

The Insolvency Act 1986

Administrator's progress report

Name of Company

Hudson Engineering Services Limited

Company number

2620741

In the

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) ofWe
G M Wild
Toronto Square
Toronto Street
Leeds
LS1 2HJK J Coates
10 Fleet Place
London
EC4M 7RBA C O'Keefe
Zolfo Cooper
The Zenith Building
26 Spring Gardens
Manchester
M2 1AB

administrator(s)

administrators of the above company attach a progress report for the period

From

To

(b) Insert date

(b) 11 April 2104

(b) 10 October 2014

Signed

Joint Administrator

Dated

17 October 2014

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.

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Administrators' Progress Report for the period 11 April 2014 to 10 October 2014

Hudson Engineering Services Limited
In Administration

15 October 2014

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1 Why this report has been prepared

- 1.1** As you will be aware, Graham Wild, Kevin Coates and Anne O'Keefe (the Administrators) were appointed on 21 June 2011.
- 1.2** In accordance with UK insolvency legislation, an administrator is required to provide a progress report covering the period of six months commencing on the date on which a company entered into administration and every subsequent period of six months. This progress report covers the period 11 April 2014 to 10 October 2014 (the Period) and this report should be read in conjunction with all previous reports.
- 1.3** This report has been prepared in accordance with rule 2.47 of the Insolvency Rules 1986.
- 1.4** Please note that this report has also been prepared in accordance with rule 2.112 of the Insolvency Rules 1986 in support of an extension to the Administration period.
- 1.5** The purpose of this report is to provide statutory and financial information about the Company and to provide an update on the progress of the Administration, including details of assets realised during the Period, details regarding the Administrators' fees and the expected outcome for each class of creditor.
- 1.6** As a reminder, an administrator of a company must perform their functions with a view to achieving one of the following statutory objectives:
- Objective 1:** rescuing a company as a going concern;
- Objective 2:** achieving a better result for a company's creditors as a whole than would be likely if a company were wound up (without first being in administration); or
- Objective 3:** realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.7** In this case the Administrators are pursuing the second statutory objective. Further details on the actions taken to achieve that objective can be found in section 3 of this report.
- 1.8** Details of the Administrators' fees and costs incurred are detailed at Appendices C to F.
- 1.9** More information relating to the Administration process, Administrators' fees and creditors' rights can be found on Zolfo Cooper's creditor portal (<http://www.zcinfoportal.com>). Log-in details to access this information can be found within the covering letter you have received.
- 1.10** If you require a hard copy of this report or have any queries in relation to the contents of this report or the Administration generally, please contact Leon Molson on 0161 838 4530, creditorreports@zolfocooper.eu or write to Zolfo Cooper's office at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.

2 Summary of information for creditors

Estimated dividend for creditors

Description	Estimated debt £	Likely level of return £ or pence/£
Secured creditor	49 million	Uncertain
Preferential creditors	31,344	100 pence in the pound
Unsecured creditors	5.80 million	0.5 pence in the pound

Notes:

The Company granted a fixed and floating charge to Sovereign Capital Limited Partnership II (Sovereign) on 8 April 2011, which was guaranteed by companies within the wider group. To date, Sovereign has not received a distribution from the Company. However, it has received £14.72 million from other companies within the group.

As previously reported, preferential creditors totalling £31,344 have been paid in full.

Unsecured claims totalling £4.95 million have been received to date. Including a provision for claims not yet submitted, based on the statement of affairs values totalling £0.85 million, the overall estimated claims are expected to be in the region of £5.80 million.

The Company granted a floating charge to Sovereign after 15 September 2003. The Administrators are therefore required to create an Unsecured Creditors' Fund. Based on current realisations, the Administrators estimate the value of the Company's net floating charge property to be £131,000. Arising from this, the value of the Unsecured Creditors' Fund is estimated to be £29,000.

Please note that the likely levels of returns are based upon current realisations and therefore are subject to change in the event that further debtor realisations are achieved.

Funds available for distribution and the dividend rate are detailed before taking into account the estimated costs of making the distribution.

In respect of preferential or unsecured creditors, UK insolvency legislation stipulates that creditors of the same class should be treated equally. Hence the funds available for distribution are split on a pro-rata basis amongst all creditors of each class, regardless of the size of their claims.

For further information please refer to section 4 of this report.

3 Progress of the Administration

- 3.1 Attached at Appendix B is the Administrators' Receipts and Payments Account for the Period, together with a Cumulative Account for the period since appointment. The Receipts and Payments Account for the Period excludes an expense which has been incurred but not paid, this is detailed at Appendix B.

Book debts

- 3.2 The Administrators instructed Driver Group Plc (Drivers) to pursue the collection of the Company's debts. Drivers continue to pursue the two remaining debtors, MODern Housing Solutions (Prime) Limited (MHS) and Bournemouth Borough Council (BBC).
- 3.3 As previously advised, the information required for the purpose of collecting the MHS debt was held on a system owned by the Ministry of Defence, whom MHS are sub-contracted to. The Administrators submitted an application to Court under section 236 of the Insolvency Act 1986, requesting that MHS make available the information required.
- 3.4 Following submission of the application, MHS confirmed that they would be prepared to supply the documents, providing that any costs incurred are met by the Administrators. The Administrators' solicitors, Turner Parkinson LLP (TP), continue to liaise with MHS in relation to obtaining the information.
- 3.5 An estimate of the amount recoverable from MHS cannot be provided at present, and will be subject to the review of the information received. The book value of the debt is £4.05 million. However, we are aware that there are a number of potential offsets.
- 3.6 The Administrators previously reported that a meeting was due to be held with BBC in relation to collection of the outstanding debt. BBC subsequently appointed solicitors prior to the meeting being held and they raised a number of queries. TP and Drivers continue to liaise with them with a view to resolving these queries as soon as possible. Once these matters have been finalised, the Administrators are expecting that an offer of settlement will be forthcoming.

Other

- 3.7 The Administrators have recently been made aware of a Joint Industry Board combined benefits scheme, which was operated by the Company on behalf of its employees. Upon further investigation it was established that £8,490 held in the scheme is available for benefit of the Administration. The Administrators have requested that the scheme provider transfer the monies to the Administrators and expect this to be received shortly.
- 3.8 As previously reported, total contributions to costs of £290,000 were paid by Sovereign to companies within the wider group. Of this, £44,595 is available for the Company to discharge costs incurred under the fixed charge. As detailed in the Administrators' report dated 1 May 2014, £28,661 of fixed charge costs had been discharged using a temporary loan from floating charge monies. This loan has now been repaid in full.

4 Estimated outcome for creditors

Secured creditor - Sovereign

- 4.1 The Company granted a fixed and floating charge to the secured creditor on 8 April 2011. At the date of appointment the secured creditor was owed £49 million (excluding accrued interest and charges) under its security. Sovereign has received total distributions of £14.72 million from other companies within the wider group, but has not yet received a distribution from the Company
- 4.2 Based on current realisations, distributions to Sovereign from the Company will be approximately £0.1 million. Further distributions will, however, be dependent on realisations from the two outstanding debts.

Preferential creditors

- 4.3 As previously reported, preferential creditors totalling £31,344 have been paid in full.

Unsecured Creditors' Fund

- 4.4 Based on current information, unsecured creditors are estimated to be approximately £5.80 million.
- 4.5 Where there is a floating charge which was created on or after 15 September 2003, the Administrators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (Unsecured Creditors' Fund), commonly known as the 'Prescribed Part'.
- 4.6 As the Company granted a floating charge to the secured creditor after 15 September 2003, the Administrators are required to create an Unsecured Creditors' Fund. Based on present realisations, the Administrators estimate the value of the Company's net floating charge property to be £131,000. Arising from this, the value of the Unsecured Creditors' Fund is estimated to be £29,000 which gives rise to a distribution of 0.5 pence in the pound, before costs. The level of the Unsecured Creditors' Fund may increase but this is dependent on further realisations being achieved from the BBC debt only, as the MHS debt is subject to a fixed charge.

5 What happens next

Creditors' rights

- 5.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the agreement of at least 5% of the value of the unsecured creditors) may request in writing that the Administrators provide further information about their fees or expenses (other than pre-administration costs) which have been itemised in this progress report.
- 5.2 Any secured creditor, or an unsecured creditor (with the agreement of at least 10% of the value of unsecured creditors) may, within eight weeks of receipt of this report, make an application to court on the grounds that the basis fixed for the Administrators' fees are inappropriate, or that the fees charged or the expenses incurred by the Administrators during the period of this report are excessive.

Extension

- 5.3 This report has been prepared for the Court in support of the application to extend the Administration by one year. In the event that the request to extend the Administration is approved, a further report will be circulated to all creditors within one month of the next six month period ended 10 April 2015, or sooner if the Administration has been finalised.
- 5.4 For details of the proposed exit route please see Appendix G.

For and on behalf of
Hudson Engineering Services Limited



Graham Wild
Administrator
Encs

Appendix A. Statutory information

Company information

Company name	Hudson Engineering Services Limited
Registered number	0260741
Registered office	c/o Zolfo Cooper, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB
Former registered office	Enterprise House, 181-189 Garth Road, Morden, Surrey, SM4 4LL
Trading address	Enterprise House, 181-189 Garth Road, Morden, Surrey, SM4 4LL
Trading name	Hudson Engineering Services Limited
Court details	High Court of Justice, Chancery Division, Birmingham District Registry
Court reference	8296 of 2011

Appointor's information

Name	Address	Position
Sovereign Capital Limited Partnership II	25 Victoria Street, London, SW1H 0EX	Qualifying floating charge holder

Administrators' information

Name	Address	IP number	Name of authorising body
Graham Wild	Zolfo Cooper, Toronto Square, Toronto Street, Leeds, LS1 2HJ	9593	Insolvency Practitioners Association
Kevin Coates	Zolfo Cooper, 10 Fleet Place, London, EC4M 7RB	9261	Insolvency Practitioners Association
Anne O'Keefe	Zolfo Cooper, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	8375	Insolvency Practitioners Association

In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

Extension of Administration

The Administration was initially due to expire on 20 June 2012. However, this was subsequently extended by consent of the creditors to 20 December 2012. Two further extensions of 12 months each were subsequently granted by the Court and the Administration is now due to end on 20 December 2014. This report has, however, been prepared for the Court in support of an application to extend the Administration by a further one year.

**Appendix B. Receipts and Payments Account for the period
11 April 2014 to 10 October 2014 and a Cumulative
Account for the period since appointment**

Statement of Affairs	Period	Cumulative
£	£	£
Fixed charge assets		
Receipts		
Contribution to costs	44,595	44,595
Bank interest	68	68
Loan from floating account	(28,661)	-
	16,002	44,663
Payments		
Administrators' fees	-	10,000
Legal fees	10,502	16,952
Debt collection fees	-	12,210
Bank charges	2	3
	(10,504)	(39,165)
Balance of fixed charge assets	5,498	5,498
Floating charge assets		
Receipts		
1,250,000 Book debts	-	367,978
Cash at bank	-	23,634
Sundry receipts	-	4,098
Insurance refunds	-	500
Bank interest	29	380
	29	396,790
Payments		
Joint Administrators fees	-	121,000
Category 1 disbursements:		
Specific penalty bond	-	320
Travel and subsistence	-	39
Telephone	-	132
Stationery and postage	314	2,524
Company search	-	38
Storage costs	-	7,327
Redirection of mail	-	54
Statutory advertising	-	77
Sundry	-	40
Loan to fixed account	(28,661)	-
Employee agent's fees	-	9,303
Server hire	-	5,610
Agent's/valuers' fees	-	13,828
Public relations agent's fees	-	844
Legal fees	2,961	9,948
Corporation tax	107	107
Debt collection fees	-	14,494
Other debt collection costs	-	39,687
Bank charges	3	613
	25,276	(225,985)

Statement of Affairs £	Period £	Cumulative £
Distributions		
Preferential creditors:		
Redundancy Payments Service, 100p/£, 02/11/2012	-	23,672
Employees, 100p/£, 02/11/2012	-	3,360
Employees, 100p/£, 18/10/2013	-	4,312
	-	(31,344)
Balance of floating charge assets	25,305	139,461
Total balance		144,959
Represented by		
Interest bearing accounts		144,088
VAT receivable		871
		144,959

The analysis of the receipts and payments for the Period excludes £18,000, which has been incurred but not yet paid to Driver Group Plc, in relation to debt collection fees. The costs will be paid within the period agreed.

Appendix C. Time Analysis and details of time spent

The Administrators' time costs for the Period are £18,194. This represents 66 hours at an average rate of £274 per hour. Detailed below is a Time Analysis for the Period which provides details of the costs incurred by activity and by staff grade.

	Employee grade (hours)				£		
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning	3.2		0.5		3.7	1,453.00	393
Strategy and control	0.4		0.3	0.9	1.6	351.50	220
Statutory duties	0.8		2.7	0.5	4.0	1,089.50	272
Case administration	1.4		1.5	4.3	7.2	1,471.00	204
Accounting and treasury							
Realisation of assets - fixed charge	0.3				0.3	207.50	415
Recovery of assets	-		-	0.6	0.6	66.00	110
Asset accounting and administration							
Realisation of assets - debtors			10.5		10.5	3,689.00	349
Debt collection	2.6				2.6	681.50	413
Debtor litigation	1.6		-		1.6	681.50	413
Internal and external documentation	0.2		-		0.2	78.00	390
Realisation of assets - floating charge							
Asset identification and valuation	0.2				0.2	78.00	390
Recovery of assets	0.5		0.3		0.8	282.50	353
Asset accounting and administration	0.4		1.5	1.4	3.3	685.00	208
Creditors							
Reporting to creditors	3.6		22.1		25.7	7,011.50	273
Secured creditors	0.5		0.4		0.9	407.50	453
Unsecured creditors			0.8		0.8	200.00	250
Employees	0.3		1.3		1.6	442.00	276
Totals	16.2		42.4	7.7	66.3	18,193.50	274

Principal areas of activity during the Period are discussed in further detail below.

- Administration and planning - time has been incurred progressing the case strategy, complying with statutory duties and performing general administrative work.
- Realisation of assets: debtors - A significant amount of time has been spent liaising with Drivers and TP in relation to the BBC and MHS debts. Further information with regards to the steps taken can be found in section 3 of this report.
- Creditors - Time has been spent dealing with creditor communications, preparing statutory reports and reporting to the secured creditor.

A Cumulative Time Analysis for the period since the Administrators' appointment is attached at Appendix D.

Appendix D. Cumulative Time Analysis for the period since appointment

	Employee grade (hours)				£	
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Average rate per hour
Administration and planning						
Planning		-	0.4	-	0.4	92.00
Strategy and control	15.5	4.9	13.2	4.6	38.2	10,828.00
Statutory duties	1.9	1.4	4.9	3.8	12.0	2,736.50
Case administration	4.8	3.2	12.0	21.3	41.3	8,213.00
Accounting and treasury	5.3	1.2	30.9	72.1	109.5	16,779.00
Travel and waiting time			0.4	-	0.4	92.00
Internal documentation	0.7	0.8	3.0	6.4	10.9	1,884.00
Investigations						
Director conduct reports	1.0	0.8	10.7	0.3	12.8	3,142.80
Other investigations		-	1.0		1.0	230.00
Internal documentation			0.6		0.6	134.00
Realisation of assets - fixed charge						
Recovery of assets	0.5		-	-	0.5	207.50
Asset accounting and administration			-	1.2	1.2	132.00
Realisation of assets - debtors						
Debt collection	42.4	150.6	31.8	9.0	233.8	71,718.00
Debtor litigation	2.2	15.5	4.5	0.1	22.3	6,795.50
Internal and external documentation	4.4	1.9	15.6	0.2	22.1	6,721.50
Realisation of assets - floating charge						
Asset realisation strategy	1.3	-	-	-	1.3	442.00
Asset identification and valuation	0.2	0.7		-	0.9	298.50
Recovery of assets	0.9	0.8	2.5		4.2	1,158.50
Dealing with third party assets			3.9	0.1	4.0	908.50
Asset accounting and administration	0.6	-	2.0	5.1	7.7	1,276.00
Creditors						
Creditor claims	-	0.4	-	2.3	2.7	393.50
Internal documentation		-	0.1	-	0.1	23.00
Creditor strategy	0.5	0.4	-		0.9	323.50
Reporting to creditors	30.4	12.3	120.9	9.7	173.3	44,510.50
Secured creditors	0.9	2.5	2.4		5.8	3,296.00
Preferential creditors	0.8	0.4	10.5	7.0	18.7	3,687.50
Unsecured creditors	0.4	0.4	20.4	32.7	53.9	8,714.00
Employees	0.3	2.1	9.6	1.3	13.3	4,751.00
Totals	115.0	210.3	301.3	177.2	803.8	198,485.00
						247

Appendix E. Administrators' fees and disbursements

Fees

A copy of 'A Creditors' Guide to Administrations' can be downloaded from Zolfo Cooper's creditor portal (<http://www.zcinfoportal.com>). If you would prefer this to be sent to you in hard copy please contact the Administrators and they will forward a copy to you.

Approval of the Administrators' fees has been sought in accordance with rule 2.106 of the Insolvency Rules 1986. On 2 July 2012 the secured and preferential creditors approved that the basis of the Administrators' fees be fixed by reference to time properly spent by the Administrators and their staff on matters arising in the Administration.

To date fees totalling £131,000 have been drawn on account.

Disbursements

Category 1 disbursements of £10,551 have been drawn on account. Whilst Category 2 disbursements have been incurred, however, the Administrators do not have the requisite approval for these to be paid as an expense of the Administration.

Appendix F. Additional information in relation to the Administrators' fees pursuant to Statement of Insolvency Practice 9

Policy

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

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

Staff allocation and the use of sub-contractors

The 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 director, a senior associate, an associate and an analyst. The exact 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 Administrators' charge-out rate schedule, on the following page, provides details of all grades of staff.

With regard to support staff, time spent by Treasury staff in relation to tasks such as recording transactions and dealing with bank accounts is charged but secretarial time is only recovered 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	Rate per employee	9,303
Debt collection	NalSmiths Limited	Fixed fee	7,874
Debt collection	Driver Group Plc	Based on individual contracts, based on percentage of realisations and hourly rate	26,704

Professional advisors

On this assignment the Administrators have used the professional advisors listed below. The 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
Turner Parkinson LLP (legal advice)	Hourly rate and disbursements
Willis Limited (insurance)	Risk based premium
Hill & Knowlton Limited (public relations)	Hourly rate and disbursements
GVA Grimley Limited (valuation and disposal advice)	Fixed fee

The 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.

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. Any properly reimbursed expenses incurred by the Liquidators and their staff will also be chargeable.

Category 2 disbursements do require prior approval by creditors before they are paid. The Administrators have not sought approval in this case.

Charge-out rates

A schedule of Zolfo Cooper charge-out rates for this assignment effective from 1 April 2014 is detailed below. Time is charged by partners and case staff in units of six minutes.

Description	Rates from
	1 April 2014 £
Partner 1*	445
Partner 2*	415
Director	390
Associate director	340
Senior associate	280
Associate	250
Analyst	220
Junior analyst	150
Senior treasury associate	170
Treasury associate	110
Treasury analyst	85
Support	79

Appendix G. Extension, exit route and discharge from liability

Extension

The Administration was initially due to expire on 20 June 2012, however, this was extended by consent of the creditors to 20 December 2012. A further two one year extensions were subsequently granted by the court, with the Administration now being due to end automatically on 20 December 2014. It will not be possible to conclude all outstanding matters in the Administration prior to this date and, as such, the Administrators are seeking the approval of the court for a further extension to the Administration period of one year, in accordance with paragraph 76 of schedule B1 of the Insolvency Act 1986.

Creditors voluntary liquidation (CVL)

As a dividend is available to unsecured creditors by virtue of the Unsecured Creditors' Fund, once the Administration has been concluded, the Administrators will file a notice at the Registrar of Companies in order that the Administration ceases and the Company automatically moves into CVL. The Administrators will send copies of these documents to the Company and its creditors. The Administrators' appointment will end following the registration of the notice by the Registrar of Companies. In accordance with the Proposals, the Administrators will become the Liquidators of the Company.

Discharge from liability

The secured and preferential creditors approved on 2 July 2012 that the Administrators will be discharged from liability under paragraph 98 of schedule B1 of the Insolvency Act 1986 directly after their appointment as Administrators ceases to have effect.