Ltd | Rear of 486 Green Lane | Entrance at 3rd Avenue | Small Heath | BIRMINGHAM | | |
| Swan Foundry (Banbury) Ltd | Swan Close Road | Banbury | Oxon | | | OX16 5AL 33,857.15 |
| Ebalta (UK) Ltd | B2 Langham Park | Trent Lane | Castle Donington | Derbyshire | | DE74 2UT 2,006.65 |
| AA Fleet Advantage | PO Box 2704 | ARVAL Centre | Windmill Hill | Swindon | | SN5 6PE 616.82 |
| Birmingham City Council | Resources Department | Revenues & Benefits | PO Box 5 | BIRMINGHAM | | B4 7AB 11,033.75 |
| John Burn & Co (B'ham) Ltd | 74 Albert Street | Stechford | BIRMINGHAM Tanworth-in-Arden | | | B33 9AJ 352.59 |
| Cygnnet Telecom Ltd | Unit 3 Birch Cross Bus. Centre | Broad Lane | Arden | Solihull | West Midlands | B94 5DN 111.65 |
| Filmlite Engineering | Unit 11 Pool Road | Business Centre | Pool Road 31 Finsbury Circus | Nuneaton | Warwickshire | CV10 9AQ 5,180.75 |
| ING Lease (UK) Ltd | c/o Tenon Recovery Unit 27 Wombourne Enterprise Park | Salisbury House | | London | | EC2M 5SQ 402.04 |
| JRK Computer Supplies Ltd | Unit 16 Charfleets Close | Bridgnorth Road | Wombourne | West Midlands | | WV5 0AL 123.16 |
| Metwin Engineering | Lido House | Canvey Island | Essex | | | SS8 0PW 14,323.25 |
| Midland Fire | | Sansome Road | Shirley | Solihull | West Midlands | B90 2BJ 101.03 |

KINGS HEATH PATTERN CO LIMITED – IN ADMINISTRATION

| | | | | | |
|--------------------------------|----------------------------------|---------------------------|-------------------|----------|------------|
| SEGRO | Slough Estates Group | 234 Bath Road | Slough | SL1 4EE | 5,307.97 |
| Truscanian Foundries Ltd | St Martins Industrial Estate | Engine Street | Oldbury | B69 4NL | 2,144.75 |
| Vodafone Ltd | Brunel Park | Brunel Drive | Newark | NG24 2EG | 114.81 |
| BT plc | Alexander Bain House | 15 York Street | GLASGOW | G2 8LA | 368.40 |
| Business Telecom Solutions Ltd | Unit 3 Birch Cross Business Park | Broad Lane | Tanworth-in-Arden | B94 5DN | 143.75 |
| The Print Room Ltd | Unit One | Rear of 536 Hob Moor Road | Yardley | B25 8TN | 189.75 |
| Slough Heat & Power | 342 Edinburgh Avenue | Slough | Berkshire | SL1 4TU | 1,313.75 |
| Lewis Day Transport PLC | The Lewis Day Building | 76 East Road | London | N1 6AB | 0.00 |
| The Thomas Higgins Partnership | Capitol Buildings | 10 Seaview Road | Wallasey | CH45 4TH | 0.00 |
| Severn Trent Water | Sherbourne House | St Martins Road | Coventry | CV3 6SD | 0.00 |
| HM Revenue & Customs (PAYE) | Bridge House | Waterfront East | Brierley Hill | DY5 1XR | 0.00 |
| HM Revenue & Customs (VAT) | Insolvency Operations | Queens Dock | Liverpool | L74 4AF | 0.00 |
| The Royal Bank of Scotland | Invoice Finance | Smith House | PO Box 50 | TW13 7QD | 0.00 |
| Total | | | Elmswood Avenue | Feltham | 183,156.96 |

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS
FROM 14 APRIL 2009 TO 15 MAY 2009

| | Statement of Affairs £ | Received to date £ |
|-------------------------------------|------------------------------|--------------------------|
| RECEIPTS | | |
| Commercial Records & Customer Lists | | 1.00 |
| Work in Progress | | 1.00 |
| Plant & Machinery | | 12,988.00 |
| Stock 1 | | 2,000 |
| Debtors not subject not fixed chg | | 310.50 |
| | | <u>15,310.50</u> |
| PAYMENTS | | |
| Solicitors Fees & Expenses | | 3,992.00 |
| | | <u>3,992.00</u> |
| BALANCE IN HAND | | <u>11,318.50</u> |

SUMMARY OF JOINT ADMINISTRATORS' TIME COSTS FROM 14 APRIL 2009 TO 15 MAY 2009

Kings Heath Pattern Co Limited

(In Administration)

Summary of Administrators' Time Costs from 14 April 2009 to 15 May 2009

| | Director | | Administrator 1 | | Administrator 4 | | Total | | Average Hourly Rate £ |
|--------------------------------|-----------|-----------------|-----------------|-----------------|-----------------|-----------------|------------|-----------------|--------------------------------|
| | Units | Cost £ | Units | Cost £ | Units | Cost £ | Units | Cost £ | |
| Statutory & Review | - | - | - | - | - | - | - | - | - |
| Receipts & Payments | 1 | 39.50 | - | - | 6 | 63.00 | 7 | 102.50 | 146.43 |
| Insurance | - | - | - | - | 2 | 21.00 | 2 | 21.00 | 105.00 |
| Assets | 20 | 790.00 | 50 | 975.00 | 4 | 42.00 | 74 | 1,807.00 | 244.19 |
| Liabilities | - | - | 15 | 292.50 | 11 | 115.50 | 26 | 408.00 | 156.92 |
| Landlords | - | - | - | - | 1 | 10.50 | 1 | 10.50 | 105.00 |
| General Administration | - | - | 2 | 39.00 | 11 | 115.50 | 13 | 154.50 | 118.85 |
| Appointment | 13 | 513.50 | 10 | 195.00 | 43 | 451.50 | 66 | 1,160.00 | 175.76 |
| Planning & Strategy | - | - | - | - | 28 | 294.00 | 28 | 294.00 | 105.00 |
| Post Appointment Credits Mtngs | - | - | 41 | 799.50 | - | - | 41 | 799.50 | 195.00 |
| Creds Committee Meetings | - | - | - | - | 22 | 231.00 | 22 | 231.00 | 105.00 |
| Total | 34 | 1,343.00 | 118 | 2,301.00 | 128 | 1,344.00 | 280 | 4,988.00 | |

Average Hourly Rate (£)

| | | | |
|--------|--------|--------|--------|
| 395.00 | 195.00 | 105.00 | 178.14 |
|--------|--------|--------|--------|

All Units are 6 minutes

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

Where Petition Presented or Appointment Made On or After 15 September 2003

ENGLAND AND WALES

1 Introduction

- 1.1** When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2 The nature of administration

- 2.1** Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:

- rescuing the Company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the Company were wound up without first being in administration,

or, if the administrator thinks neither of these objectives is reasonably practicable

- realising property in order to make a distribution to secured or preferential creditors.

3 The creditors' committee

- 3.1** The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's fees

- 4.1** The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:

- as a percentage of the value of the property which the administrator has to deal with, or
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage fix the percentage to be applied.

Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with.

- 4.2** If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee

would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

- 4.3** There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the Company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets.

In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of

- each secured creditor of the Company; or
- if the administrator has made or intends to make a distribution to preferential creditors
 - each secured creditor of the Company; and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the Company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval,

having regard to the same matters as the committee would.

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the Company.

- 4.4** A resolution of creditors may be obtained by correspondence.

5 What information should be provided by the administrator?

5.1 When seeking fee approval

- 5.1.1** When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on:

- the nature of the approval being sought;
- the stage during the administration of the case at which it is being sought; and
- the size and complexity of the case.

- 5.1.2** Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

- 5.1.3** Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

- | | |
|-------------------------------|-----------------------------------|
| • Administration and planning | • Trading |
| • Investigations | • Creditors |
| • Realisation of assets | • Any other case-specific matters |

The following categories are suggested as a basis for analysis by grade of staff:

- Partner
- Manager
- Other senior professionals

- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain:

- Any significant aspects of the case, particularly those that affect the amount of time spent.
- The reasons for subsequent changes in strategy.
- Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make.
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement.
- Any existing agreement about fees.
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees.

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

- 5.1.4** Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff.

5.2 After fee approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

5.3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation. Additional information in relation to the policy of Leonard Curtis regarding such disbursements and the basis for their calculation can be found at the end of this Guide.

6 What if a creditor is dissatisfied?

- 6.1** If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7 What if the administrator is dissatisfied?

- 7.1** If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the Company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8 Other matters relating to fees

8.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.

8.2 If the administrator is a solicitor and employs his own firm to act on behalf of the Company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

9 Provision of information – additional requirements

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the Company.

The information which must be provided is:

- the total number of hours spent on the case by the administrator or staff assigned to the case;
- for each grade of staff, the average hourly rate at which they are charged out;
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.

ADDITIONAL INFORMATION IN RELATION TO THE POLICY OF LEONARD CURTIS REGARDING FEES AND DISBURSEMENTS

The following information relating to the policy of Leonard Curtis is considered to be relevant to creditors:

Staff Allocation, Support Staff and the Use of Subcontractors

We take an objective and practical approach to each assignment which includes active partner involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case.

Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is charged.

With effect from 1 January 2009 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis:

| | |
|-----------------|------|
| Partner | £395 |
| Senior Manager | £350 |
| Manager 1 | £285 |
| Manager 2 | £245 |
| Administrator 1 | £195 |
| Administrator 2 | £170 |
| Administrator 3 | £150 |
| Administrator 4 | £105 |
| Support | £0 |

Details of any subcontractor(s) used will be given in subsequent reports to creditors.

Professional Advisors

Details of any professional advisor(s) used are given in the report which accompanies this Guide. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements.

The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

Disbursements

Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as a "category 1 disbursement". Category 1 disbursements will generally comprise supplies of incidental services specifically identifiable to the case, typically for items such as identifiable telephone calls, postage, case advertising, invoiced travel and properly reimbursed expenses, including car mileage at 40p a mile, incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and document storage.

Where we propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, documents storage or communication facilities provided by us) they must be disclosed and be authorised by those responsible for approving the administrator's remuneration. Such expenditure is referred to as a "category 2 disbursement". The following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

| | |
|--|---|
| Internal photocopying | 10p per copy |
| General stationery, postage, telephone etc | £100 per 100 creditors/ members or part thereof |
| Storage of office files (6 years) | £62.90 per box |

EXTRACTS FROM INSOLVENCY ACT AND RULES 1986

PARAGRAPH 58 SCHEDULE B1 IA1986

58(1) Anything which is required or permitted by or under this Schedule to be done at a creditors' meeting may be done by correspondence between the administrator and creditors-

- (a) in accordance with the rules, and
- (b) subject to any prescribed condition

58(2) A reference in this Schedule to anything done at a creditors' meeting includes a reference to anything done in the course of correspondence in reliance on sub-paragraph (1).

58(3) A requirement to hold a creditors' meeting is satisfied by conducting correspondence in accordance with this paragraph.

RULE 2.48(7) INSOLVENCY RULES 1986

2.48(7) Requisition of creditors' meeting

Any single creditor, or a group of creditors, of the company whose debt(s) amount to at least 10% of the total debts of the company may, within 5 business days from the date of the administrator sending out a resolution or proposals, require him to summon a meeting of creditors to consider the matters raised therein in accordance with Rule 2.37.

RULE 2.37 INSOLVENCY RULES 1986

2.37 Meeting requisitioned by creditors

2.37(1) The request for a creditors' meetingshall be in Form 2.21B.....A request shall include-

- (a) a list of the creditors concurring with the request, showing the amounts of their respective debts in the administration;
- (b) from each creditor concurring, written confirmation of his concurrence; and
- (c) a statement of the purpose of the proposed meeting

but sub-paragraph (a) does not apply if the requisitioning creditor's debt is alone sufficient without the concurrence of other creditors.

FORM 2.20B – NOTICE OF A MEETING OF CREDITORS BY CORRESPONDENCE

Name of Company
KINGS HEATH PATTERN CO LIMITED

Company number
01901937

In the **BIRMINGHAM DISTRICT REGISTRY**

[full name of court]

Court case number
8257 of 2009

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

Notice is hereby given by (a) **PAUL MASTERS AND ALAN CLIFTON** of Leonard Curtis

Bamford Trust House, 85-89 Colmore Row, Birmingham, B3 2BB

(b) Insert full name and
address of the registered
office of the company


that, under paragraph 58 of Schedule B1 of the Insolvency Act 1986 and Rule 2.48 of the Insolvency Rules 1986, the business of an Initial Creditors' Meeting of Kings Heath Pattern Co Limited, Bamford Trust House, 85-89 Colmore Row, Birmingham, B3 2BB will be conducted by correspondence.

The resolutions to be considered may include resolutions specifying the bases upon which the Administrators' remuneration and disbursements are to be calculated.

(c) Insert date The closing date for receipt of Forms 2.25B by the Joint Administrators is (c) 3 June 2009

The form must be accompanied by a statement of claim, if one has not already been lodged, and sent to the Joint Administrators' office.

Signed


P Masters - Joint / Administrator(s)

Dated

18 May 2009

* Delete as applicable A copy of the *proposals / ~~revised proposals~~ is attached

FORM 2.25B – NOTICE OF CONDUCT OF BUSINESS BY CORRESPONDENCE

Name of Company
KINGS HEATH PATTERN CO LIMITED

Company number
01901937

In the **BIRMINGHAM DISTRICT REGISTRY**

Court case number
8257 of 2009

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

Notice is hereby given by (a) PAUL MASTERS AND ALAN CLIFTON of Leonard Curtis

Bamfords Trust House, 85-89 Colmore Row, Birmingham, B3 2BB

(b) Insert full name and
address of registered
office of the company

to the creditors of (b) Kings Heath Pattern Co Limited, Bamford Trust House, 85-89 Colmore Row, Birmingham, B3 2BB

(c) Insert number of
resolutions enclosed

that, the pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, enclosed are (c) Three
resolutions for your consideration. Please indicate below whether you are in favour or against each resolution.

(d) Insert address to which
form is to be delivered

This form must be received at (d) Leonard Curtis

(e) Insert closing date

Bamford Trust House, 85-89 Colmore Row, Birmingham, B3 2BB

by 12.00 hours on (e) 3 June 2009 in order to be counted. It must be accompanied by
details in writing of your claim. Failure to do so will lead to your vote(s) being disregarded.

Repeat as necessary for
the number of resolutions
attached

Resolution 1

That the Joint Administrators' proposals be approved.

I am *in Favour / Against

Resolution 2

Under Rule 2.106 of the Insolvency (Amendment) Rules 2003 and in the absence of a Creditors' Committee, the remuneration of the Joint Administrators be fixed by reference to time properly spent by them and their staff in attending to matters arising from the Administration, and the Joint Administrators be authorised to draw remuneration as and when funds are available on account of their time costs.

I am *in Favour / Against

Resolution 3

For the discharge of Category 2 disbursements as detailed on the attached guide to fees

I am *in Favour / Against

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM

Name of creditor:

Signature of creditor:
(if signing on behalf of creditor, state capacity eg director / solicitor.)

If you require any further details or clarification prior to returning your votes, please contact me / us at the address above.

Signed


Joint / Administrator(s)

Dated

18 May 2009

LETTER TO CREDITORS DATED 21 APRIL 2009 INCORPORATING MATTERS
REQUIRED BY SIP 16

Please ask for : Mark Richards
Our ref : PDM/MJR/NK250C/545
Your ref :



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

21 April 2009

**TO ALL CREDITORS
PRIVATE AND CONFIDENTIAL**

Dear Sirs

KINGS HEATH PATTERN CO LIMITED - IN ADMINISTRATION
23 Crown Road, Kings Norton, Birmingham, West Midlands, B30 3HY
Company Number: 01901937

We write to advise you that we were appointed Joint Administrators of the Company on 14 April 2009. Attached is formal Notice of our Appointment – Form 2.12b.

We are required to advise you that a sale of the Company's business and assets was concluded on 14 April 2009 to K H Pattern Limited. A pre-packaged sale was considered necessary to allow the following:

- enhanced asset realisations;
- preservation of goodwill;
- continuity of customer service and transfer of warranty obligations to facility debt collections;
- preservation of employment for staff;
- mitigation of employee claims.

In agreeing to the pre-packaged sale, we confirm that the Joint Administrators have considered the purpose of the Administration and the fulfilment of their statutory obligations to creditors under paragraphs 3(2) and 3(4) of Schedule B1 to the Insolvency Act 1986.

Further information in relation to the pre-packaged sale can be found at Appendix A.

With regard to orders placed by the Company prior to Administration but not yet delivered, suppliers should obtain confirmation from the Purchaser that the goods or services are still required. It should be noted that goods sold and delivered by the Purchaser must be paid for in full and cannot be set off against any claims against the Company.

You will appreciate that, as a result of the Administration, your previous account with the Company is frozen and we are not in a position to deal with claims of unsecured creditors. Nevertheless, we would be grateful if you will let us have a detailed account of the amount owing to you as at the date of Administration. Your account, and any future correspondence in connection with the Company, should be sent to our address. If you are claiming title to goods supplied by you, please let us have full details, including your conditions of sale. If you believe you have a claim to goods it is imperative that you contact us as soon as possible and, if necessary, arrange a date to identify the goods in question. Failure to do so may prejudice your claim if any goods to which you claim title have been sold. The Administrators will not be liable in the event that goods are sold prior to notice of any valid retention of title claim being received.

BIRMINGHAM ■ BLACKBURN ■ BURY ■ LONDON ■ MANCHESTER ■ WOLVERHAMPTON

85-89 Colmore Row
Birmingham B3 2BB

DTE Corporate Recovery & Insolvency Services Ltd
Company Number 4200476 (England) Reg Office: DTE House, Hollins Lane, Bury, Lancs BL9 8AT

Tel: 0121 200 2111
Fax: 0121 200 2122

www.leonardcurtis.co.uk

Under the provisions of Paragraph 43 of Schedule B1 to the Insolvency Act 1986 no steps may be taken by any creditor to enforce any security over the Company's property or to repossess goods in the Company's possession under any hire purchase agreement (which includes conditional sale agreements, chattel asset leasing agreements and retention of title agreements) without the leave of the Court.

Also no other proceedings and no execution or other legal process may be commenced or continued, and no distress may be levied against the Company or its property except with the leave of the Court.

We are currently formulating our proposals which will be sent to creditors in due course and if appropriate, details of a meeting of creditors.

Finally, if you have any information regarding the conduct of the directors which you feel should be brought to our attention, or any particular matters which you consider require investigation, please send full details to us at the above address.

We remind you that the Joint Administrators are agents of the Company and contract without personal liability.

Yours faithfully
for and on behalf of
KINGS HEATH PATTERN CO LIMITED



P D MASTERS
Joint Administrator

Licensed by the Institute of Chartered Accountants in England and Wales



A CLIFTON
Joint Administrator

Licensed by the Insolvency Practitioners Association

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability.

Enc

**KINGS HEATH PATTERN CO LIMITED
(IN ADMINISTRATION)**

Below is information in relation to the pre-packaged sale of the above Company's business and assets to K H Pattern Limited in accordance with the requirements of Statement of Insolvency Practice 16.

1. Source of Joint Administrators' initial introduction

The Joint Administrators were instructed by the Company following a recommendation from a finance broker.

2. Extent of Joint Administrators' involvement prior to appointment

The Joint Administrators' involvement was limited to providing generic insolvency advice, including an assessment of the Company's financial position and advising the directors on the options available to them.

3. Marketing activities conducted by Company and / or Administrators

Independent valuations of the Company's assets were obtained and discussions held with the appointed agents regarding the possibility of offering the business for sale on the open market. Given the nature of the business, most notably that the relationships with customers were personal to the director, a sale to a third party, without the directors' support, was unlikely to be achievable.

4. Valuations obtained

Valuations were obtained in respect of the following assets:

| Asset | Valuer |
|-----------------|--------------------------|
| Physical assets | SHM Smith Hodgkinson |
| Goodwill | CK Chartered Accountants |

5. Alternative courses of action considered by the Joint Administrators

The following courses of action were considered:

Liquidation

The directors could have placed the Company into voluntary liquidation. This however would have resulted in reduced asset realisations, particularly with regard to debtors and goodwill. Furthermore, had the Company ceased to trade, the Company's warranty obligations to its customers would have been unable to be fulfilled impacting on the collectability of the Company's debts and resulting in increased creditor claims.

Company Voluntary Arrangement ("CVA")

The directors could have put a proposal to the Company's creditors for the implementation of a CVA. However, given the lack of profitability within the business and the level of historic debt, this option was considered unviable.

Administration

It was considered that administration would prevent enforcement action being commenced / continued against the Company. Furthermore administration would allow a sale of the business to be negotiated which would result in improved realisations with particular regard to goodwill and debtors.

6. Why it was not appropriate to trade the business and offer it for sale as a going concern during the Administration

The Company had been incurring losses in the period up to appointment and these losses were likely to continue following appointment, with no certainty of being able to achieve a sale of the business as a going concern. The proposed administrators were unwilling to seek funding for the business during a post-appointment trading period, again, due to the uncertainty of it being repaid. This, together with the risk that warranty claims could crystallise during the trading period made the prospect of trading during administration unviable.

Reasons why it was not considered appropriate to offer the business for sale as a going concern on the open market have been provided in paragraph 3.

7. Requests made to potential funders to fund working capital requirements

Management had discussed the business's funding requirements with Lloyds TSB Commercial Finance Limited but these discussions proved unsuccessful.

8. Efforts made to consult with major creditors

The proposed sale of the business was discussed with the invoice financier.

9. Provide the date of the transaction

The business and assets of the Company were sold on 14 April 2009, immediately following the appointment of the Joint Administrators.

10. Details of the assets involved and the nature of the transaction

The assets sold were as follows:

| Asset | £ |
|---------------------------|---------------|
| Goodwill | 5,000 |
| Stock | 2,000 |
| Plant & equipment | 12,998 |
| Work in progress | 1 |
| Records and customer list | 1 |
| TOTAL | <u>20,000</u> |

11. Consideration paid, terms of payment and any condition of the contract that could materially affect the consideration

The total sales consideration was £20,000 to be paid as follows:

| | £ |
|---------------|---------------|
| On completion | 15,000 |
| By 8 May 2009 | 5,000 |
| TOTAL | <u>20,000</u> |

The £15,000 due on completion has been received.

12. Description of the other aspects of the transaction if the sale is part of a wider transaction

The Purchaser has indemnified the Company and the Administrators against all claims and losses.

13. Identity of the purchaser

The Purchaser of the business and assets is K H Pattern Limited.

14. Provide details of any connection between the purchaser and the directors, shareholders or secured creditors of the company

There are no common shareholders, directors or secured creditors, as far as we are aware.

15. Names of directors (or former directors) who are involved in the management or ownership of the purchaser, or of any other entity into which any of the assets are transferred

Name

Steve Harris

We understand that Mr Harris will be involved in the management of the company but will not be a director or shareholder of the purchaser

16. Detail whether the directors had given guarantees for amounts due from the company to a prior financier, and whether that financier is financing the new business

Unlimited guarantees were provided by Steve Harris to Lloyds TSB Commercial Finance Limited. They are not providing finance for the new business.

17. Options, buy-back arrangements or similar conditions attached to the contract of sale

None

STATEMENT OF CLAIM FORM

Date of administration order: 14 April 2009

Name of creditor: _____

Address of creditor: _____

Gross amount of claim:
(ie including VAT) _____

Amount of VAT _____

Details of any document by
reference to which the debt can be
substantiated:
(eg invoices) _____

Particulars of how and when debt
incurred: _____

Particulars of any security held, the
value of the security and the date it
was given: _____

Signature of creditor or person
authorised to act on his behalf: _____

Name in BLOCK CAPITALS: _____

Position with or relation to creditor: _____