

The Insolvency Act 1986

Administrator's progress report

Name of Company Hudson Engineering Services Limited	Company number 2620741
In the High Court of Justice, Chancery Division, Birmingham District Registry (full name of court)	Court case number 8296 of 2011

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

We (a)

K J Coates
Zolfo Cooper
10 Fleet Place
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G M Wild
Zolfo Cooper
Toronto Square
Toronto Street
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A C O'Keefe
Zolfo Cooper
The Zenith Building
26 Spring Gardens
Manchester
M2 1AB

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

b) Insert date

From

(b) 21 June 2011

To

(b) 20 December 2011

Signed

A C O'Keefe
Joint Administrator

Dated

17.1.12

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

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19/01/2012

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Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

Joint Administrators' Progress Report for the period 21 June 2011 to 20 December 2011

Hudson Engineering Services Limited
In Administration

17 January 2012



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19/01/2012
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#363

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1 Statutory information

- 1.1 I was appointed Joint Administrator of Hudson Engineering Services Limited (the Company) together with Graham Wild and Kevin Coates on 21 June 2011. The application for the appointment of an Administrator was made by the Sovereign Capital Limited Partnership II (Sovereign), the floating chargeholder
- 1.2 The Administration is being handled by Zolfo Cooper's Manchester office, situated at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB
- 1.3 The Administration is registered in the High Court of Justice, Chancery Division, Birmingham District Registry, under reference number 8296 of 2011.
- 1.4 The trading address of the Company was Enterprise House, 181-189 Garth Road, Morden Surrey, SM4 4LL
- 1.5 The registered office of the Company has been changed to c/o Zolfo Cooper, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB and its registered number is 02620741.
- 1.6 In accordance with Paragraph 100 (2) of Schedule B1 of the Insolvency Act 1986, all functions of the Joint Administrators are to be exercised by any or all of the Joint Administrators.
- 1.7 The Company along with The Lord Group Limited - in Administration, Kinetics Group Limited - in Administration (KGL), Seaflame Company Limited - in Administration (Seaflame) and Cameron Industrial Services Limited - in Administration, formed part of the Kinetics Group (the Group).

2 Progress of the Administration

- 2.1 Attached at Appendix A is the Joint Administrators' Receipts and Payments Accounts for the period 21 June 2011 to 20 December 2011.
- 2.2 As detailed in the Joint Administrators' Report and Statement of Proposals (the Proposals), the second objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up, is being pursued.

Book debts

- 2.3 As detailed in the Proposals, at the date of the Administration, the Company's records showed it was owed approximately £5.53 million. Of this, £0.59 million was received prior to the Administration but had not been recorded in the Company's records, reducing the amount owed to approximately £4.94 million.
- 2.4 Due to the complex nature of the contracts held by the Group, the outstanding debts due under the Group contracts are being collected under one central process.
- 2.5 The Joint Administrators of Kinetics Facility Services Limited (previously SCP Renewable Energy Limited) (KFS) had retained a number of key staff to assist in the collection of the Company's and KFS's outstanding debts. Naismith Limited (Naismiths), quantity surveyors, had previously been appointed to review the Company's ledger and oversee the debtor collection, however, they ceased to act upon the Administration of KFS.

- 2.6 The Joint Administrators of each company within the Group and the Joint Administrators of KFS have incurred expenses associated with the debt collection process. These include costs associated with retaining the KFS staff, the rental and utilities for the property leased by KGL from which the debt collection process is being conducted, software licenses and rental of IT equipment. Whilst these costs have been paid by the company which held the existing contract, a proportion of the combined total of these costs will be attributed to KFS and each of the Group companies. Total debt collection costs, which are attributable to the Company, are estimated to be £49,000.
- 2.7 The remaining KFS staff were made redundant on 24 December 2011 and the Joint Administrators appointed Drivers Group Plc (Drivers) to assist and advise on the collection of the outstanding debts. Drivers are currently in the process of reviewing the contracts and debts to determine what action is required, the likely timescale and costs of collection. As a significant amount of the outstanding sums relate to contract debts and there have been significant counter claims, the collection process is likely to be protracted. Further details for each contract will be provided in the next progress report.
- 2.8 As at 20 December 2011 debtor recoveries totalling £257,203 have been received. The Joint Administrators estimate that total realisations will be approximately £500,000.
- 2.9 As detailed in the Proposals, the Company was holding funds of £7,872 in a suspense account. Further investigation showed that the Company was entitled to the monies and these have therefore been allocated to book debts.

Cash at bank

- 2.10 The Proposals stated that at the date of the Joint Administrators' appointment, the Company held cash at bank totalling £192,713. It subsequently transpired that £164,941 related to debtor receipts received after the Joint Administrators' appointment and therefore the actual cash at bank was £27,772.
- 2.11 In addition, Yorkshire Bank Plc (Yorkshire Bank), whom the Company banked with, had an exposure under the credit card facility that they provided to the Company and were entitled to offset the monies due from the balance held. The credit card liability totalled £4,138 and therefore cash transferred to the Joint Administrators' account was £23,634.

Inter-company balances

- 2.12 No further steps will be taken to recover the inter-company debts on the basis that all of the companies within the group are subject to insolvency proceedings and, on current estimates, will not be paying dividends to unsecured creditors.

Sundry receipts

- 2.13 The Company has received £4,095 from various parties in relation to payments which they believed to be owed. Neither the Joint Administrators nor the Company's finance director have been able to allocate these payments to a specific debt and therefore they have been recorded as sundry receipts in the receipts and payments account.

Joint Administrators' incurred costs

- 2.14 The following costs have been incurred by the Joint Administrators, but remain unpaid.

Supplier	Costs incurred but not paid (£)
DLA Piper UK LLP (legal)	15,300
GVA Grimley Limited (agents)	4,015
Insol Group Limited (employee redundancy services)	840
Naismiths Limited (Quantity surveyor)	15,240
Drivers Group Plc (Quantity surveyor)	19,700
Various costs associated with the debt collection process	43,000
Total	98,095

3 Assets still to be realised

- 3.1 As detailed in section 2 above, the Joint Administrators continue to pursue the remaining book debts.

4 Joint Administrators' remuneration

- 4.1 The Joint Administrators have not yet received the required approval for the basis of their remuneration. They are, however, proposing that the basis of the Joint Administrators' remuneration be fixed by reference to the time costs spent by the Joint Administrators and their staff.
- 4.2 The Joint Administrators' time costs for the period 21 June 2011 to 20 December 2011 are £91,423. This represents 355 hours at an average rate of £257 per hour. Attached at Appendix B is a Time Analysis for the period which provides details of the activity costs incurred by staff grade. To date, no fees have been drawn on account.
- 4.3 The Joint Administrators can confirm that the category 2 disbursements of photocopying, charged at the rate of 10 pence per sheet, for notifications and reports to creditors and other copying, have been incurred, however, not yet drawn. Disbursements incurred by the Joint Administrators, but not yet paid, as at 20 December 2011 are £426.
- 4.4 Principal areas of activity during the period are discussed in further detail below:
- **Administration and planning** - time has been incurred formulating and implementing the initial case strategy, complying with statutory duties and performing general administrative work. Case related treasury and support time is also recorded here.
 - **Investigations** - time has been incurred conducting investigations into the directors' conduct together with the Company's dealings prior to the appointment of the Joint Administrators and the submission of a report to the Department for Business, Innovation and Skills, pursuant to the Company Directors Disqualification Act 1986.

- **Asset realisations - debtors** - a significant amount of time has been incurred reviewing the Company's book debt ledger, corresponding with employees of KFS, the Administrators of KFS, Naismiths and Drivers regarding likely realisations. Time has been charged to communicating and negotiating with debtors regarding outstanding balances and dealing with disputes
 - **Realisation of assets - floating charge** - time recorded within this category includes liaising with our agent in respect of valuations of the assets. Time has also been spent corresponding with a number of leasing companies to arrange the collection of the assets from the Company's premises.
 - **Creditors** - time has been incurred notifying all creditors of the appointment, and the preparation of statutory reports. Time has also been spent dealing with employee claims and correspondence and reporting to the secured creditor
- 4.5 Attached at Appendix C is additional information in relation to the Joint Administrators' policy on staffing, the use of sub-contractors, disbursements and details of their current charge-out rates by staff grade

5 Estimated outcome for creditors

Secured creditor - Sovereign Capital Limited Partnership II

- 5.1 The Company granted a fixed and floating charge to Yorkshire Bank on 13 June 2006, which was assigned to Sovereign on 8 April 2011, pursuant to a debenture and guarantee of the same date. At the date of the Joint Administrators' appointment, Sovereign was owed £49 million (excluding interest and charges) under its security. To date no distributions have been made to Sovereign from the Company. Distributions totalling £4.55 million have been made from other companies within the Group, under their cross guarantees. Sovereign will suffer a significant shortfall on its lending.

Preferential creditors

- 5.2 Based on current information, preferential creditors are anticipated to be in the region of £32,000 and are expected to be repaid in full.

Unsecured Creditors' Fund

- 5.3 Pursuant to section 176A of the Insolvency Act 1986, where there is a floating charge which post dates 15 September 2003, the Joint Administrators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**).
- 5.4 As the Company granted a floating charge to the secured creditor after 15 September 2003, the Joint Administrators are required to create an Unsecured Creditors' Fund. The Joint Administrators can confirm that based on realisations to date, they believe that a distribution will be available to the unsecured creditors. The value of the Unsecured Creditors' Fund will be determined by the level of book debt collections but is estimated to be approximately £48,000.

6 Ending the Administration

- 6.1 As the Joint Administrators believe that there will be sufficient assets to enable a distribution to unsecured creditors, they 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 (CVL).
- 6.2 The Joint Administrators will be discharged from liability under paragraph 98 of Schedule B1 to the Insolvency Act 1986 directly after their appointment as Administrators ceases to have effect

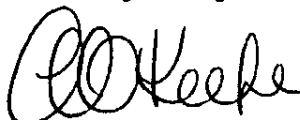
7 Creditors' rights

- 7.1 Within 21 days of the receipt of the report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% of the value of the unsecured creditors) may request in writing that the Joint Administrators provide further information about their remuneration or expenses (other than pre-administration costs) which have been itemised in this progress report
- 7.2 Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% of the value of unsecured creditors) may, within eight weeks of receipt of this progress report, make an application to court on the grounds that the basis fixed for the Joint Administrators' remuneration, the remuneration or the expenses incurred by the Joint Administrators as set out in this progress report are excessive

8 Next report

- 8.1 The Joint Administrators are required to provide a progress report within one month of the end of the next six months of the Administration, or earlier if the Administration has been finalised.

For and on behalf of
Hudson Engineering Services Limited



Anne O'Keefe
Joint Administrator

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Receipts and Payments Account for the period
21 June 2011 to 20 December 2011

Appendix A

	21/06/2011
	- 20/12/2011
	£
Floating charge assets	
Receipts	
Book debts	257,203
Insurance refund	500
Cash at bank	23,634
Bank interest gross	101
Sundry receipts	4,095
	<u>285,533</u>
Payments	
Professional fees	2,144
Category 1 disbursements:	
Stationery and postage	588
Telephone charges	5,373
Statutory advertising	77
Bank charges	529
	<u>(8,711)</u>
Balance	<u>276,822</u>
Represented by:	
VAT receivable	1,636
Interest bearing accounts	275,186
	<u>276,822</u>

The directors' statement of affairs has not yet been received and therefore cannot be included here

Time Analysis for the period 21 June 2011 to 20 December 2011

Appendix B

	Employee grade (hours)				Total hours	Total cost £	Average rate per hour £
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support			
Administration and planning							
Planning	-	-	0.4	-	0.4	92.00	230
Strategy and control	8.2	4.3	6.7	-	19.2	5,738.50	299
Statutory duties	-	1.2	1.3	1.4	3.9	831.00	213
Case administration	2.4	2.9	1.7	8.4	15.4	3,199.50	208
Accounting and treasury	-	0.4	4.2	16.7	21.3	2,731.00	128
Travel and waiting time	-	-	0.4	-	0.4	92.00	230
Internal documentation	-	0.8	3.2	4.7	8.7	1,528.50	176
Investigations							
Director conduct reports	1.0	0.8	10.7	0.3	12.8	3,142.50	246
Other investigations	-	-	1.0	-	1.0	230.00	230
Internal documentation	-	-	0.7	-	0.7	157.00	224
Realisation of assets - debtors							
Debt collection	19.5	103.1	7.0	1.4	131.0	40,881.00	312
Debtor litigation	-	3.5	2.1	-	5.6	1,570.50	280
Internal and external documentation	1.3	0.5	17.9	0.2	19.9	4,739.50	238
Realisation of assets - floating charge							
Asset realisation strategy	1.3	-	-	-	1.3	442.00	340
Asset identification and valuation	-	0.7	-	-	0.7	220.50	315
Recovery of assets	0.3	0.8	2.2	-	3.3	840.00	255
Dealing with third party assets	-	-	3.9	0.1	4.0	908.50	227
Asset accounting and administration	-	-	0.1	-	0.1	23.00	230
Creditors							
Creditor claims	-	0.4	-	2.2	2.6	379.00	146
Internal documentation	-	-	0.1	-	0.1	23.00	230
Creditor strategy	-	0.3	-	-	0.3	94.50	315
Reporting to creditors	7.5	4.6	28.6	7.4	48.1	11,594.50	241
Secured creditors	-	7.5	-	-	7.5	2,362.50	315
Preferential creditors	-	0.1	-	-	0.1	31.50	315
Unsecured creditors	-	0.4	18.2	14.6	33.2	5,900.00	178
Employees	-	7.2	5.7	0.8	13.7	3,671.00	268
Totals	41.5	139.5	116.1	58.2	355.3	91,423.00	257

Additional information in relation to the Joint Administrators' remuneration pursuant to Statement of Insolvency Practice 9

Appendix C

1 Policy

Detailed below is Zolfo Cooper's policy in relation to.

- staff allocation and the use of sub-contractors, and
- professional advisors, and
- disbursements

1.1 Staff allocation and the use of sub-contractors

The Joint Administrators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The case team will usually consist of a partner, a senior associate, an associate and an analyst. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Joint Administrators' charge-out rate schedule below provides details of all grades of staff and their experience level.

With regard to support staff, the Joint Administrators would advise that time spent by treasury in relation to specific tasks on an assignment is charged. The Joint Administrators only seek to charge and recover secretarial time if a large block of time is incurred, eg report compilation and distribution.

The following services are being provided on this assignment by external sub-contractors.

Service type	Service provider	Basis of fee arrangement	Cost to date (£)
Employee claim processing	Insol Group Limited	Fixed rate per employee	2,140
Debt collection	Naismiths Limited	Set fee	15,240
Debt collection	Drivers Group Plc	Different for each contract, based on percentage of realisation and hourly rate	19,700

1.2 Professional advisors

On this assignment the Joint Administrators have used the professional advisors listed below. The Joint Administrators have also indicated the basis of their fee arrangement with them, which is subject to review on a regular basis.

Name of professional advisor	Basis of fee arrangement
DLA Piper UK LLP (legal advice)	Hourly rate and disbursements
Willis Limited (insurance)	Risk based premium
GVA Grimley Limited (valuation and disposal advice)	Fixed fee

The Joint Administrators' choice was based on their perception of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of their fee arrangement with them.

1.3 Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case eg postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by the Joint Administrators and their staff.

Category 2 disbursements do require prior approval by creditors before they are paid. If they are incurred, they will be drawn in accordance with the resolution approved by creditors. Category 2 disbursements that may be incurred include photocopying and printing, charged at the rate of 10 pence per sheet, for notifications and reports to creditors and other copying.

2 Charge-out rates

A schedule of Zolfo Cooper charge-out rates for this assignment effective from 1 January 2011 is detailed below

Description	£
Partner/director	
Partner 1*	445
Partner 2*	395
Director	340
Senior associate	
Senior associate 1*	315
Senior associate 2*	265
Associate/analyst	
Associate	230
Analyst*	220
Junior analyst and support staff	
Junior analyst*	115
Senior treasury associate	155
Treasury associate	105
Treasury analyst	80
Support	75

***Key**

Partner 1 - partners with three or more years' experience at partner level

Partner 2 - partners with less than three years' experience at partner level

Senior associate 1 - staff with two or more years' experience at senior associate level

Senior associate 2 - staff with less than two years' experience at senior associate level

Analyst - staff with more than one year's experience at analyst level

Junior analyst - first year analysts