

AM03

Notice of administrator's proposals



Companies House

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1 Company details

Company number 0 2 7 1 6 4 7 6

Company name in full Llangollen Railway PLC

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Alan

Surname Coleman

3 Administrator's address

Building name/number Regency House

Street 45-53 Chorley New Road

Post town Bolton

County/Region

Postcode B L 1 4 Q R

Country

4 Administrator's name ①

Full forename(s) Jason Mark

Surname Elliott

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number Regency House

Street

Post town 45-53 Chorley New Road

County/Region Bolton

Postcode B L 1 4 Q R


Country

② Other administrator

Use this section to tell us about
another administrator.

AM03

Notice of Administrator’s Proposals

6		Statement of proposals								
		<input checked="" type="checkbox"/>	I attach a copy of the statement of proposals							
7		Sign and date								
Administrator’s Signature		Signature ✕ 		✕						
Signature date		^d 1	^d 0	^m 0	^m 5	^y 2	^y 0	^y 2	^y 1	

AM03

Notice of Administrator's Proposals



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Ben Gray				
Company name	Cowgill Holloway Business Recovery LLP				
Address	Regency House				
	45-53 Chorley New Road				
Post town	Bolton				
County/Region					
Postcode	B	L	1	4	Q R
Country					
DX					
Telephone	0161 827 1200				



Checklist

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Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



Important information

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DX 33050 Cardiff.



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**Joint Administrators' Report and Statement
of Proposals Pursuant to
Paragraph 49 of Schedule B1**

**Llangollen Railway PLC -
In Administration**

30 April 2021

cowgills

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1 Introduction and Background

1.1 Llangollen Railway PLC ("**the Company**") was incorporated on 20 May 1992. The principal activity of the Company being that of the operation, extension and other matters associated with a heritage steam railway.

1.2 In September/October 2020 there was a material change to the Board. The current Board members are as follows:

- Robert John Creasey
- Phillip John Coles
- Peter James Edwards
- Maureen Theobald
- Michael Keith Williams

1.3 The main shareholder of the Company is Llangollen Railway Trust Limited ("**the Trust**") (a registered charity) which currently owns 23.2% of the overall shares. We understand that the balance of the shares are owned by 2,415 individuals.

1.4 The Company has three main business activities:

- 1) Operation of the Llangollen Railway - The Company trades as a heritage railway in Denbighshire, North Wales and operates on a 10 mile standard gauge line between Llangollen and Corwen
- 2) Maintenance of carriages (both owned by the Company and commercially)
- 3) Engineering – maintenance of locomotives (both owned by the Company and commercially)

1.5 The income generated from the three parts of the business is split between railway activities and contract engineering works. Details of the income are provided below:

Year ending 31 December 2020 -	Railway Activities	£231,950 (60.33%)
	Contract Engineering	£152,499 (39.67%)
Year Ending 31 December 2019 -	Railway Activities	£1,308,952 (81.28%)
	Contract Engineering	£301,559 (18.72%)

1.6 The Company's main source of income was received from railway activities, however, as a result of Government restrictions throughout 2020 and the start of 2021 due to the Coronavirus pandemic, the railway has not been operational throughout large parts of this period. The Company ceased to operate in March 2020 in respect of both the railway and engineering activities, with the majority of the employees being placed on furlough on 23 March 2020.

1.7 In August 2020, the railway began operating again following the easing of lockdown restrictions with social distancing measures in place, however, following the reintroduction of lockdown measures in October 2020 all trading activity ceased and employees were again placed on furlough.

- 1.8 From a review of the Company's financial records, the new Board inherited a business that was already loss making prior to the pandemic. Recent losses recorded in the Company's accounts are outlined below:

£

- Financial Statements for Year Ended 31/12/2017 (31,432)
 - Financial Statements for Year Ended 31/12/2018 (269,657)
 - Financial Statements for Year Ended 31/12/2019 (270,197)
 - Management Accounts for Year Ended 31/12/2020 (258,840)
- 1.9 These ongoing losses coupled with a handful of engineering contracts where customers have raised potential counterclaims against the Company, which are in excess of £200,000, have left the Company in a poor financial position. These counterclaims relate to works undertaken by the engineering element of the business since 2016.
- 1.10 Additionally, the Company has also received a deposit for an engineering project of £50,000 prior to the new board taking up office. The work had not been started and instead it appears that the funds have been used to cover trading losses.
- 1.11 The Company relies on donations and grants to assist with covering the costs/losses of the railway. However, historically the engineering side of the business has been profitable and has supported the Company's railway activities. The board have advised that grants were obtained from a number of sources including The National Lottery Fund via a connected Company, Llangollen Railway Trust Limited ("**Trust**"). The grants were applied for by Trust, as it was a registered charity, and obtained for the operational side of the business, which was operated by the Company. It is understood that funding in excess of £400k was obtained via Trust in 2020 in order to assist with meeting the outgoings of the Company.
- 1.12 In addition to the above funding, several former directors have loaned funds to the Company in order to assist with cash flow. These loans are understood to be in the region of £160k
- 1.13 Further funding was also secured from the Company's bankers in the form of a bounce back loan for the sum of £50,000 which was obtained on 15 June 2020.
- 1.14 Despite the funding outlined above, as a result of the counterclaims received from customers in respect of disputed engineering contracts and the continuing lockdown restrictions in 2021, the Board were aware that the Company was not in a position to meet its liabilities. The Board agreed to a press release on 1 March 2021 to inform the public that the Company was in financial difficulty. The Company needed to take action before creditors started legal proceedings and/ third parties began to collect their goods.
- 1.15 The Board were aware that without the ability to trade and without substantial funding being obtained, the Company had no alternative than to explore its options, including placing the Company into a formal insolvency procedure. As such, the Company formally engaged Cowgill Holloway Business Recovery LLP ("**CHBR**") on 2 March 2021.
- 1.16 At the time of CHBR's engagement, the Company had a significant level of creditors and some of these creditors were threatening legal action. Alan Coleman of CHBR conducted a financial

review of the Company and confirmed that it was insolvent on both a balance sheet basis and on a cash flow basis.

- 1.17 It was therefore considered that immediate protection of the Company was required, as any enforcement action taken by creditors would be detrimental to the ongoing trade/value of the business and assets as well as preventing the possibility of securing a 'going concern' sale of the business. It is considered that this course of action would best serve to maximise realisations for the benefit of all classes of creditors.
- 1.18 A Company Voluntary Arrangement ("CVA") was immediately discounted. In the time available and, in light of the level of creditors and expected future trading, there was no proposal to be made to creditors to repay debts over time in order to rescue the Company as a going concern.
- 1.19 The Company had been historically loss making and only survived due to considerable government financial support, together with that of the Company's bankers. The financial position of the Company has been further exacerbated by the lockdown instituted as a result of the Coronavirus pandemic. There was no likely return to profitability and therefore a CVA was not viable.
- 1.20 The Joint Administrators held initial discussions with the board in December 2020 and outlined the options available to the Company at a board meeting held in January 2021 with administration being the most suitable route. It was considered that immediate protection of the Company was required, due to the ongoing counterclaims relating to the contractual disputes. As any action taken by creditors would be detrimental to the ongoing trade/value of the business and assets, and prevent the possibility of securing a 'going concern' sale of the business. It was considered that this course of action would best serve to maximise realisations for the benefit of all classes of creditors.
- 1.21 Lambert Smith Hampton Chartered Surveyors ("LSH") who are Members of the Royal Institute of Chartered Surveyors, were engaged as independent valuation agents to value the physical and intangible assets and to review the position and to provide advice on marketing and a disposal strategy.
- 1.22 To enable a strategy to be considered, LSH attended the site on 2 March 2021 and completed an initial appraisal of the assets of the Company. Their initial appraisal concluded that the physical assets were worth in the region of £225,000 to £250,000 excluding any value for goodwill.
- 1.23 A board meeting was held on 11 March 2021 to consider the present financial difficulties of the Company and the appropriate action to take in light of those financial difficulties. In particular the meeting was to consider whether it would be appropriate to appoint administrators of the Company. The board resolved that it would be in the best interests of the Company and its creditors for the directors to place the Company into administration and to appoint Alan Brian Coleman and Jason Mark Elliott of CHBR as Joint Administrators. A Notice of Intention to Appoint an Administrator ("NOI") was therefore approved.
- 1.24 On 15 March 2021, and NOI was filed at Court, to protect the status quo of the Company whilst the various options were considered and provided a period of moratorium to allow the business and assets to be placed on the open market.

- 1.25 Following the filing of the NOI, a period of marketing was undertaken by LSH and full details of which can be found in the Joint Administrators' SIP16 Report at Appendix G
- 1.26 Subsequently and following the expiry of the five business days' notice a Notice of Appointment of an Administrator ("**NOA**") was filed by the director on 25 March 2021. As a result, Jason Mark Elliott and Alan Coleman of Cowgill Holloway Business Recovery LLP, Regency House, 45-53 Chorley New Road, Bolton, BL1 4QR were appointed Joint Administrators of the Company by the directors of the Company on 25 March 2021. Jason Mark Elliott and Alan Coleman are licensed to act as Insolvency Practitioners in the UK by the Insolvency Practitioners Association and the Institute of Chartered Accountants in England and Wales, respectively.
- 1.27 Following the Joint Administrators appointment, the Trust, a connected Company by virtue of its shareholding within the Company as well as common directors and shareholders, expressed an interest in acquiring the goodwill, intellectual property, business information, contracts and fixtures, fittings and equipment of the Company. An offer of £40,000 plus VAT was received from the Trust on 31 March 2021, this offer included a consideration for the leasehold improvements of £5,000 after a period of negotiations.
- 1.28 Given that no other offers were received for the business and intangible assets of the Company and the anticipated realisations in respect of the Company's intangible assets would have been nil in a liquidation scenario the offer was reviewed and ultimately recommended for acceptance by our agents, LSH.
- 1.29 In considering and accepting the offer creditors are advised that the nature of the Company's trading, the niche nature of the business and lack of a formal lease played a vital part.
- 1.30 There was no other suitable interest shown and based upon the advice of the agent all of the above factors would impact on the willingness of a third party from progressing any sale. By accepting this offer the Joint Administrators have maximised realisations that would have been worthless in a liquidation scenario. The transactions completed on 27 April 2021.
- 1.31 This firm's Privacy Notice about the way that we will use and store personal data can be found at <https://www.cowgills.co.uk/services/business-recovery/privacy-notice/>. If you are unable to download this, please contact us and a hard copy will be provided to you.
- 1.32 For the purposes of paragraph 100(2) of Schedule B1 the administrators may exercise any of the powers conferred on them by the IA 1986 jointly or individually.

This report incorporates the Administrators' statement of proposals made under paragraph 49 of Schedule B1, which will be treated as delivered to creditors on 5 May 2021.

Type of proceedings

- 1.33 The proceedings flowing from the Administration appointment will be COMI proceedings, establishment proceedings or proceedings to which the EU Regulation as it has effect in the law of the United Kingdom does not apply.

2 Administration Strategy and Objective

- 2.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:

- *Rescuing the Company as a going concern; or*
- *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*
- *Realising property in order to make a distribution to one or more secured or preferential creditors.*

2.2 Further information on the pursuit of the above objectives is detailed below:

Rescuing the Company as a going concern:

- 2.3 It should be noted that it was not possible to achieve the primary objective of rescuing the Company as a going concern. It was apparent that the Company had been loss making for some considerable time and due to the ongoing counterclaims resulting from disputed engineering contracts and the ongoing government lockdown due to the current Coronavirus pandemic, the Company was unable to trade.
- 2.4 Significant funding would therefore be required to enable the Company to meet its ongoing liabilities before it could become fully operational. This was compounded by the ongoing uncertainty of the restrictions that would be placed on the business post lockdown.
- 2.5 This coupled with uncertainty relating to Company's occupation of its trading locations resulted in no offers being received for the entirety of the business.
- 2.6 It was not possible for the Joint Administrators to trade the business and seek a purchaser due to a lack of funding to trade post appointment, together with the restrictions placed on trading due to government lockdown restrictions, and additional level of professional costs that trading in Administration would bring.
- 2.7 Furthermore, trading would have required the correct licences and authorities to be in place to operate the railway as well as insurance. There would also have been significant health and safety risks associated with running the railway. As such, all trading strategies were not considered appropriate.

Achieving a better outcome for creditors as a whole than would be likely if the Company were wound up (without first being in Administration):

- 2.8 We believed that the second objective could be achieved through the completion of the pre-packaged sale which has maximised asset realisations when compared to Creditors Voluntary Liquidation ("CVL").
- 2.9 In a CVL scenario the asset realisations would have been considerably less as it is anticipated that no realisations would have been made in respect of the Company's intangible assets. In addition, floating charge assets realisations would be reduced as a result of having to market and sell the assets on a forced sale basis. Furthermore, costs would increase as the Company's physical assets would have to be removed and stored, given the nature of the assets these costs would have been significant. This would have resulted in a reduced dividend for preferential and unsecured creditors based on the outcome resulting from the administration and pre packaged sale.
- 2.10 The sale encompassed the following assets; goodwill, intellectual property, contracts, business information along with the Company's fixtures, fittings and equipment. The sale of

the assets also included a consideration for the leasehold improvements. The assets were sold to the Trust and the sale was completed on 27 April 2021 in the sum of £40,000 plus VAT. This is much greater than what LSH advised would have been realised in a Liquidation scenario.

- 2.11 As detailed earlier in this report, a Liquidation was discounted as an option given that there was an interested party for the business and certain assets and this should be explored further. On liquidation it is likely there would have been no realisations in respect of goodwill and the negotiation of sale allowed provision to be made for the sale of the remaining assets by on site auction, thereby eliminating the costs of removal and storage of the assets, which would have been significant.
- 2.12 As such, LSH advised that the realisations would have been significantly reduced in a liquidation scenario.
- 2.13 The benefits of the pre-packaged sale include the following:
- Enhanced realisations achieved for the intangible assets
 - Assistance with debt collection due to continuity of trading
 - Enabling the business to continue to trade, which is of importance both culturally and economically to the region- detail the estimate that the Company brings to the region in tourism per year.

Realising property in order to make a distribution to one or more secured or preferential creditors

- 2.14 The third objective of the Administration, namely realising property in order to make a distribution to one or more secured or preferential creditors can be achieved if the second purpose cannot be achieved. This is because it is anticipated that distributions will be made to:
- the Company's secured creditor, National Westminster Bank PLC ("NatWest"), from fixed charge realisations resulting from the pre-packaged sale to Llangollen Railway Trust Limited and thereafter;
 - the Company's preferential creditors, which consist of claims from the Company's 27 employees relating to wage arrears, holiday pay and pension contributions, together with secondary preferential claims due to HMRC in relation to VAT and PAYE; and
 - the Company's secured creditor, NatWest, from floating charge assets captured under the terms of their various floating charge security interests.
- 2.15 The Joint Administrators' functions are therefore being carried out with the objective of achieving a better realisation for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in liquidation) as the primary objective.
- 2.16 It is anticipated that this will result in realisations being available to the secured, preferential and unsecured creditors (via a subsequent liquidation if required following the Company exiting from administration). This fulfils a purpose of the Administration under Paragraph 3 of Schedule B1 of the Insolvency Act 1986.

Pre-Packaged Sale

- 2.17 A pre-packaged sale of the Company's business and assets was concluded on 27 April 2021 to the Trust. Full information on the sale pursuant to the requirements of Statement of Insolvency Practice 16 can be found at Appendix G and should be read in conjunction with the remainder of this report.

Consideration of Proposals by Creditors

- 2.18 Under Para 52(1) of Schedule B1 to the Insolvency Act 1986, where an Administrator thinks that:
- (a) *The Company has sufficient property to enable each creditor of the Company to be paid in full,*
 - (b) *The Company has insufficient property to enable a distribution to be made to the unsecured creditors other than from the Prescribed Part, or*
 - (c) *The Company cannot be rescued as a going concern, or a better result as a whole than would be likely if the Company were wound up (without first being in Administration) cannot be achieved.*
- 2.19 Then the Administrator is not required to seek a decision from the Company's creditors as to whether they approve these Proposals.
- 2.20 In this case, I do not think any of the above provisions apply and I am therefore required to seek approval from creditors to my Proposals.

Progress Since Appointment

- 2.21 Immediately upon appointment the Joint Administrators secured the Company's trading premises, arranged for insurance to be put in place in respect of the Company's assets and made all employees redundant.
- 2.22 The strategy for the Administration was carefully assessed to ensure that a planned process for the case could be achieved.
- 2.23 We have also dealt with a number of statutory formalities which are required of us under related legislation. Typically, this includes issuing and filing all appointment notices with creditors and the Registrar of Companies and also advertising our appointment in the London Gazette.
- 2.24 In addition, significant time has been incurred dealing with third party claims of ownership over assets owned by the Company, liaising with LSH and our instructed solicitor, dealing with queries from both creditors and shareholders and performing general administration tasks due to the volume of correspondence received.
- 2.25 Employee claims have been administered and all statutory submissions have been made to the Redundancy Payments Service ("RPS"). The complexity of some employee claims has resulted in additional time being spent liaising with the RPS, inputting creditors claims onto our case management system and liaising with employees in order to address any queries. Due to the time incurred dealing with employee matters it was decided to outsource this aspect of the administration case work to ERA Solutions Ltd.

- 2.26 The Company's books and records have also been scheduled and prepared for collection.
- 2.27 Where a pre-packaged sale of the Company's assets and business has taken place, we have prepared and issued the report on the transaction as required by Statement of Insolvency Practice 16 and we have also prepared and issued these proposals to creditors outlining how the purpose of the Administration may be achieved.
- 2.28 Other statutory duties performed are outlined in further detail in the fees estimate which can be found at Appendix E. Please note that much of this work will have been performed to comply with statutory requirements and as such may not necessarily add any value to the insolvent estate.

Administration (including statutory compliance and reporting)

- 2.29 Following our appointment, the strategy for the Administration was carefully assessed to ensure that a coherent planned process for the case could be achieved. This work will, where appropriate, have included liaison with solicitors to deal with any legal considerations surrounding the Company's insolvency (such as assessing the validity of any 3rd party security in relation to the assets) and liaising with valuation agents about the most appropriate means of realising the value in the Company's business and assets.
- 2.30 We have also dealt with a number of statutory formalities which are required of us under related legislation. Typically, this includes issuing and filing all appointment notices with creditors and the Registrar of Companies and also advertising our appointment in the London Gazette.
- 2.31 Where a pre-packaged sale of the Company's assets and business has taken place, we have prepared and issued the report on the transaction as required by Statement of Insolvency Practice 16 and we have also prepared and issued these proposals to creditors outlining how the purpose of the Administration may be achieved.
- 2.32 Other statutory duties performed are outlined in further detail in the fees estimate/fees information which can be found at Appendix E. Please note that much of this work will have been performed to comply with statutory requirements and as such may not necessarily add any value to the insolvent estate.

Trading

- 2.33 The business ceased to trade on 25 March 2021, the date that the Company entered into Administration.

Realisation of assets

Sale to the Trust

- 2.34 As detailed above a pre-packaged sale of the Company's business and certain assets was concluded on 27 April 2021 to the Trust for the sum of £40,000 plus VAT.
- 2.35 Following completion of the sale the sum of £48,000 was transferred by our instructed solicitors into the liquidation estate bank account on 28 April 2021 and the proceeds will be apportioned as detailed in Section 2.58.

- 2.36 We believe the sale has maximised realisations. Full information on the sale pursuant to the requirements of Statement of Insolvency Practice 16 (“SIP16”) can be found at Appendix G.
- 2.37 The work undertaken by the Joint Administrators and their staff to date in realising the Company’s assets has been necessary in order to maximise the likelihood of a return to creditors being made. Where assets remain to be realised, these will be dealt with as the Administration progresses and further updates will be provided to creditors in my progress reports.
- 2.38 Further information on the estimated outcome of the Administration can be found in section 9 below.

Creditors

- 2.39 Further particulars regarding the estimated outcome for creditors can be found at Section 9 of this report.
- 2.40 We are not only required to deal with correspondence and claims from unsecured creditors, but also those of any preferential and secured creditors of the Company. In this case the Company’s secured creditor in NatWest.
- 2.41 We anticipate that we will be in a position to make a distribution to the secured creditor pursuant to both their fixed and floating element of their charge and therefore we will be required to review and validate their security before any payments are made.
- 2.42 Claims from preferential creditors typically involve employee claims and payments made on behalf of the Company by the RPS following dismissal. All employees were made redundant on 26 March 2021, as a result we are required to deal with the preferential claims made by the former employees.
- 2.43 Since 1 December 2020, claims from preferential creditors now fall into one of two categories, either ordinary (typically involving employee claims and payments made on behalf of the Company by the Redundancy Payments Service following dismissal, which rank equally among themselves), or secondary (which are claims by HMRC for VAT or other relevant tax deductions such as PAYE and employee NIC deductions, together with student loans and CIS deductions, which also rank equally among themselves). Ordinary preferential claims rank ahead of secondary preferential claims and all preferential creditors must be paid in full before any distribution can be made to the unsecured creditors of a company.
- 2.44 Work undertaken by an Administrator in dealing with a company’s creditors may only therefore bring a financial benefit to certain classes of creditor such as a secured creditor or the preferential creditors, however an Administrator is required by statute to undertake this work. Similarly, if a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Administrator in dealing with those claims.
- 2.45 In this case, it is anticipated that there will be a distribution to the ordinary preferential creditors and the secondary preferential creditors and that may also be a dividend to unsecured creditors; however, we propose to facilitate any distribution the Company will be placed into liquidation and the adjudication of proving creditor claims and declaring the distribution will be undertaken by the Liquidator once we have finalised all asset realisations and investigations.

- 2.46 The above work will not necessarily bring any financial benefit to creditors generally; however, we are required by statute to undertake this work. Similarly, if a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by us in dealing with those claims.

Investigations

- 2.47 Some of the work the Joint Administrators are required to undertake is to comply with legislation such as the Company Directors' Disqualification Act 1986 ("**CDDA 1986**") and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent Liquidations ("**SIP2**") and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Joint Administrators can pursue for the benefit of creditors.
- 2.48 The Joint Administrators are required to submit a report on the conduct of the Directors of the Company to the Department for Business Innovation & Skills under the CDDA 1986. This is a confidential report and the contents will not be disclosed to creditors.
- 2.49 The Joint Administrators will make an initial assessment to decide whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment will take into account information provided by creditors and as a response to our request for the Directors to complete an investigation questionnaire. These investigations may reveal issues requiring further report or any further potential recoveries, which could be pursued for the benefit of creditors.

Case Specific Matters

- 2.50 The Directors have advised that funds are held in a trust bank account, which represent the monies held on trust for deposit customers. The Directors have provided details of the amounts due to deposit customers and there is estimated to be a small surplus following repayment of deposit monies to customers.
- 2.51 The Joint Administrators will seek legal advice in due course in relation to the trust monies and return them to customers if appropriate.

Sale of Assets to Connected Parties

- 2.52 In accordance with Statement of Insolvency Practice 13 ("**SIP 13**"), we would advise you that the following assets were sold to a party connected with the Company:

Date of transaction	Assets involved & nature of transaction	Consideration paid on 23 April 2021 (£)	Sold to	Relationship
27 April 2021	Goodwill & intellectual property	25,000	Llangollen Railway Trust Limited	Associated by virtue of its shareholding in the Company and by virtue of common directors and shareholders
	Contracts	1		
	Business information	1		
	Leasehold improvements	5,000		
	Fixtures, fittings and equipment	9,998		

- 2.53 Full information on the sale pursuant to the requirements of Statement of Insolvency Practice 16 can be found at Appendix G including our information about the sale being conducted to a connected party under SIP 13.

3 Joint Administrators' Receipts and Payments

- 3.1 A summary of receipts and payments for the Administration period from the date of our appointment to 30 April 2021 is attached at Appendix B. To date the sum of £587 has been received in respect of petty cash, of which £367 has been paid into the administration estate bank account, the remaining £220 will be paid into estate account imminently.
- 3.2 In addition, and as stated earlier in the proposals, the sum of £48,000 was paid into the administration estate bank account on 28 April 2021, in respect of the proceeds from the pre-packaged sale of the business and assets.
- 3.3 The sum of £30,550 is also currently held by our agents LSH in respect of the sale proceeds relating to the sale of a railway carriage (RMB 1864 BR Mark 1 type RMB coach (1962)). These proceeds, together with proceeds of the arranged auction, will be transferred to the estate bank account in due course.

4 Financial Position

- 4.1 Attached at Appendix C is a summary of the Director's Estimated Statement of Affairs ("**SOA**") of the Company as at the date of the appointment of the Joint Administrators. This was verified by a statement of truth by the directors on 30 April 2021 and is stated before the costs of the Administration procedure are considered.
- 4.2 We have the following observations to make in relation to the Directors' SOA:

Assets Subject to Fixed Charge

Goodwill & Intellectual Property

- 4.3 The sum of £25,000 plus VAT has been realised in respect of goodwill and intellectual property as part of the sale to Llangollen Railway Trust Limited.

Contracts

- 4.4 The sum of £1 plus VAT has been realised in respect of contracts as part of the sale to Llangollen Railway Trust Limited.

Business Information

- 4.5 The sum of £1 plus VAT has been realised in respect of business information as part of the sale to Llangollen Railway Trust Limited.

Leasehold Improvements

- 4.6 The Directors SOA listed leasehold improvements under floating charge realisations, however, it is a fixed charge realisation. The sum of £5,000 plus VAT has been realised in this regard as part of the sale to Llangollen Railway Trust Limited.

Assets Subject to Floating Charge

Track & Rolling Stock

- 4.7 The Directors have provided for an estimated to realise figure of £250,000 in the SOA in respect of track and rolling stock. This figure has been derived from the Company's books and records.

Fixtures and Fittings

- 4.8 The Directors have provided for an estimated to realise figure of £10,000 in the SOA. The sum of £9,998 plus VAT has been realised in respect of fixtures, fittings and equipment as part of the sale to Llangollen Railway Trust Limited.

Computer Equipment

- 4.9 The Directors have provided for an estimated to realise figure of £3,673 in the SOA in respect of computer equipment. This figure has been derived from the Company's books and records.

Debtors

- 4.10 The Directors have stated that Company debtors amount to £40,753 in the SOA of which £8,000 is estimated to be realised. This figure has been derived from the Company's books and records and the directors' knowledge of the Company debtors.

Materials, Consumables & Work in Progress

- 4.11 The Directors have provided for an estimated to realise figure of £1,000 in the SOA in respect of material, consumables and work in progress. This figure has been derived from the Company's books and records.

Liabilities

Secured Creditors

- 4.12 The Company granted the following fixed and floating charges over the Company's assets to NatWest.
- Mortgage Debenture which was created on 1 December 1995 and delivered on 11 December 1995.
 - Debenture which was created on 24 October 2002 and delivered on 25 October 2002.
- 4.13 The Directors have estimated that the sum of £180,000 is owed to NatWest for the purposes of the SOA.

Preferential Creditors

- 4.14 The Company had 27 employees. All employees were made redundant on 26 March 2021 following the appointment of the Joint Administrators.
- 4.15 All employees would have been entitled to lodge claims, which are authorised by the Department for Business, Energy & Industrial Strategy – Redundancy Payments Service (the “RPS”) pursuant to the provisions of the Employment Rights Act 1996.
- 4.16 The claims of the employees in relation to wages are subject to a cap of £800 per employee, which are claimed preferentially. Any amounts over and above £800 per employee will be an unsecured claim. There is no such cap imposed on holiday pay.
- 4.17 The Directors have estimated that the sum of £28,400 is due to the employees for the purposes of the SOA.

Prescribed Part Fund

- 4.18 The Company granted a floating charge to NatWest on 24 October 2002. Accordingly, there is no requirement to create a fund out of the Company’s net floating charge property for unsecured creditors (known as the Prescribed Part), which only applies to charges created after 15 September 2003.

Unsecured Creditors

Trade & Expense Creditors

- 4.19 The Directors have provided a single figure of £553,599 in relation to unsecured creditor claims within the SOA. It is believed that this consists of the following:
- Trade and expense creditors.
 - Outstanding *directors’ loan accounts*.
 - *Monies due to Llangollen Railway Trust Limited*.
 - *Manufacturing counter claims in respect of disputed engineering contracts*.
 - The estimated shortfall in respect of hire purchase, lease and hire agreements.
 - *Employee claims in respect of redundancy pay in lieu of notice*.

5 Proposals

- 5.1 It is proposed that the Joint Administrators will continue to manage the affairs of the Company in order to achieve the objective of the Administration. In the circumstances it is proposed that:
- 5.2 As the security registered in favour of NatWest pre dates 15 September 2003, the prescribed part rules will not apply, such that a fund created for unsecured creditors out of the Company’s net floating charge property (known as the **Prescribed Part**) by virtue of section 176A(2)(a) will not be created.

- 5.3 If, having realised the assets of the Company the Joint Administrators think that a distribution will be made to the unsecured creditors other than by virtue of section 176A(2)(a) as noted above, they propose filing a notice with the Registrar of Companies which will have the effect of bringing the appointment of the Joint Administrators to an end and will move the Company automatically into CVL in order that the distribution can be made. In these circumstances, it is proposed that the Joint Administrators in office at the date of conversion to CVL will become the Joint Liquidators in the CVL. The acts of the Joint Liquidators may be undertaken by either or both of them].
- 5.4 Court approval is not required to enable the Joint Administrators to make a distribution to the unsecured creditors of the Prescribed Part. If however, as outlined above, a distribution to unsecured creditors (not in respect to a Prescribed Part provision) is anticipated, the Joint Administrators may consider making an application to Court to seek permission to distribute this in the Administration. If permission is granted, the Company will exit into dissolution once the distribution has been made and the Administration is concluded.
- 5.5 If the Joint Administrators think that the Company has no property which might permit a distribution to its creditors, they will file a notice with the Court and the Registrar of Companies for the dissolution of the Company.
- 5.6 See Section 6 below on **Exit Routes** for further information on the exit routes available from Administration.
- 5.7 The Joint Administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986, as they consider desirable or expedient to achieve the statutory purpose of the Administration.
- 5.8 If the Joint Administrators consider it necessary to extend the period of the Administration, they will seek the consent of creditors or the approval of the Court to the extension. Creditors may consent to an extension for a period of up to one year and the Court can order that the Joint Administrators term of office be extended for a specified period determined by it.
- 5.9 The creditors consider establishing a Creditors' Committee and that if any such Committee is formed they be authorised to sanction the basis of the Joint Administrators' remuneration and disbursements and any proposed act on the part of the Joint Administrators without the need to report back to creditors generally, to include any decision regarding the most appropriate exit route from the Administration.
- 5.10 The basis of the Joint Administrators' remuneration may be fixed as one or more of the following bases and different bases may be fixed in respect of different things done by them:
- As a percentage of the value of the assets they have to deal with, or
 - By reference to time properly spent by the Joint Administrators and their staff managing the Administration, or
 - As a set amount
- 5.11 In accordance with Statement of Insolvency Practice 9, issued by the Association of Business Recovery Professionals, the Joint Administrators be authorised to draw Category 2 disbursements as and when funds are available, in accordance with their firm's published tariff. Details of Category 2 disbursements charged by the firm can be found at Appendix E.

- 5.12 Where no Creditors' Committee is appointed the remuneration and disbursements of the Joint Administrators shall be fixed by a decision of creditors or where the Joint Administrators think that the Company has insufficient property to enable a distribution to be made to the unsecured creditors (other than via the Prescribed Part), approval will be sought from the secured and (if necessary) the preferential creditors in accordance with insolvency legislation. The Joint Administrators will also seek approval for any unpaid pre-administration costs detailed in this report and their discharge from liability in the same manner.
- 5.13 In this case, the Joint Administrators are seeking to approve the basis of their remuneration as follows:
- By reference to the time properly spent by the Joint Administrators and their staff in attending to matters arising in the Administration

Further details about the proposed fee basis can be found in Section 8 below and Appendix E.

- 5.14 The Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Joint Administrators ceasing to have effect.

6 Exit Routes

- 6.1 All Administrations automatically come to an end after the period of one year, unless the Company's creditors agree to extend this period, or the Court orders the Joint Administrators' term of office be extended for a specified period of time.
- 6.2 At the time of drafting these Proposals we do not believe that an extension to the period of Administration will be necessary, however will confirm the position to creditors in a subsequent progress report in due course.

Based on information currently available, the information on the exit routes we believe may be appropriate in this Administration are set out below.

Creditors Voluntary Liquidation

- 6.3 Based on present information, the Joint Administrators think a dividend will be paid to the unsecured creditors other than by virtue of the Prescribed Part. As a result, the Joint Administrators will either make an application to Court to enable them to make a distribution to unsecured creditors in the Administration or they will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into CVL to facilitate this distribution. It is proposed that the Joint Administrators in office at the date of conversion to CVL will become the Joint Liquidators of the CVL.
- 6.4 It is proposed that the Joint Liquidators will be authorised to act jointly and severally as the Liquidator(s) in a subsequent liquidation.
- 6.5 Creditors have the right to nominate an alternative Liquidator of their choice. To do this, creditors must make their nomination in writing to the Joint Administrators prior to these proposals being approved. Where this occurs, the Joint Administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the Joint Administrators will automatically become the Joint Liquidators of the subsequent CVL.

Dissolution of the Company

- 6.6 Based on present information, the Joint Administrators think that a distribution will be available to the unsecured creditors other than by the Prescribed Part as outlined in section 5 above and is dependent upon asset realisations. However, if the Company has insufficient property to permit a distribution to the unsecured creditors and that there may only be a distribution available to the secured and/or preferential creditors of the Company. As a result, once these distributions have been made, a notice will be filed at Court and with the Registrar of Companies with the Joint Administrators' final report, for the dissolution of the Company.
- 6.7 The Joint Administrators' appointment will end following the registration of the notice by the Registrar of Companies.

Compulsory Liquidation

- 6.8 If a move to Creditors' Voluntary Liquidation is not possible because a dividend to the unsecured creditors (other than by virtue of the Prescribed Part) is not anticipated, but the Joint Administrators conclude that an exit into liquidation is appropriate so that further investigations into the Company's affairs may be carried out for example, an application to Court may be made to exit into Compulsory Liquidation instead. If this exit route is appropriate, at this stage it is anticipated (but is not mandatory) that the Joint Administrators will become the Joint Liquidators in the subsequent liquidation.

7 Pre-administration Costs

- 7.1 Pre-administration costs are defined as:

- (i) Fees charged, and
- (ii) Expenses incurred

by the Joint Administrators, or another person qualified to act as an Insolvency Practitioner before the company entered Administration (but with a view to its doing so), and "unpaid pre-administration costs" are pre-administration costs which had not been paid when the company entered Administration.

- 7.2 Below is information on the pre-administration costs incurred in this case, together with details of any amounts which remain unpaid, where applicable.
- 7.3 The pre-appointment fees charged and expenses incurred by the Joint Administrators are as follows:

Fees or Expenses charged by	Brief description of services provided	Total amount charged £	Amount paid £	Amount unpaid £
Cowgill Holloway Business Recovery LLP	<p>Meeting with the Board of Directors and advice provided to the Company.</p> <p>Reviewing the financial position and potential strategies for the Company to include CVA, CVL and Administration.</p> <p>Correspondence with the director and meetings to discuss the options available.</p> <p>Extracting financial information for the Company, liaising with the secured creditors in relation to the proposed strategy and drafting a report for secured creditors.</p>	13,871 plus VAT	NIL	13,871 plus VAT
Lambert Smith Hampton	<p>Valuation of all physical assets and providing a formal report.</p> <p>Conducting a marketing campaign.</p> <p>Arranging SIP16 compliant advertising.</p> <p>General advice and dealing with enquiries.</p>	5,000 plus VAT	NIL	5,000 plus VAT
Hill Dickinson LLP	<p>Dealing with the appointment formalities including preparing appointment documentation and filing of the same.</p> <p>Reviewing third party claims to assets vs loan account.</p> <p>Considering property position where no lease, but rent paid both to tenant and to ultimate landlord.</p> <p>Considering access risks and general strategy.</p> <p>Preparing section 236 letters to directors of both Trust and Plc to try and get clarity on the position regarding certain assets.</p>	6,741 plus VAT	NIL	6,741 plus VAT

- 7.4 The work undertaken by the above parties prior to the Company entering Administration was necessary to further promote the purpose of the Administration. It was necessary work undertaken to preserve the value of the goodwill and achieve greater realisation than would have been achieved in a shutdown scenario.
- 7.5 The payment of the unpaid pre-administration costs set out above as an expense of the Administration is subject to the approval of creditors, separately to the approval of the Joint Administrators' proposals. This approval will be the responsibility of the Creditors' Committee if one is appointed or alternatively by a decision of the creditors where there is no Committee.

8 Joint Administrators' Remuneration

- 8.1 As Joint Administrators, we are required to provide creditors with details of the work we propose to undertake in the Administration and the expenses we consider will be, or are likely to be, incurred in dealing with the Company's affairs, prior to determining the basis upon which our remuneration will be fixed.
- 8.2 In addition to this, where the Joint Administrators seek agreement to the basis of their remuneration by reference to time properly spent by them and their staff in attending to matters arising in the Administration, a fees estimate outlining the time and estimated cost of the work to be done must also be provided.
- 8.3 In this case, we are seeking to agree that our remuneration be based on the time properly spent by us and our staff in dealing with the affairs of the Company. Our fees estimate and details of the work we propose to undertake in the Administration can be found at Appendix E and further information on the work done since our appointment to the date of this report can be found in section 2.
- 8.4 Please note that where appropriate, the fees estimate may be to a particular stage of the case only and if we consider the estimate will be exceeded during the Administration, we are obliged to seek further approval for any increase in our remuneration. The fees estimate provides details of these matters where relevant and appropriate approval to the basis of our remuneration will be sought as outlined in section 5 of this report.
- 8.5 For information, attached at Appendix D is a time matrix outlining the time spent by us and our staff since the date of our appointment as Joint Administrators. This time is included within the overall fees estimate provided with this report.
- 8.6 In circumstances where our initial investigations reveal matters for further detailed investigation or previously unknown assets to be realised, we reserve the right to refer back to creditors to establish how we are to be remunerated for such additional work, which may be proposed on a time cost basis. If such work proves necessary, we will revert to creditors with our fees estimate for approval.
- 8.7 We will provide updates on the expenses we consider will be, or are likely to be, incurred during this case with our progress reports in due course.
- 8.8 The Joint Administrators may include details of the remuneration they anticipate will be charged and the expenses they anticipate will be incurred if they become the Joint Liquidators in the subsequent CVL. This can be done when seeking approval to the basis of their remuneration as Joint Administrators, or alternatively their fees estimate for the CVL can be provided once the Company has moved into CVL. Please refer to Appendix E to this report for further information.
- 8.9 A copy of "A Creditors' Guide to Administrators' Fees" is available on request or can be downloaded from <https://www.cowgills.co.uk/wp-content/uploads/2016/01/Creditors-Guide-to-Administrators-fees.pdf>. If you would prefer this to be sent to you in hard copy please contact Ben Gray of this office on 0161 672 5767.

9 Estimated Outcome

9.1 An estimate of the outcome of the Administration as at 30 April 2021 is attached as Appendix F. This indicates that secured and preferential creditors will be repaid in full.

9.2 Further details concerning the Estimated Outcome Statement (“EOS”) are detailed below:

Assets Subject to Fixed Charge

Fixed Charge Sale Proceeds

9.3 As detailed earlier in this report; a pre-packaged sale of the business and assets to the Trust on 27 April 2021 in the sum of £30,002 plus VAT. The apportionments detailed in the sale and purchase agreement in respect of each asset are provided below:

Business Information -	£1
Contracts -	£1
Goodwill & Intellectual Property -	£25,000
Leasehold Improvements -	£5,000

9.4 This sum is held in the administration estate bank account.

Assets Subject to Floating Charge

Assets Subject to Hire Purchase & Lease Agreements

9.5 There are a number of assets which are subject to hire purchase and lease agreements. A schedule of these assets, together with the estimated equity position is provided below:

Asset	Market Value £	Finance Outstanding £	Estimated Equity £
Huron MU6 universal milling machine	4,000	4,441	NIL
XYZ Protturn SLX 425 x 1.25m CNC lathe	15,000	14,174	826
Case/Rexquote excavator and Rexquote 4M Type T4 rail trailer	35,000	12,820	22,180
Ford Transit 350 van Registration no. EK12 OJB	3,000	2,318	682

9.6 The equity positions outlined above are based on estimated realisable values provided by our agent. Please note that these figures are estimates only and as the items are to be sold at

auction actual realisations may differ from those provided. The total estimated equity position in respect of these agreements is £27,174.

Deposit Monies Held in Trust Account

- 9.7 The directors have advised that funds are held in a trust bank account, they have advised that the credit balance represents monies held on trust for deposit customers. The directors have provided details of the amounts due to each individual.
- 9.8 The Joint Administrators will seek legal advice in due course in relation to the validity of the trust and the credit balance held. If the trust is deemed to be valid arrangements will be made to return the monies to customers. If not, and the balance held is deemed to be an estate asset, floating charge realisations will increase together with unsecured creditors.
- 9.9 Based on present information there is estimated to be a nominal surplus following the repayment of deposit monies to customers.

Debtors

- 9.10 The Company records indicate that as at 4 March 2021, debtors amounted to £82,094 of which £48,483 is over 90 days old.
- 9.11 Realisations in respect to the debtors are currently uncertain as it is understood that this figure may include some disputed debts. The book value has been discounted by 50% for the purposes of the estimated outcome statement, therefore, estimated realisations in respect of book debts are £41,047.
- 9.12 A full investigation will be carried out by the Joint Administrators and a further update will be provided in our first progress report to creditors.

Fixtures, Fittings & Equipment

- 9.13 Further to the above, the pre-packaged sale also included the sum of £9,998 plus VAT in relation to sale of fixtures, fittings and equipment to Llangollen Railway Trust Limited. LSH have advised that these assets would have realised £2,000 on a forced sale basis. These funds have been received and are held in the Administration estate bank account.

Plant, Equipment & Rolling Stock

- 9.14 The Company owns a variety of plant and equipment as well as a number of items of rolling stock consisting of a nine railway carriages and track maintenance plant.
- 9.15 Although the majority of this equipment is of significant age, our agents have advised that there is a wide market for such assets and a significant level of interest has been achieved following the marketing campaign.
- 9.16 On 2 March 2021 our agents conducted a formal valuation of the plant and equipment owned by the Company. Our agents have advised that the assets have an estimated realisable value at auction of £261,476. This sum includes the sale proceeds from the carriage sold prior to the auction, details of which are provided below.
- 9.17 Creditors should note that the only asset which has been sold to date is an RMB 1864 BR Mark 1 type RMB coach (1962) for which a price of £30,550 plus VAT has been achieved. The sale

proceeds are currently held by LSH and will be transferred to the administration estate bank account, together with the other sale proceeds, following the completion of the auction.

- 9.18 As detailed earlier in our proposals an onsite auction is due to be held between the 9 May 2021 and 12 May 2021.

Unencumbered Motor Vehicles

- 9.19 The Company operates two motor vehicles of which one is free from finance and the other is subject to a hire purchase agreement. Further details in respect of the unencumbered motor vehicle is provided below:

Unencumbered Motor Vehicle

- Ford Transit 330 MWB diesel TDCi 115ps medium roof van (Registration no. EU60 ELX)

- 9.20 LSH have advised that the unencumbered motor vehicle has an estimated realisable value of £1,900 plus VAT.

Petty Cash

- 9.21 Petty cash amounting to £587 has been collected from the Company's trading premises, of this the sum of £367 has been paid into the administration estate bank account. The remaining £220 will be transferred into the estate account imminently.

Liabilities

Secured Creditors

- 9.22 The Company granted the following charges over the Company's assets to NatWest:

- Mortgage Debenture which was created on 1 December 1995 and delivered on 11 December 1995.
- Debenture which was created on 24 October 2002 and delivered on 25 October 2002.

- 9.23 As of 28 April 2021, the sum of £158,123.97 remains outstanding to NatWest, a breakdown of this sum is provided below:

Overdraft Bank Account- £84,676.67

Business Loan - £23,447.30

Bounce Back Loan - £50,000.00

- 9.24 Based on current information, it is believed that the liability owed to NatWest will be paid in full. However, this is dependent on the realisation of the Company's assets as detailed above and as such, is subject to change.

Preferential Creditors

- 9.25 The Company had 27 employees. All employees were made redundant on 26 March 2021 following the appointment of the Joint Administrators.

- 9.26 Employees are entitled to submit claims to the Department for Business, Energy and Industrial Strategy (“**BEIS**”) in respect of any arrears of wages (capped at £800), outstanding holiday pay and outstanding pension contributions.
- 9.27 The claims of the BEIS represents employees estimated claims under the Employees Rights Act 1996 in respect of arrears of pay to a maximum of £800 per employee and holiday pay which are claimed preferentially.
- 9.28 Preferential creditor claims received to date in respect of wage arrears and holiday pay amount to £47,884.01.
- 9.29 The Company also operated a pension scheme, and any outstanding contributions may be considered preferential. Liabilities in this regard are at present uncertain.
- 9.30 The Joint Administrators will confirm the value of preferential creditors’ claims in due course.

Secondary Preferential Creditors

- 9.31 As of 1 December 2020, certain HM Revenue and Customs liabilities can be claimed as a secondary preferential debts.
- 9.32 In this case, HMRC liabilities have been paid as and when they fall due, but a liability is anticipated in respect of the payroll for February 2021, together with a small VAT liability. Secondary preferential liabilities of the Company have therefore been estimated by the Joint Administrators as follows:
- PAYE - £3,000
- VAT - £2,000
- 9.33 It is understood that the figure in respect to PAYE may contain some outstanding Employer’s NIC, which is an unsecured liability. The Joint Administrators will complete a full reconciliation of this estimate in due course.
- 9.34 Based on current information preferential creditors are expected to be paid in full from floating charge realisations.

Prescribed Part Fund

- 9.35 The Company granted a floating charge to NatWest on 24 October 2002. Accordingly, there is no requirement to create a fund out of the Company’s net floating charge property for unsecured creditors (known as the Prescribed Part), which only applies to charges created after 15 September 2003.

Unsecured Creditors

Trade & Expense Creditors

- 9.36 These claims are based upon estimates and have been extracted from the Company’s records. These amounts should not be treated as agreed amounts and include VAT where appropriate. We will seek to confirm the value of creditor claims in due course.

Directors' Loan Accounts

- 9.37 The directors have advised that loans received from former directors amounting to £160,000 remain unpaid as at 30 April 2021.
- 9.38 The Joint Administrators will reconcile these balances in due course.

Llangollen Railway Trust Limited

- 9.39 The Company records indicated that the sum of £90,150.88 is owed to the Trust, a connected company by virtue of common director and shareholders. A claim has been received from Trust for this sum.
- 9.40 The Joint Administrators will reconcile the outstanding balance in due course.

Manufacturing Counter Claims

- 9.41 The directors have advised that a number of claims have been made against the Company in respect of disputed engineering works carried out on locomotives owned by third parties. Based on information received to date an allowance has been made in relation to these contingent liabilities.
- 9.42 The Joint Administrators will investigate these claims in due course.

Estimated Shortfall in Respect of Hire Purchase & Lease Agreement

- 9.43 The Company owned a number of assets which were subject to various finance agreements. Our agent has reviewed all assets subject to finance and liabilities resulting from these agreements. A shortfall is anticipated in respect of one agreement only and the shortfall is estimated to be £441. Further details are provided in paragraph 9.9 above.

Employee Claims – Redundancy & Payment in Lieu of Notice (PILON)

- 9.44 The 27 former employees are also entitled to submit a claim to the BEIS in respect of redundancy pay and PILON entitlements and such claims rank as unsecured. In addition, employees holiday pay arrears outside the statutory limits are classed as unsecured liabilities.
- 9.45 Claims received to date in respect of redundancy, PILON and excess holiday pay amount to £151,498.69.
- 9.46 The Joint Administrators will seek to confirm the value employees' unsecured claims in due course.
- 9.47 Based on the directors' Estimated Statement of Affairs attached to this report the estimated value of the preferential creditors is £47,884 and the unsecured creditors is £742,001.
- 9.48 Based on current information it is anticipated that secured and preferential creditors will be paid in full. A dividend is also anticipated to be paid to unsecured creditors, however, as the floating charge held by the secured creditor pre dates 15 September 2003 this dividend will be paid via a subsequent liquidation after the ending of the administration, if appropriate.

10 Proposals approval and next report

- 10.1 We are seeking a decision of creditors on the approval of our Proposals by deemed consent. The letter issued to creditors with this report (or the link to this report) contains further information about this decision process.
- 10.2 Also included in this decision process is our request for the approval in respect to the Joint Administrators' remuneration and discharge from office. This will be dealt with by way of a decision by correspondence and the letter issued to creditors, with the link to this report, contains further information about the decision process.
- 10.3 The Joint Administrators are required to provide a progress report within one month of the end of the first six months of the Administration and we will report to you again at this time.

For and on behalf of
Llangollen Railway PLC



Alan Brian Coleman
Joint Administrator

Enc

Statutory Information

1 Company information

Company name	Llangollen Railway PLC
Trading name(s)	None
Registered number	02716476
Registered office address	c/o Cowgill Holloway Business Recovery LLP, Regency House, 45-53 Chorley New Road, Bolton, BL1 4QR
Former registered office address	Llangollen Station, Abbey Road, Llangollen, LL20 8SN
Trading address(s)	Llangollen Station, Abbey Road, Llangollen, LL20 8SN
Court details	High Court of Justice Business and Property Courts in Manchester Insolvency and Companies List (ChD)
Court reference number	CR-2021-MAN-000154

2 Details of the Company's Directors, Secretary and Shareholdings

	Date appointed	Date resigned	Shares held
Directors			
Phillip John Coles	03/10/2020	N/A	1,000
Robert John Creasey	03/10/2020	N/A	100
Peter James Edwards	07/11/2020	N/A	100
Maureen Theobald	03/10/2020	N/A	50
Michael Keith Williams	03/10/2020	N/A	100
Secretary			
Robert John Creasey	03/10/2020	N/A	100

3 Joint Administrators' Details

Name of Joint Administrators	Alan Brain Coleman Jason Mark Elliott
Address	Cowgill Holloway Business Recovery LLP, Regency House, 45-53 Chorley New Road, Bolton, BL1 4QR
Telephone Number	0161 827 1200
Fax Number	01204 414 244
Joint Administrators' IP Numbers	9402 9496
Authorising Body	Institute of Chartered Accountants in England and Wales & The Insolvency Practitioners Association
Date of Appointment	25 March 2021

Appendix B

**Joint Administrators' Receipts and Payments Account for the Period from 25 March 2021
to 30 April 2021**

S of A £	£	£
FIXED CHARGE RECEIPTS		
Business Information	1.00	
Contracts	1.00	
Goodwill & Intellectual Property	25,000.00	
Leasehold Improvements	5,000.00	
		30,002.00
FLOATING CHARGE RECEIPTS		
Fixtures, Fittings & Equipment	9,998.00	
Petty Cash	367.21	
		10,365.21
		40,367.21
REPRESENTED BY		
HB Bank 1 Current - Non-Interest Bearing		48,367.21
VAT Payable		(8,000.00)
		40,367.21

Notes:

- The sum of £30,550 is currently held by our agents Lambert Smith Hampton in respect of the sale proceeds relating to the sale of a railway carriage (RMB 1864 BR Mark 1 type RMB coach (1962)). These proceeds, together with proceeds of the arranged auction, will be transferred to the estate bank account in due course.
- Petty cash amounting to £587 has been collected from the Company's trading premises, of this the sum of £367 has been paid into the administration estate bank account. The remaining £220 will be transferred into the estate account imminently.

Appendix C

Summary of the Directors' Statement of Affairs of the Company as at 29 April 2021

Statement of affairs

Name of Company
Llangollen Railway Plc

Company number
02716476

In the High Court of Justice Business and Property Courts in
Manchester Insolvency and Companies List (ChD)

Court case number
CR-2021-MAN-000154

(a) Insert name and address of
registered office of the company

Statement as to the affairs of (a) Llangollen Railway Plc, Llangollen Station, Abbey Road,
Llangollen, Denbighshire, LL20 8SN

(b) Insert date

on the (b) 25 March 2021, the date that the company entered administration.

Statement of Truth

I believe that the facts stated in this statement of affairs are a true statement of the affairs of the above-named company as at (b) 25 March 2021, the date that the company entered administration. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

Full name ROBERT JOHN CREASEY

Signed R.J. Creasey

Dated 30.04.2021

A – Summary of Assets

Assets

Assets subject to fixed charge:

Business, Good Will, IP etc

Assets subject to floating charge:

Leasehold Property Improvements
 Truck & Rolling Stock
 Fixture & Fittings
 Computer Equipment
 Debtors
 Materials, Consumables, W.I.P.
 Uncharged assets:

Book Value £	Estimated to Realise £
0	25,000
182,927	5000
224,759	250,000
134,386	10,000
3,673	0
40,753	8,000
15,000	1,000
601,498	299,000

Estimated total assets available for preferential creditors

Signature R. S. S. S. S. Date 30.04.2021

A1 – Summary of Liabilities

	Estimated to realise £
Estimated total assets available for preferential creditors (carried from page A)	£ 299,000
Liabilities	
Preferential creditors:-	
Estimated deficiency/surplus as regards preferential creditors	£ 270,600
Estimated prescribed part of net property where applicable (to carry forward)	£ 0
Estimated total assets available for floating charge holders	£ 270,600
Debts secured by floating charges	£ 180,000 90,600
Estimated deficiency/surplus of assets after floating charges	£ 90,600
Estimated prescribed part of net property where applicable (brought down)	£ 0
Total assets available to unsecured creditors	£ 90,600
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	£ 553,599
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	£ (462,999)
Shortfall to floating charge holders (brought down)	£ 0
Estimated deficiency/surplus as regards creditors	£ (462,999)
Issued and called up capital	£ 894,917 0
Estimated total deficiency/surplus as regards members	£ (462,999)

Signature R.I. Leasing Date 30.04.2021

COMPANY CREDITORS (SHEET 1)

Note: You must include all creditors and identify all creditors under hire-purchase, chattel leasing or conditional sale agreements *and* customers claiming amounts paid in advance of the supply of goods or services *and* creditors claiming retention of title over property in the company's possession.

Name of creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
NATWEST BANK	WREXHAM 'A' BRANCH. 33 LORD ST. WREXHAM LL11 1LP	180,000	MORTGAGE DEBENTURE DEBENTURE	11.12.1995 25.10.2002	UNKNOWN
	DIRECTORS LOANS.				
H. SKIPTON	BRACKENAGE, 9 MONKS WELL ROAD MOOR PARK, FARNHAM, SURREY GU10 1RN	120 000			
P. EVANS	LLETY. WREXHAM ROAD. JOHNSTOWN, WREXHAM. LL14 1PE.	25 000			
J. BEARNE	1A. BEECH ROAD, MADELEY, TELFORD. SHROPSHIRE TF7 5JR	15 000			
	LOCO STEAMING FEES				
5199 GROUP	C/O R PUMPHREY. DANTON, CHURCH LANE	25,773			
80072 GROUP	C/O P. EVANS. LLETY, WREXHAM ROAD JOHNSTOWN WREXHAM. LL14 1PE.	40.926			
	HIRE PURCHASE				
LOMBARD NORTH CENTRAL	250 BISHOPGATE, LONDON EC2M 4AA.	13,000			
SHIRE SECURITIES	1 CALICO BUSINESS PARK. SANDYWAY, TAMWORTH B77 8PE	4.000			

Signature R. J. Cheung Date 30.04.2020

COMPANY CREDITORS (SHEET 2)

Note: You must include all creditors and identify all creditors under hire-purchase, chattel leasing or conditional sale agreements *and* customers claiming amounts paid in advance of the supply of goods or services *and* creditors claiming retention of title over property in the company's possession.

Name of creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
BNP PARIBAS	NORTHERN CROSS, BASING VIEW, BASINGSTOKE RG21 4HL	1400	FORD TRANSIT EK120JB		
ALDERMORE BANK	APEX PLAZA, FOREBURY ROAD, READING. RG1 1AX	1000	VAN		
	UNSECURED LOANS				
SHIRE LEASING PLC.	1. CALICO BUSINESS PARK, SANDYWAY TAMWORTH B77 8FG	23000	(3 LOANS)		
	PREFERRED CREDITORS				
STAFF	LLANGOLLEN RAILWAY PLC.	27000	(WAGES 25.02.21 To 24.03.21)		
NOW PENSIONS	CENTRAL COURT, 18 KNOLL RISE, ORPINGTON KENT. BR6 0JA	1400	(STAFF PENSIONS)		
	ENGINEERING DISPUTES.				
SCOTTISH RAILWAY PRESERVATION SOC.	BO'NESS STATION, UNION STREET, BO'NESS, WEST LOTHIAN. EH51 9AQ	120000			
LMS PATRIOT GROUP LTD.	THE HUB, 17 EASTGATE STREET, STAFFORD ST16 2LZ.	100000			
4709 PROJECT	GW. SOCIETY LTD. DIDCOT RAILWAY CENTRE, DIDCOT, OXON. OX11 7NJ	9000			

Signature R. J. Heasany Date _____

COMPANY CREDITORS (SHEET 3)

Note: You must include all creditors and identify all creditors under hire-purchase, chattel leasing or conditional sale agreements *and* customers claiming amounts paid in advance of the supply of goods or services *and* creditors claiming retention of title over property in the company's possession.

Name of creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
3814 LOCO OWNERS	c/o PETER & PAULINE ROBINSON email: mallardcottage@gmail.com	50,000	Invoiced and paid for work which was never completed		
Sundry Trade Creditors	N/A.	2,500	—		

Signature _____ Date _____

COMPANY CREDITORS

Note: You must include all creditors and identify all creditors under hire-purchase, chattel leasing or conditional sale agreements and customers claiming amounts paid in advance of the supply of goods or services and creditors claiming retention of title over property in the company's possession.

COMPANIES LEASING EQUIPMENT TO LLANGOLLEN RAILWAY PLC.

Name of creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
BNP PARIBAS	NORTHERN CROSS, BASING VIEW. BASINGSTOKE RG21 4HL	—			
GREINKE LEASING	2 LONDON SQUARE, CROSS LANE, GUILDFORD. SURREY GU1 1UN	—			
SIGMENS FINANCIAL SERVICES	SEFTON PARK, BELLS HILL STOKE POLES, BUCKS. SL2 4JS	—			
BANGOR CASH REGISTER CO. LTD.	ZONE 2 LLANDYGAU INDUSTRIAL ESTATE BANGOR, GWYNEDD LL57 4YN	—			
G.E. LTD	TRIDENT PLACE, HATFIELD BUSINESS PARK. MOSQUITO WAY. HATFIELD AL10 9AW	—			
WORLDPAY LTD	GATESHEAD CAPD CENTRE. VICTORIA HOUSE. 5TH AVENUE. GATESHEAD NE11 0EL	—			

Signature _____ Date _____

COMPANY SHAREHOLDERS

Name of Shareholder	Address (with postcode)	No. of shares held	Nominal Value	Details of Shares held
/	ALL AS DETAILED ON THE EXCELSHEET EMAILED TO BEN GRAY ON 17.03.2021			
TOTALS				

Signature _____ Date _____

Appendix D

Joint Administrators' Time Analysis for the Period to 25 March 2021

	Partner	Director	Manager	Senior Administrator	Administrator	Junior Administrator	Cashier	Total hours	Total Cost £	Average Cost £
Pre-Appointment General Admin	17.00	-	-	27.60	-	-	2.00	46.60	11,583.00	248.56
Pre-Appointment Creditors (Claims and Distribution)	-	-	-	2.60	-	-	-	2.60	468.00	180.00
Pre-Appointment Planning & Strategy	1.00	-	-	2.80	-	-	-	3.80	879.00	231.32
Pre-Appointment Asset Realisation	1.50	-	-	2.10	-	-	-	3.60	940.50	261.25
Total Hours	19.50	-	-	35.10	-	-	2.00	56.60	13,870.50	245.06
Current Chargeout Rates	375.00	300.00	250.00	180.00	150.00	160.00	120.00			

Joint Administrators' Time Analysis for the Period from 25 March 2021 to 30 April 2021

	Partner	Director	Manager	Senior Administrator	Administrator	Junior Administrator	Cashier	Total hours	Total Cost £	Average Cost £
Administration (including Stat Creditors (Claims and Distributions)	21.10	-	6.00	113.70	-	-	0.50	141.30	29,938.50	211.88
Investigations	-	-	-	-	-	-	-	-	-	-
Asset Realisation/Management	28.00	-	1.80	1.73	-	-	-	31.53	11,262.00	357.15
Total Hours	49.10	-	7.80	117.03	-	-	0.50	174.43	41,488.50	237.85
Current Chargeout Rates	375.00	300.00	250.00	180.00	150.00	160.00	120.00			

Additional Information in Relation to the Administrator's Fees, Expenses & the use of Subcontractors

Fee Basis and Proposed Expenses

The Joint Administrators are seeking to agree the basis of their remuneration in this case as time properly spent by them and their staff in dealing with the affairs of the Company. Information about the work done to date can be found in the body of the Joint Administrators' Report and Statement of Proposals at Section 2.

As a time cost basis is being sought in this case, the Joint Administrators' fees estimate is attached to this report, which provides details of the rates the Joint Administrators and their staff propose to charge for each part of that work and the time it is anticipated each part of that work will take.

The fees information provided is based on information about the Company's affairs available to the Administrator at the present time. Should any matters arise which impact on the proposed remuneration basis, such as additional investigatory matters or potential realisable assets, further time or cost may be incurred, and it may be necessary to revise the Joint Administrators' estimate of costs.

In this case, we do not currently anticipate that it will be necessary to seek further approval to increase the level of the fees proposed.

o included within the fees information attached are details about the Joint Administrators' anticipated expenses, which includes any **Category 1 expenses**, which generally comprise of external supplies of incidental services specifically identifiable to the case and do not require prior creditor approval to be paid. The information about expenses also outlines any **Category 2 expenses** charged by this firm which do require prior approval by creditors and are costs which are directly referable to the appointment but are not payments to an independent third party and may therefore include payments to associates of the Joint Administrators or shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis.

Category 1 expenses

The following Category 1 expenses are currently anticipated on this assignment:

Expense	Provider	Basis of fee arrangement	Cost to date £
Pre appointment agent's costs – Valuation of all physical assets and providing a formal report. Conducting a marketing campaign. Arranging SIP16 compliant advertising. General advice and dealing with enquiries.	Lambert Smith Hampton	Fixed Fee	5,000 plus VAT

LLANGOLLEN RAILWAY PLC - IN ADMINISTRATION

Pre appointment agent's disbursements – Adverts, flyers, locks, keys and chain and mileage	Lambert Smith Hampton	Costs of disbursements	1,400 plus VAT
Post appointment agent's costs – Advertising, initial moving costs, health & safety inspections and review of RAMS, portage, mileage and out of pocket expenditure.	Lambert Smith Hampton	Time Costs	20,000 plus VAT
Pre Appointment Legal Fees: - Dealing with the appointment formalities. - Reviewing third party claim to assets vs Loan account. - Considering property position where no lease but rent paid both to tenant and to ultimate landlord. - Considering access risks and generally strategy. - Preparing section 236 letters to directors of both Trust and Plc to try and get clarity on the position regarding certain assets	Hill Dickinson LLP	Time Costs	6,471 plus VAT
Pre Appointment Legal Disbursements	Hill Dickinson LLP	Costs of disbursement	58.25
Post Appointment Legal Fees: - Negotiated the terms of the sale of various assets to the Trust including (drafting and negotiating SPA, Deed of release, Deed of Surrender, Licence to Occupy). - The lack of a formal right of occupation - Assisting with access strategy. - Dealt with live proceedings as commenced by the Company pre-admin as against a debtor. - In discussions with a third party asserting ROT over certain machine parts. - Dealing with disputed assets. - Security review - Antecedent transaction review - Formalising surrender	Hill Dickinson LLP	Time costs	24,832 plus VAT
Statutory advertising	Courts Advertising	Fixed Fee	300 plus VAT
Joint Administrators' bond	AUA Insolvency Risk Services Limited	Fixed Fee	480
Document collection and storage	Restore Plc	Fixed Fee	249.50 plus VAT

LLANGOLLEN RAILWAY PLC - IN ADMINISTRATION

Security Costs	Vigilance Properties Ltd	Fixed Fee	900 plus VAT
Insurance	Marsh Limited	Fixed Fee	900 plus VAT
Bank charges	Handelsbanken	Fixed Fee	30

Category 2 expenses

The following Category 2 expenses are currently anticipated on this assignment:

Type and purpose	£
Postage charges	4,282 plus VAT
Business mileage @ 40p per mile incurred	250 plus VAT

Staff Allocation and the use of Subcontractors

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

The constitution of the case team will usually consist of a Partner, a Manager, and an Administrator or Assistant. 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 this case we have used, or anticipate using, the services of the following subcontractors. It is considered that the cost of subcontracting this work to specialist contractors will be less than, or equivalent to, the cost of these services being undertaken by the office holders or their staff and the outsourcing of this work will bring greater efficiency to this element of the work necessary in the liquidation.

Service (s)	Provider	Basis of fee arrangement	Cost to date £
Employee claims processing	ERA Solutions Limited	Fixed fee plus VAT	1,470

Professional Advisors

On this assignment we have used, or are proposing to use, the professional advisors listed below. We have also indicated alongside, the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Basis of Fee Arrangement
Hill Dickinson LLP (legal advice)	Time costs and disbursements
Marsh Limited (insurance)	Fixed fee
Lambert Smith Hampton (valuation and disposal advice)	Fixed fee and disbursements

Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them

Charge-out Rates

A schedule of Cowgill Holloway Business Recovery LLP's charge-out rates for this assignment effective from 1 March 2012 is detailed below.

Please note this firm records its time in minimum units of 6 minutes.

Staff Grade	Rate per Hour
Partner	£375
Consultant	£300
Director	£300
Manager	£250
Senior Administrator	£180
Administrator	£150
Cashier/Support	£120
Junior Administrator	£100

Estimated Outcome Statement as at 30 April 2021

	Notes	£
Assets subject to Fixed Charge		
Goodwill & Intellectual Property	1	25,000
Leasehold Improvements	2	5,000
The Contracts	1	1
Business Information	1	1
		30,002
Less: Fixed Charge Costs		
Legal Costs	3	(2,500)
Agents Costs	3	(2,000)
Joint Administrators Costs		(6,665)
Amount Due to Fixed Charge holder- National Westminster Bank PLC	4	(158,124)
Estimated Shortfall to NatWest c/d		(139,287)
Assets subject to Hire/Lease Purchase		
Peugeot Partner Li diesel 850 1.6 HDi 92 Professional van Registration no. MM15 FJC		4,500
Less: Amount due to Aldermore Bank		(1,014)
Estimated Equity c/d		3,486
Huron MU6 universal milling machine		4,000
Less: Amount due to Shire Leasing Ltd		(4,441)
Estimated Shortfall c/d		(441)
XYZ Protturn SLX 425 x 1.25m CNC lathe		15,000
Less: Amount due to Lombard North Central PLC		(14,174)
Estimated Equity c/d		826
Case/Rexquote excavator and Rexquote 4M Type T4 rail trailer		35,000
Less: Amount due to Lombard North Central PLC		(12,820)
Estimated Equity c/d		22,180
Ford Transit 350 van Registration no. EK12 OJB		3,000
Less: Amount due to BNP Paribas		(2,318)
Estimated Equity c/d		682
Total Equity in Hire/Lease Purchase Agreements b/d	5	27,174
Deposit Monies Held in Trust Account		
Funds held in trust account		30,171
Amount due to deposit creditors		(30,154)
Surplus Funds c/d	6	17
Assets Subject to Floating Charge		
Estimated Equity in the Hire Purchase Assets b/d	5	27,174
Surplus held in the deposit account b/d	6	17
Debtors	7	40,276
Fixtures, Fittings & Equipment	8	9,998
Plant, Equipment & Rolling Stock	9	261,476
Unencumbered Motor Vehicles	9	1,900
Petty Cash	10	587
		341,428
Less: Estimated costs of Administration	11	(139,573)

LLANGOLLEN RAILWAY PLC - IN ADMINISTRATION

Estimated funds available for Preferential Creditors		201,855
Less: Preferential Creditor Claims - Employees	12	(47,884)
Less: Estimated Secondary Preferential Creditors - HMRC	13	(5,000)
Estimates Surplus/ (Deficiency) to Preferential Creditors		148,971
Prescribed Part calculation c/d	14	Nil
Estimated Surplus / (Deficiency) to Floating Charge Creditor		148,971
Less: Debts secured by floating charge b/d		
National Westminster Bank PLC- Estimated Shortfall b/d	4	(139,287)
Total surplus/(deficiency) to Floating Charge Creditors		9,684
Prescribed Part calculation b/d	14	Nil
Estimated available to Unsecured creditors		9,684
Less: Unsecured Creditors:		
Trade & Expense Creditors	15	(137,077)
HMRC - PAYE/NIC	16	NIL
Directors' Loan Accounts	17	(160,000)
Llangollen Railway Trust Ltd	18	(90,151)
Estimated Manufacturing Counter Claims	19	(262,500)
Estimated shortfall in respect of finance agreements b/d	20	(441)
Employees PILON/Redundancy Pay	21	(151,499)
Total Unsecured Creditors		(801,668)
Estimated (Shortfall) to Unsecured Creditors		(791,984)
Estimate Dividend to the Secured creditor		100p/£
Estimated Dividend to the Preferential creditors		100p/£
Estimated Dividend to the Secondary Preferential creditors		100p/£
Estimated Dividend to the Unsecured creditors		1.2p/£
Notes		
<p>1. Goodwill, intellectual property, business information and contracts have been sold to Llangollen Railway Trust Ltd ("the Trust"). The sale completed on 27/04/2021. Further details concerning the sale will be included in the Joint Administrators Proposals and accompanying SiP 16 disclosure.</p> <p>2. The Company has spent £764,663 on leasehold improvements but do not formally own any of leases. A schedule of the leasehold improvements has been obtained from the Company's accountant, M D Coxey & Co. An initial review of expenditure from 2016 to now has been completed and these costs are inline with leasehold improvements and repairs. However, the schedule includes a brought forward figure of £556,386 for which a breakdown could not be provided. Our agents have confirmed that the leasehold improvements/repairs have no real value, but a further £5,000 has been obtained from the Trust as a contribution towards these costs.</p> <p>3. Estimated costs involved in completing the sale of the goodwill, intellectual property, business information and contracts.</p> <p>4. Liability to NatWest.</p> <p>5. Estimated surplus following the anticipated sale of these items at auction.</p> <p>6. The directors have advised that funds are held in a trust bank account, which represent the monies held on trust for deposit customers. The directors have provided details of the amounts due to deposit customers and there is estimated to be a small surplus following repayment of deposit monies to customers. The Joint Administrators will seek legal advice in due course in relation to the trust monies and return them to customers if appropriate.</p> <p>7. Debtors have a book value of £50,345 of which £47,317 is over 90 days old. The book value has been discounted by 20% for the purpose of the Administration.</p> <p>8. Fixtures, Fittings & Equipment have been sold to Llangollen Railway Trust Ltd ("the Trust"). The sale completed on 27/04/2021. Further details concerning the sale will be included in the Joint Administrators Proposals and accompanying SiP 16 disclosure.</p>		

LLANGOLLEN RAILWAY PLC - IN ADMINISTRATION

9. Lambert Smith Hampton have inspected the assets and completed a formal valuation. A sale by auction is to take place from 9 May 2021 to 12 May 2021. The values above represent the market value of the assets on an in situ basis.

10. Petty cash has been collected from the Company's trading premises and is currently held by Cowgill Holloway Business Recovery LLP.

11. An estimate of costs are shown below.

12. All 27 employees were made redundant on 26 March 2021. The preferential liability based on claims received to date consists of holiday pay and arrears of wages owed to the Company's former employees and is based upon information provided by ERA Solutions, who have been instructed by the Joint Administrators to calculate and administer employee claims.

13. HMRC liabilities have been paid as and when they fall due but an estimate has been made for the payroll for February 2021 in respect of PAYE and NIC contributions and a small VAT liability of circa £2,000.

14. As the security registered in favour of NatWest pre dates 15 September 2003, the prescribed part rules will not apply.

15. Taken from Company books and records.

16. No amounts are expected to be due to HMRC that are unsecured.

17. Taken from Company books and records.

18. A claim has been received from the Trust detailing the amount owed.

19. Based on claim received to date and an allowance for potential liabilities resulting from claims relating to works undertaken by the engineering element of the business.

20. Estimated shortfalls relating to hire purchase/lease agreements.

21. The unsecured liability based on claims received to date consists of redundancy pay and pay in lieu of notice owed to the Company's former employees and is based upon information provided by ERA Solutions, who have been instructed by the Joint Administrators to calculate and administer employee claims.

Estimated costs of Administration

	£
Cowgill Holloway Business Recovery LLP - Pre Appointment Fee	(13,871)
Hill Dickinson - Pre Appointment Fee	(4,241)
Hill Dickinson - Pre Appointment Disbursements	(58)
Lambert Smith Hampton - Pre Appointment Fee	(3,000)
Lambert Smith Hampton - Pre Appointment Disbursements	(1,400)
ERA Solutions - Calculating and administering employee claims	(1,500)
Joint Administrators' Fees	(69,945)
Lambert Smith Hampton - Post Appointment Fees	(20,000)
Hill Dickinson - Post Appointment Fees	(24,832)
Joint Administrators Expenses. Est	(7,392)
	<u>(146,238)</u>

Joint Administrators' Statement on Pre-Packaged Sale

SIP16 STATEMENT

Llangollen Railway PLC - In Administration (“the Company”)

Overview

Where a sale of all or part of a company’s business or assets is negotiated with a purchaser prior to the appointment of Joint Administrators and the Joint Administrators effect the sale immediately on, or shortly after appointment, this is known as a pre-packaged sale.

Prior to the appointment of Joint Administrators, the insolvency practitioners may act in an advisory capacity to the Company. During this time the insolvency practitioners’ roles are not to advise the directors personally or any parties connected with any eventual purchaser of the Company’s business or assets. We would confirm that the directors were advised to take their own independent advice on their position in this regard. It is also possible that a different insolvency practitioner may be the eventual Administrator and not the insolvency practitioner who provided the advice to the Company before any formal appointment was made.

The role of Joint Administrators once the Company has entered Administration is for them to perform their functions with the objective of either rescuing the Company as a going concern or achieving a better result for the Company’s creditors as a whole than would be likely if the Company were wound up rather than being placed into Administration first.

If neither of these objectives is reasonably practicable, the third objective of realising property in order to make a distribution to one or more secured or preferential creditors of the Company may be pursued, providing the Joint Administrators avoid unnecessarily harming the interests of the creditors as a whole.

In this case, it was not possible to achieve the primary objective of ‘rescuing the Company as a going concern’ due to the level of creditors, the lack of sufficient funding to enable the Company to continue trading during a national lockdown and the contingent counter claims made by customers against the Company as a result of disputed engineering works which is likely to result in additional liabilities of circa £262,500.

As a result, the Joint Administrators have pursued 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 rather than being placed into Administration first’. The third objective will also be achieved as a distribution will also be paid to the secured, preferential and secondary preferential creditors.

It is considered that the pre-packaged sale to Llangollen Railway Trust Limited (“the **Trust**”) that was completed on 27 April 2021 enables the statutory purpose of Administration to be achieved and that the outcome achieved was the best available for creditors as a whole in all the circumstances due to the following;

- Enhanced realisations being achieved in respect of goodwill, intellectual property, business information, contracts, leasehold improvements and fixtures, fittings and equipment, that in a shut-down scenario would have held little or no value.

- Enabling the business, which is of importance both culturally and economically to the region, to continue to trade.
- Assistance with debt collection due to continuity of trading

Set out below is further information containing a summary of the circumstances relevant to the pre-packaged sale of all or part of the Company's business and assets to the Trust in accordance with the provisions of Statement of Insolvency Practice 16 ("**SIP16**").

Background

The Company was incorporated on 20 May 1992. The principal activity of the Company being that of the operation, extension and other matters associated with a heritage steam railway from leased premises located at Llangollen Railway Station, 5 Abbey Road, Llangollen LL20 8SN.

Late last year there was a material change to the Board. The current Board members are as follows:

- Robert John Creasey
- Phillip John Coles
- Peter James Edwards
- Maureen Theobald
- Michael Keith Williams

The main shareholder of the Company is the Trust (a registered charity) which currently owns 23.2% of the overall shares. We understand that the balance of the shares are owned by 2,415 individuals. The Company employs 27 members of staff.

The Company has three main business activities:

- 1) Operation of the Llangollen Railway - The Company trades as a heritage railway in Denbighshire, North Wales and operates on a 10 mile standard gauge line between Llangollen and Corwen
- 2) Maintenance of carriages (both owned by the Company and commercially)
- 3) Engineering – maintenance of locomotives (both owned by the Company and commercially)

The income generated from the three parts of the business is split between railway activities and contract engineering works. Details of the income are provided below:

- Year ending 31 December 2020 -	Railway Activities	£231,950 (60.33%)
	Contract Engineering	£152,499 (39.67%)
- Year Ending 31 December 2019 -	Railway Activities	£1,308,952 (81.28%)
	Contract Engineering	£301,559 (18.72%)

The Company's main source of income was received from railway activities, however, as a result of Government restrictions throughout 2020 and the start of 2021 due to the Coronavirus pandemic, the railway has not been operational throughout large parts of this period. The Company ceased to operate in March 2020 in respect of both the railway and engineering activities, with the majority of the employees being placed on furlough on 23 March 2020.

In August 2020 the railway began operating again following the easing of lockdown restrictions with social distancing measures in place, however, following the reintroduction of lockdown measures in October 2020 all trading activity ceased and employees were again, placed on furlough.

From a review of the Company's financial records, the new Board inherited a business that was already loss making prior to the pandemic. Recent losses recorded in the Company's accounts are outlined below:

- Financial Statements for Year Ended 31/12/2017	£31,432
- Financial Statements for Year Ended 31/12/2018	£269,657
- Financial Statements for Year Ended 31/12/2019	£270,197
- Management Accounts for Year Ended 31/12/2020	£258,840

These ongoing losses coupled with a handful of engineering contracts where customers have raised potential counterclaims against the Company, which are in excess of £200,000, have left the Company in a poor financial position. These counterclaims relate to works undertaken by the engineering element of the business since 2016.

Additionally, the Company has also received a deposit for an engineering project of £50,000 prior to the new board taking up office. The work had not been started and instead it appears that the funds have been used to cover trading losses.

The Company relies on donations and grants to assist with covering the costs/losses of the railway. However, historically the engineering side of the business has been profitable and has supported the Company's railway activities. The board have advised that grants were obtained from a number of sources including The National Lottery Fund via a connected Company, Llangollen Railway Trust Limited ("**the Trust**").

The grants were applied for by Trust, as it was a registered charity, and obtained for the operational side of the business, which was operated by the Company. It is understood that funding in excess of £400k was obtained via Trust in 2020 in order to assist with meeting the outgoings of the Company.

In addition to the above funding, several former directors have loaned funds to the Company in order to assist with cash flow. These loans are understood to be in the region of £160,000.

Further funding was also secured from the Company's bankers in the form of a bounce back loan for the sum of £50,000 which was obtained on 15 June 2020.

Despite the funding outlined above, as a result of the counterclaims received from customers in respect of disputed engineering contracts and the continuing lockdown restrictions in 2021, the Board were aware that the Company was not in a position to meet its liabilities. The Company needed to take action before creditors started legal proceedings and/ third parties began to collect their goods.

The new Board inherited a business that was already loss making prior to the pandemic, this coupled with a handful of engineering contracts that the customers have potential counterclaims for over £200,000 against the Company, have left the Company in a poor financial position.

The Board were aware that without the ability to trade and without substantial funding being obtained, the Company had no alternative than to explore its options, including placing the Company into a formal insolvency procedure. As such, the Company initially sought advice from Alan Coleman of Cowgill Holloway Business Recovery LLP (“CHBR”) in December 2020, the Board agreed to a press release on 1 March 2021 to inform the public that the Company was in financial difficulty and formally engaged CHBR on 2 March 2021.

At the time of CHBR’s engagement, the Company had a significant level of creditors and some of these creditors were threatening legal action. A financial review of the Company was conducted which confirmed that it was insolvent on both a balance sheet basis and on a cash flow basis.

It was therefore considered that immediate protection of the Company was required, as any enforcement action taken by creditors would have been detrimental to the ongoing trade/value of the business and assets as well as preventing the possibility of securing a ‘going concern’ sale of the business. It was considered that this course of action would best serve to maximise realisations for the benefit of all classes of creditors.

As a result of Government restrictions throughout 2020 and the start of 2021 due to the Coronavirus pandemic, the railway has not been operational throughout large parts of this period. Many of the employees were placed on furlough. Additionally, the Company has also received a deposit for an engineering project of £50,000 and the work has not been started; however, the funds have been used to cover trading losses.

The Company relies on donations to assist with covering the costs/losses of the railway and this can be difficult when the Company operates commercial activities.

A Company Voluntary Arrangement (“CVA”) was immediately discounted. In the time available and, in light of the level of creditors and expected future trading, there was no proposal to be made to creditors to repay debts over time in order to rescue the Company as a going concern.

The Company had been historically loss making and only survived due to considerable government financial support, together with that of the Company’s bankers. The financial position of the Company has been further exacerbated by the lockdown instituted as a result of the Coronavirus pandemic. There was no likely return to profitability and therefore a CVA was not viable.

A 'going concern' sale was therefore considered to be the best option as would serve to provide an enhanced value for the assets and the requisite continuity to customers to underpin the value in the current debtor ledger thereby maximising the return to creditors. Furthermore, it is considered that a sale of the business as a whole will seek to preserve employment for some or all of the existing workforce and, as such, reduce employee claims of both a preferential and unsecured nature. In addition, to reducing the associated asset realisation costs.

Lambert Smith Hampton Chartered Surveyors ("**LSH**") were engaged as independent valuation agents to value the Company's physical and intangible assets and to review the position and to provide advice on marketing and a disposal strategy.

To enable a strategy to be considered, LSH attended the site on 2 March 2021 and completed an initial appraisal of the assets of the Company. Their initial appraisal concluded that the physical assets were worth in the region of £225,000 to £250,000 excluding any value for goodwill.

Alan Coleman contacted the Company's bankers, National Westminster Bank PLC ("**NatWest**"), on 1 March 2021. NatWest are a secured creditor as well as the Company's largest creditor. A report was submitted to NatWest on 10 March 2021. CHBR also continued to engage with other major creditors including Trust and former directors who were owed money under their outstanding Directors' Loan Accounts.

A board meeting was held on 11 March 2021 to consider the present financial difficulties of the Company and the appropriate action to take in light of those financial difficulties. In particular the meeting was consider whether it would be appropriate to appoint administrators of the Company. The board resolved that it would be in the best interests of the Company and its creditors for the directors to place the Company into administration and to appoint Alan Brian Coleman and Jason Mark Elliott of CHBR as Joint Administrators. A Notice of Intention to Appoint an Administrator ("**NOI**") was therefore approved.

On 15 March 2021, and NOI was filed at Court, to protect the status quo of the Company whilst the various options were considered and provided a period of moratorium to allow the business and assets to be placed on the open market.

Following the filing of the NOI, a period of marketing was undertaken by LSH on 16 March 2021 in order to facilitate a sale of the Company as a going concern. The following actions were taken by LSH to market the business and assets of the Company:

- An advert was placed on the LSH website;
- An e-shot and flyer were sent to the 16,620 contacts listed on the LSH database;
- An advert was also posted on LSH LinkedIn account and on Heritage Railway Association's Facebook and LinkedIn pages;
- An advert was placed on the Company's website;
- Digital marketing on Heritage Railway and The Railway Magazine websites;
- A listing was placed on IP-Bid.com;

Given the nature of the Company's assets and the regional significance of the railway a detailed assessment was undertaken in conjunction with LSH and Hill Dickinson LLP ("**HD**"), the Joint Administrators instructed solicitors, to evaluate the requirements needed to facilitate a going concern sale. Including assessing health and safety issues as well as notifying the Office of Rail and Road ("**ORR**").

Negotiations were also entered into with the Trust, who had expressed an interest in purchasing the intangible and tangible assets of the Company.

Following the issuing of the NOI and the commencing of the marketing campaign, a number enquires were received from third parties claiming ownership of items located Company's trading premises. Work has been undertaken to ascertain the ownership of assets and one of these matters remains ongoing. A significant amount of time has been spent liaising with the various parties involved. Including HD's review the nature of the Company's occupation of the trading premises including access rights.

As a result of the marketing campaign there were 98 interested parties, 10 of which expressed interest in the business the remainder were interested in the assets only. No offers were received for the goodwill/business interests of the company. Offers were received from 29 individuals/companies for various chattel assets of the company and there were two offers put forward for all the chattel assets, one for £250,000 and the other for £102,500. LSH advised that these offers were anticipated to be less than the estimated realisations at auction and they were rejected on this basis.

Subsequently and following the expiry of the five business days' notice a Notice of Appointment of an Administrator ("**NOA**") was filed by the director on 25 March 2021. As a result, Jason Mark Elliott and Alan Coleman of Cowgill Holloway Business Recovery LLP, Regency House, 45-53 Chorley New Road, Bolton, BL1 4QR were appointed Joint Administrators of the Company by the directors of the Company on 25 March 2021. Jason Mark Elliott and Alan Coleman are licensed to act as Insolvency Practitioners in the UK by the Insolvency Practitioners Association and the Institute of Chartered Accountants in England and Wales, respectively.

Following the Joint Administrators' appointment no offers were received for the intangible assets of the Company and the Trust subsequently withdrew their interest for the business and certain assets. As a result of the Joint Administrators not having any interest in the business, the employees were all made redundant. Subsequently, the Trust approached the Joint Administrators and restarted negotiations which resulted in an initial offer being made by the Trust on 31 March 2021. A sale and purchase agreement ("**SPA**") was agreed and a sale of the business and assets was concluded on 27 April 2021.

The sale was to Llangollen Railway Trust Limited. The sale is not part of any wider transaction and there are no options, buy-back arrangements or similar conditions attached to the contract of sale.

The consideration paid was apportioned as follows:

Details of the Asset	Asset Class	Value achieved through the pre-packaged sale in Administration £ (Plus VAT)
Business Information	Fixed Charge	1
Contracts	Fixed Charge	1
Goodwill & Intellectual Property	Fixed Charge	25,000
Leasehold Improvements	Fixed Charge	5,000
Fixtures, Fittings & Equipment	Floating Charge	9,998
Total		40,000

Initial introduction

The Joint Administrators were introduced to the Company by the Company's accountants, M D Coxey & Co Limited.

Alan Brian Coleman and Jason Mark Elliott were appointed as Joint Administrators of the Company on 25 March 2021. The appointment was made by the directors of the Company in the High Court of Justice, Business & Property Courts in Manchester Insolvency and Companies List (Court Ref: CR-2021-MAN-000154).

The Joint Administrators do not believe that there is any significant personal or professional relationship between the Company or its directors and Cowgill Holloway Business Recovery LLP and carried out the appropriate conflict review prior to accepting the appointment. We would confirm that we were formally engaged by the Company on 2 March 2021.

Pre-appointment considerations

The following courses of alternative action were considered with management prior to the Joint Administrators' appointment and the pre-packaged sale:

Company Voluntary Arrangement ("CVA")

In the time available and, in light of the level of creditors and barriers to future trading, there was no proposal to be made to creditors to repay debts over time in order to rescue the Company as a going concern.

The Company had been historically loss making and relies on donations to assist with covering the costs/losses of the railway. This financial position was further exacerbated by the government restrictions throughout 2020 and the start of 2021 due to the Coronavirus pandemic.

Significant funding would have been required to enable the CVA to be viable and based on projections even if the Company were to begin trading again it would be unable to meet its current liabilities in addition to repayment of any additional funding. In a CVA scenario third party assets would possibly be collected, this would have created difficulties if these were required for ongoing trading, particularly since the Company did not own any locomotives of its own.

Having considered the position there was no likely return to profitability and therefore CVA was discounted.

Distressed Sale of the business and assets as a going concern by management

At the time of the acquisition it was apparent that the Company had been loss making for some considerable time and a restructuring process was necessary. Due to the ongoing counterclaims resulting from disputed engineering contracts and the ongoing lockdown due to the current Coronavirus pandemic, which has preventing the Company from being operational a formal insolvency process was understood to be appropriate when compared to a business sale because, the requisite time to market and sell the business whilst it was at risk, was not thought to be possible.

Trading the business

It was not possible for the Joint Administrators to trade the business and seek a purchaser due to a lack of funding to trade post appointment, together with the government lockdown restrictions still being enforced, in addition to the professional costs and risks that trading in Administration would bring.

It should be noted that trading the business, would have required the correct licences and authorities to be in place to operate the railway as well as specialised insurance cover. There would also have been significant health and safety risks associated with running the railway.

Liquidation

Prior to the Joint Administrators appointment, the Trust expressed an interest in making an offer for the business and assets, subject to support from Denbighshire County Council and sourcing possible funding.

Also, due to the value and nature of the Company's assets including various items of rolling stock, together with large items of plant and equipment, significant removal and storage costs would have been incurred in a liquidation scenario.

Liquidation was therefore discounted as an option given that there was an interested party for the business and assets and which required to be explored further. Should the assets have been sold in a shut-down scenario the return to creditors would have been significantly reduced. In addition, some of the assets being goodwill, intellectual property and leasehold improvements would have held no real value therefore reducing the return to creditors further.

As such, Administration was deemed to be the best possible outcome for all classes of creditors and therefore, Liquidation was not considered the appropriate strategy.

Pre-packaged sale by the appointed Administrators

CHBR were engaged by the Directors on 2 March 2021 and on 15 March 2021 a Notice of Intention to Appoint an Administrator (“**NOI**”) was filed at Court, to protect the status quo of the Company whilst the various options were considered.

In filing the NOI, the Company was protected from its creditors via an interim moratorium.

Independent agents and LSH were engaged to review the position and to provide advice on marketing and disposal strategy.

It was highlighted at an early stage in the process the difficulty in extracting any value for the Company’s intangible assets, particularly to an unrelated party.

The Trust indicated that they would be interested in acquiring certain assets and discussions with LSH led them to report that liquidation would not provide a better outcome for creditors than a pre-packaged sale in administration.

The offer from the Trust was explored whilst a marketing campaign was undertaken.

Subsequently and following the expiry of the five business days’ notice, Notice of Appointment of an Administrator (“**NOA**”) was filed by the directors on 25 March 2021 and Alan Brian Coleman and Jason Mark were appointed Joint Administrators on the same date.

Following the Joint Administrators appointment negotiations continued and it became apparent that a sale of the business and certain assets could be effected.

Comparative outcome

The following table provides a comparative outcome of the going-concern valuation of the Company’s assets against the outcome obtained via the pre-packaged sale and compares this with the likely realisations that would have been made via a sale of the Company’s assets in a liquidation scenario or through a restricted marketing period post Administration.

Details of Assets	Going-concern (willing buyer) valuation	Value achieved through the pre- packaged sale in Administration	Anticipated value in Liquidation, or under a restricted marketing period post Administration
	£	£	£
Business Information	N/A	1	NIL
Contracts	N/A	1	NIL
Goodwill & Intellectual Property	N/A	25,000	NIL
Leasehold Improvements	N/A	5,000	NIL
Fixtures, Fittings & Equipment	N/A	9,998	2,000
Totals		40,000	2,000

Consultation with Creditors

Upon engagement CHBR spoke with NatWest at length and explained the involvement of LSH as well as the initial proposed strategy. NatWest confirmed their agreement with this strategy.

The Joint Administrators continued to liaise with NatWest throughout the pre and post appointment stages and consulted with them with regards to the strategy until a deal was agreed. Alan Coleman discussed the Company's financial issues with the bank on 1 March 2021 and an initial report was issued to NatWest on 10 March 2021. A further update was provided to NatWest on 19 April 2021.

In addition to NatWest CHBR have liaised with the Company's other major creditors including the Trust, who are owed the sum of £90,150, together with several of the Company's former directors who are owed significant sums under their Directors' Loan Accounts.

The Directors and secured creditor, NatWest, were in full support of the strategy implemented and the sale ultimately completed on 27 April 2021.

The following charges are registered against the Company:

Charge in favour of	Date of Creation
National Westminster Bank PLC – Mortgage Debenture	1 December 1995
National Westminster Bank PLC - Debenture	24 October 2002

Marketing of the business and assets

Marketing a business is an important element in ensuring that the best available consideration is obtained for it in the interests of the Company's creditors as a whole. The Joint Administrators advised the Company prior

to their appointment, that any marketing should conform to the marketing essentials set out in SIP16 which includes the following key considerations:

- The business should be marketed as widely as possible, proportionate to its nature and size in the time available using whatever media or other sources that are likely to achieve this outcome;
- Previous marketing of the business prior to the Joint Administrators' involvement may not provide justification to avoid further marketing. The Joint Administrators must be satisfied as to the adequacy and independence of any prior marketing undertaken by the Company;
- Marketing should have been undertaken for an appropriate length of time to satisfy the Joint Administrators that the best outcome for creditors as a whole has been achieved;
- Any marketing attempts must by default, include the use of the internet.

Immediately following our engagement to assist the Directors in placing the Company into Administration, we collated the required information in order for us to market the business and assets for sale. It was also apparent that due to the Company's financial position and counterclaims received from customers that a protracted marketing campaign would be inappropriate in the circumstances.

Following instructing LSH on 02 March 2021, on 16 March 2021 the following actions were taken by LSH to market the business and assets of the Company:

- An advert was placed on the LSH website;
- An e-shot and flyer were sent to the 16,620 contacts listed on the LSH database;
- An advert was also posted on LSH LinkedIn account and on Heritage Railway Association's Facebook and LinkedIn pages;
- An advert was placed on the Company's website;
- Digital marketing on Heritage Railway and The Railway Magazine websites;
- A listing was placed on IP-Bid.com;
- A flyer was circulated to the Partners of CHBR to expose the opportunity to circa 1,200 clients

The advert requested that expressions of interest, a signed non-disclosure agreement and proof of funding be received by no later than 5 pm on 22 March 2021. Due to the level of interest shown and requests for further information this deadline was extended to 12 noon on 25 March 2021.

As a result of the marketing campaign there were 98 interested parties, 10 of which expressed interest in the business the remainder were interested in the assets only. No offers were received for the goodwill/business interests of the company, apart from the offer received from the Trust. Offers were received from 29 individuals/companies for various chattel assets of the company and there were two offers put forward for all the chattel assets, one for £250,000 and the other for £102,500. LSH advised that these offers were anticipated to be less than the estimated realisations at auction and they were rejected on this basis.

The Trust, whose interest we were aware of were also presented with the opportunity to submit an offer.

Additionally, details of the opportunity were circulated to the Partners of CHBR to expose the opportunity to circa 1,200 clients with a view to generating further interest.

As a result of the lack of interest from external third parties in purchasing the business, negotiations continued with the associated company, Llangollen Railway Trust Limited. After negotiations, an offer of £40,000 plus VAT was received from the Trust on 21 April 2021 which is a connected company by virtue of its shareholding in the Company and by virtue of common directors and shareholders.

The offer was reviewed and ultimately recommended for acceptance by LSH. Details of the valuation of assets and recommendation of the offer received is detailed further below. Hill Dickinson LLP (Solicitors engaged by CHBR) were instructed to draft a Sale and Purchase Agreement ("SPA").

The offer from the Trust was progressed and the SPA was agreed and executed on 27 April 2021. In considering and accepting the offer creditors are advised that the nature of the Company, the intangible nature of the assets and business and the importance of the business to the local region played a vital part.

There was no other suitable interest shown and by accepting this offer the Joint Administrators have maximised the value of an asset base that was worthless in a liquidation scenario.

The Company's assets were valued on 2 March 2021 by Patrick Ditcham MRICS and James Hanson BSc (Hons) of LSH who are Members of the Royal Institute of Chartered Surveyors. The agents have confirmed their independence and that they carry adequate professional indemnity insurance.

As we believed we would be able to sell the business, we sought a market value to compare offers. In the event that offers may have been lower than these values, we also sought individual valuations so that we could assess whether any offer merited acceptance, or if we should sell the assets on a piecemeal basis.

LSH have attended the Companies trading premises, inspected and valued the physical assets of the Company which were not included in the sale to the Trust. These assets have remained at the Company's trading premises and are to be included in a sale by auction to be held between 9 May 2021 and 12 May 2021.

A valuation was obtained on two bases, one being that a willing buyer would purchase the assets, as this is what was hoped for by conducting a pre-pack sale. However, if this value proved to be unachievable, then a valuation was also obtained on a forced sale basis to act as a guide when considering any alternative offers received.

A summary of the assets and valuation provided by LSH is presented in the table below, together with a comparison of the realisations achieved via the pre-packaged sale.

Details of the Asset	Forced Sale Value £	Going Concern Value £	Pre Packaged Sale £
Business Information	NIL	N/A	1
Contracts	NIL	N/A	1
Goodwill & Intellectual Property	NIL	N/A	25,000
Leasehold Improvements	NIL	N/A	5,000
Fixtures, Fittings & Equipment	2,000	N/A	9,998
Total	2,000		40,000

It was highlighted by LSH at an early stage in the process the difficulty in extracting any value for the company's intangible assets, particularly to an unrelated party.

In light of the above, the offer for the business and assets from the Trust was recommended for acceptance by LSH.

The sale ensured that a premium on the going concern valuations was received for the assets, whilst avoiding the significant costs of a piecemeal disposal, including the significant costs of collection and storage of the assets and the associated selling costs.

Details of the assets sold and the nature of the transaction

- The purchaser of the business and assets is Llangollen Railway Trust Limited. The sale has been treated as a connected party transaction as the purchaser was connected to the Company (as defined in section 249 of the Insolvency Act 1986). As stated above, the purchaser is an associated company as it is a shareholder of the Company and has common directors and shareholders.
- It was considered appropriate to complete the sale to a connected party, as there was no further interest in the business opportunity from unrelated third parties, following the marketing activity detailed above. Furthermore, the sale maximised realisations for the benefit of creditors and help to preserve a business of cultural and economic importance to the region.
- The SPA was negotiated, agreed and a sale of the business and assets was concluded following the appointment of the Joint Administrators. The transaction completed on 27 April 2021.
- The sale is not part of any wider transaction and there are no options, buy-back arrangements or similar conditions attached to the contract of sale.

- The consideration paid was apportioned as follows:

<i>Business Information</i>	<i>£1</i>	<i>Fixed charge realisation</i>
<i>Contracts</i>	<i>£1</i>	<i>Fixed charge realisation</i>
<i>Goodwill & Intellectual Property</i>	<i>£25,000</i>	<i>Fixed charge realisation</i>
<i>Leasehold Improvements</i>	<i>£5,000</i>	<i>Fixed charge realisation</i>
<i>Fixtures, Fittings & Equipment</i>	<i>£9,998</i>	<i>Floating charge realisation</i>

Connected Party transactions

Where there are connections between an insolvent company and the purchasing entity, the purchaser meets the definition of a “connected party” and following recommendations made to the Department for Business, Energy & Industrial Strategy about pre-packaged sales to connected parties, it was felt that some of the concerns expressed about such transactions in the context of insolvency, may be overcome by having an independent party review the proposed sale and offer an opinion on the appropriateness of the grounds for the sale. This may provide reassurance to creditors that an independent person has considered the reasonableness of the proposed transaction.

As the transaction meets the definition of a connected party sale, the transaction is eligible for review by the Pre-Pack Pool (“**the Pool**”). The pool is an independent body of experienced business people and has been set up in response to a series of recommendations contained in an independent review of pre-packaged sales in administrations. A Pool member will offer an opinion on the purchase of a business and/or its assets by a party connected to a company where a pre-packaged sale is proposed by an Administrator.

The Pool, through its members, operates only to review and opine on applications made voluntarily by connected parties. Further information on the work of the Pool can be found in the ‘Questions and Answers about the Pre-Pack Pool’ document on the Pool’s website at www.prepackpool.co.uk

The purchasers were made aware of their ability to approach the Pool and the potential for enhanced stakeholder confidence from the connected party approaching the Pool.

In this case, the Pool has been approached by the connected party. The Joint Administrators requested a copy of the opinion given by the Pool member and the opinion is set out below. This opinion was given on 19 March 2021.

“Nothing was found to suggest the grounds for the proposed pre-packaged sale were unreasonable”.

However, it should be noted that evidence provided in support of the application was limited in some aspects as there was limited financial information as regards to forecasts.

Viability statement

The purchasing entity were also made aware of the potential for further enhanced confidence should a viability statement be prepared by the purchasing entity in support of the continued trade.

A viability review can be drawn up by a connected party wishing to make a pre-packaged purchase which covers the greater of 12 months, or the period over which any consideration is to be deferred in order to demonstrate how the purchasing entity will survive for this period from the date of the proposed purchase and may include details of what the purchasing entity will do differently to avoid a future failure of the business.

As there was no deferred consideration we did not believe it necessary to request a copy of their viability statement.

Assets

The assets sold as per the Sale and Purchase Agreement comprised of goodwill, intellectual property, contracts, business information, fixtures, fittings and Equipment, the offer included a consideration for the leasehold improvements. The Pre-Packaged sale ensured realisations were achieved for the intangible assets of the Company.

The Company's other physical assets consisting of plant, machinery, equipment, rolling stock and motor vehicles were not included in the sale and are to be sold at auction, which is being held on 9 May 2021 to 12 May 2021.

Sale consideration

The total consideration for the sale was £40,000 plus VAT which was paid upon completion.

Our agents recommended that the offer be accepted, given that this was the only suitable offer received and exceeded their forced sale valuation for the fixtures, fittings and equipment.

Our agent also advised that it was unlikely that a net figure of £5,000, which was achieved in respect of leasehold improvements, could be obtained through another form of asset realisation plan. Additionally, the £5,000 formed part of a larger transaction that otherwise could result in lower overall sale realisations, if it were not to be accepted.

The sale also avoided the costs associated with disposal and storage, providing certainty of the realisations achieved in the Administration.

The transaction has also ensured that a business, which is of importance both culturally and economically to the region, to continue to trade.