

The Insolvency Act 1986

## Statement of administrator's proposals

Name of Company  
Touchline Event Management Limited

Company number  
03299841

In the  
Newcastle upon Tyne District Registry of the High Court

Court case number  
1869 of 2010

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

We, Andrew David Haslam of Begbies Traynor (Central) LLP, 2 Collingwood Street,  
Newcastle upon Tyne, NE1 1JF and Robert Alexander Henry Maxwell of Begbies Traynor  
(Central) LLP, 9<sup>th</sup> Floor, Bond Court, Leeds, LS1 2JZ

\* Delete as applicable

attach a copy of ~~\*my~~ / our proposals in respect of the Administration of the above company

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

(b) Insert date

(b) 15 September 2010

Signed

Joint / Administrator(s)

Dated

15/9/2010

### Contact Details:

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

Begbies Traynor (Central) LLP

2 Collingwood Street, Newcastle upon Tyne, NE1 1JF

Tel 0191 2699820

Fax Number 0191 2699821

DX Number

When you have completed and signed this form please send it to the Registrar of Companies at

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

MONDAY



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20/09/2010

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COMPANIES HOUSE

Andrew David Haslam and Robert Alexander Henry Maxwell were appointed as Joint Administrators on 23 July 2010

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

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## Touchline Event Management Limited (In Administration)

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Statement of Proposals of the Joint Administrators for achieving the purpose of the Administration pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 2.33 of the Insolvency Rules 1986

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The Joint Administrators' Statement of Proposals has been produced for the sole purpose of advising creditors pursuant to the provisions of the Insolvency Act 1986. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever.

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# 1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	Touchline Event Management Limited (In Administration)
"the Administration"	The appointment of Administrators under Schedule B1 of the Insolvency Act 1986 on 23 July 2010
"the Joint Administrators"	Andrew David Haslam of Begbies Traynor (Central) LLP, 2 Collingwood Street, Newcastle upon Tyne, NE1 1JF and Robert Alexander Henry Maxwell of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds, LS1 2JZ
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency Rules 1986 (as amended)
"secured creditor" and "unsecured creditor"	"Secured creditor", in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(a) of the Insolvency Act 1986)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security, and  (ii) in relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(b) of the Insolvency Act 1986)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 of the Insolvency Act 1986

## 2. STATUTORY INFORMATION

Name of Company	Touchline Event Management Limited	
Trading names	None	
Date of Incorporation	8 January 1997	
Company registered number	03299841	
Company registered office	c/o Begbies Traynor (Central) LLP, 2 Collingwood Street, Newcastle upon Tyne, NE1 1JF	
Former registered office	7 Allison Court, Metro Centre, Gateshead, NE11 9YS	
Trading addresses	7 Allison Court, Metro Centre, Gateshead, NE11 9YS Nickalls House, Metro Centre, Gatehead, NE11 9NH	
Principal business activities	Provision of Stewarding Services	
Directors and details of shares held in the Company	<b>Name</b>	<b>Shareholding</b>
	Mark Partridge	0
	Peter George Durham (resigned 31/07/2008)	0
	Walter Menzies Muir (resigned 03/10/2008)	0
Company Secretary and details of the shares held in Company	<b>Name:</b>	<b>Shareholding</b>
	Mark Gareth Holland	0
	Walter Menzies Muir (resigned 01/06/2009)	0
Auditors	Ryecroft Glenton, 32 Portland Terrace, Newcastle upon Tyne, NE2 1QP	
Share capital	100	
Shareholders	IPC International Corporation (UK) Limited	

### 3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Names of Joint Administrators	Andrew David Haslam a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, 2 Collingwood Street, Newcastle upon Tyne, NE1 1JF and Robert Alexander Henry Maxwell, a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, 9 <sup>th</sup> Floor, Bond Court, Leeds, LS1 2JZ
Date of Administrators' appointment	23 July 2010
Court	Newcastle upon Tyne District Registry of the High Court
Court Case Number	1869 of 2010
Person making appointment / application	Mark Partridge - Director, River View, Anick, Hexham, NE46 4LW
Acts of the Joint Administrators	The Joint Administrators act as officers of the Court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an Administrator may be done by any one or more persons holding the office of Administrator from time to time.
EC Regulation on Insolvency Proceedings	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000) applies to these proceedings which are 'main proceedings' within the meaning of Article 3 of the Regulation.

### STATUTORY PURPOSE OF ADMINISTRATION

Paragraph 3 of Schedule B1 to the Act provides as follows

"3(1) The Administrator of a Company must perform his functions with the objective of-

- Firstly, Paragraph 3(1)(a), to rescue a Company as a going concern (in other words a restructuring which keeps the entity intact)
- Secondly, Paragraph 3(1)(b), if the first purpose is not reasonably practicable (or the second would clearly be better for the creditors as a whole), then the Administrators must perform their functions with the objective of achieving a better result for creditors than would be obtained through an immediate Liquidation of the Company
- Thirdly, Paragraph 3(1)(c), if neither of the first two parts of the purpose are reasonably practicable, the Administrators must perform their functions with the objective of realising property in order to make a distribution to secured and/or preferential creditors

As detailed within this report, the Joint Administrators' did not believe that the first objective Paragraph 3(1)(a) to rescue the Company as a going concern, was possible to achieve. The Company had relied on the

financial support of the ultimate majority shareholder for several years. This support had been withdrawn in late June 2010. The Company had then sought the financial support of the minority shareholders. They were unable to provide any financial support. The Company had approached alternative finance providers but had been unable to secure any further funding.

Following appointment on 23 July 2010 the Joint Administrators sold the assets of the business with the exception of the book debts to IPC Security (2010) Limited.

The realisations from the sale of the assets and the collection of the book debts may result in there being funds available to make a distribution to unsecured creditors.

Therefore the Joint Administrators' objective is the second objective Paragraph 3(1)(b) of achieving a better result for creditors than would be obtained through an immediate Liquidation of the Company.

An immediate Liquidation would have resulted in the loss of the continuity of business and therefore a loss in contracts, Goodwill and the outstanding debtor money would have been put at risk as customers may have tried to set off amounts owing against claims for breach of contract.

- 3 (2) Subject to sub-paragraph (4), the Administrator of a Company must perform his functions in the interests of the Company's creditors as a whole.
- (3) The Administrator must perform his functions with the objective specified in sub-paragraph (1)(a) unless he thinks either-
  - (a) that it is not reasonably practicable to achieve that objective, or
  - (b) that the objective specified in sub-paragraph (1)(b) would achieve a better result for the Company's creditors as a whole.
- (4) The Administrator may perform his functions with the objective specified in sub-paragraph (1)(c) only if-
  - (a) he thinks that it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph (1)(a) and (b), and
  - (b) he does not unnecessarily harm the interests of the creditors of the Company as a whole."

## 4. CIRCUMSTANCES GIVING RISE TO THE APPOINTMENT OF ADMINISTRATORS

### **Background Information**

Touchline Event Management Limited 'Touchline' was one of three companies that made up the IPC Security Group.

St James Security Limited T/A IPC Security 'St James' provided security services including retail security, manned guarding, mobile patrols, CCTV Personnel and key holding.

Touchline Event Management Limited provided stewarding for public events such as race meetings and shows.

SJS (Holdings) Limited was a dormant company.

The three Companies who make up the Group are owned 100% by IPC International Corporation (UK) Limited which acts as a holding company.

Whilst the two trading Companies were separate legal entities their activities overlapped. All employees were on the St James payroll, intercompany charges were made to account for the cost of staff used on Touchline contracts. All head office functions were carried out by St James staff using St James head office premises, again intercompany management charges were made.

The Group traded from leased premises at Allison Court, Gateshead, Nickalls House, Gateshead, at Nasmyth Building, Scottish Enterprise Technology Park, East Kilbride and at Hersham Place, Technology Park, Walton on Thames.

The Group had been operating for 14 years and employed approximately 900 people.

The Group turnover for the year ending September 2009 was £12.1m. The Group traded predominantly in the North East of England where 75% of the turnover was generated. A further 20% of turnover was generated from Scotland and the remaining 5% of turnover from other areas of England.

Approximately five years ago the shareholders of IPC International Corporation (UK) Limited sold 51% of their shares to IPC International Corporation an American company. The Group had been making trading losses year on year and required new investment. The American company invested approximately £4.4m over a five year period to allow the Group to continue to trade.

During this five year period new management has been brought in to restructure the business and to return the Group to profit. Measures such as introducing new time recording systems to allow accurate and timely invoicing have been introduced, the management structure has been changed and the product was re-branded in November 2009. Management have advised that these changes did show beneficial results, however the business was still showing a loss in 2009 albeit a smaller loss than in previous years.

In June 2010 a cash call was made to the majority shareholder, however due to factors outside the Groups control further support was not forthcoming. As such, a call was put out to the other shareholders who hold 49% of the shares, who took the decision that they too were unable to provide funding.

As soon as the Director became aware that there was no funding available from either group of shareholders he sought insolvency advice, as without further financial support the business would have been unable to pay debts when they fell due.

Further to the funding issues, the Group received a 7 day notice of a winding up petition on 20 July 2010 from HM Revenue & Customs for outstanding VAT.

#### **The reasons for the pre-packaged sale**

On 29 June 2010 the Director of the Group met with Begbies Traynor (Central) LLP to try and formulate a strategy for the rescue of the Group. As stated earlier the two trading Companies activities were interlinked and therefore any rescue needed to consider both Companies.

Andrew Haslam of Begbies Traynor (Central) LLP, advised the Group prior to being appointed as Joint Administrator.

At this time the Group had sufficient funds to make critical payments to creditors and to pay the payroll which was due on 9 July 2010.

The Group employed approximately 900 staff. The majority of the employees were based on sites in the North East of England and Scotland.

The business was a people business and without the employees in situ it could not operate and there would be no business to continue or to sell.

Management believed that if the employees were not paid they would not turn up to work. This would result in customers being unable to operate, i.e. shopping centres would not be able to open if they did not have security in place. If this happened, clients would terminate their existing contracts with the Group and there would be no business to continue or to sell. In addition, the debtor book would suffer as customers would claim damages for breach of contract and loss of business against the outstanding invoices.



As discussed earlier the Director had approached both groups of shareholders to see if they would financially support the Group going forward. The shareholders were not in a position to do this. Due to the financial history of the Group it was highly unlikely that any other finance provider would support the Group. The Director advised this to be the case.

Therefore, the only option was to try and sell the assets of the Group. To achieve this it was vital that there was no break in the service provided to customers so that contracts and Goodwill would be maintained. To achieve this, funds had to be available to pay wages until a sale of the business could be achieved.

The initial plan that was discussed was to place the Group into Administration on 9 July 2010 following the payment of the payroll. The Joint Administrators would then trade the business whilst a buyer was sought.

To action this plan, the Joint Administrators would have required substantial funding to pay the wage bill for the trading period. The wage bill up to 23 July 2010 (the next payroll date) was estimated to be £240,000.

Discussions were held with two interested parties about making funds available to allow an Administrator to trade the business while the business was marketed.

Discussions were also held with alternative fund providers to make funds available to allow an Administrator to pay wages for a short trading period.

Neither the interested parties nor the fund providers were able to support a trading period.

St James Security Limited had a Sales Finance facility with Barclay Sales Finance. Andrew Haslam held discussions with Barclays Sales Finance to find out if they would allow a further draw down on their facility to allow wages to be paid after 9 July 2010 if a sale had not happened by this date. They agreed that a draw down could be made if an acceptable funded offer was in place at the time the wages were drawn down so as to minimise their risk. They would not be able to support any more than a further two week trading period.

Andrew Haslam concluded that if the Group was able to make critical payments to creditors and pay wages on 9 July 2010 then it should continue to trade while a short marketing campaign could be undertaken. As soon as a suitable buyer could be found a sale had to be structured pre appointment. Once the sale was agreed, the Company would be placed into Administration. Barclays Sales Finance would allow a draw down for the payment of wages up to the date of Administration with the purchaser immediately taking over the liability moving forward.

This would safeguard close to 900 jobs, ensure a continuity of service for the customers and allow contracts to be retained, keeping the Goodwill of the business intact.

The Group was not in a position to market the undertaking and assets as there was a real risk that any approach from the Director to a competitor would enable the competitor to start speaking to the Group's main contracts and try to win these without purchasing the business.

The decision was taken that the Director would provide details of any parties he believed may have an interest in the business and the approach and subsequent marketing would be done through BTG McInnes Corporate Finance.

BTG McInnes Corporate Finance part of the BTG Group were instructed to confidentially market the business. They sent out a bulletin of key information about the sale without identifying the Group on 16 July 2010. This was sent to seventeen Venture Capital providers, all Partners of the BTG Group, to consider if the Group may be of interest to any of their clients or contacts and to four other parties.

A non disclosure agreement was requested by three parties so that further information could be provided.

One party submitted an offer which was passed to Andrew Haslam for consideration.

Please note that negotiations with the Purchaser (as defined below) in relation to the pre-packaged sale were conducted by Andrew D Haslam and Robert A H Maxwell prior to their formal appointment as Administrators and not by the Director of the Company.

The company that the Joint Administrators negotiated the sale of the business with was Churchill Contract Services Limited a contract cleaning company based in Harpenden, Hampshire who were unconnected with the Group. They set up a new legal entity IPC Security (2010) Limited, Company Number 07317266 to purchase the assets.

The sale of the assets and business of the three Group Companies took place at 4.10pm on 23 July 2010 following the Appointment of Joint Administrators over the three Group Companies earlier that afternoon.

The consideration was as follows:

St James Security Limited

Plant and Machinery, the Property, the Business, the Goodwill, the Customer Contracts, the Intellectual Property, the Marketing Information and the Sale Information - **£25,000**

Work in Progress - **£263,000**

Touchline Event Management Limited

Plant and Machinery, the Property, the Business, the Goodwill, the Customer Contracts, the Intellectual Property, the Marketing Information and the Sale Information - **£5,000**

SJS (Holding) Limited

Plant and Machinery, the Property, the Business, the Goodwill, the Customer Contracts, the Intellectual Property, the Marketing Information and the Sale Information - **£5,000**

The consideration was paid in full by the purchaser on 23 July 2010.

## 5. STATEMENT OF AFFAIRS

The Directors have been requested to provide a Statement of Affairs as at 23 July 2010. This has not yet been received. Attached at Appendix 2 is a list of creditors.

## 6. THE ADMINISTRATION PERIOD

### **Pre-packaged sale of the business and assets**

As discussed above the assets of the Company with the exception of the book debts were sold to IPC Security (2010) Limited on 23 July 2010. Creditors of the Company have already been provided with information on the pre-packaged sale of the Company's business and assets by letter dated 9 August 2010.

The information previously provided to creditors under SIP 16 is repeated at Appendix 4.

### **Receipts and Payments**

Attached at Appendix 1 is our account of receipts and payments from the commencement of Administration, on 23 July 2010 to 15 September 2010 incorporating our projected outcome for creditors of Touchline Event Management Limited.

### **RECEIPTS**

#### **Plant, Machinery, Goodwill, Contracts, Marketing and Sales Information**

A consideration of £5,000 was received in respect of the assets of the Company.

#### **Book Debts**

The Company's books showed that there were outstanding debtors at the date of appointment of £67,294. An analysis of the ledger has shown that two debtors with the value of £7,978 are also creditors and they

have stated that they will exercise their right of set off. A further £770 has been written off as non recoverable as the Company believe this to be old debt or that it has previously been paid.

The amount collectable is estimated to be £58,545. To date £3,946 has been recovered. The employees who were retained by IPC Security (2010) Limited are assisting with the collection of the book debts. This should maintain continuity for customers and allow queries and disputed to be dealt with accurately and promptly.

#### **Cash at Bank**

The Company had a credit balance of £12,197 at the date of appointment.

#### **LIABILITIES**

##### **Administrators' Pre Appointment Fees**

The Administrators' carried out pre appointment work which is detailed in Section 8 of this report. A fee of £6,647.50 has been requested.

##### **Administrators' Remuneration and Disbursements**

Administrators' remuneration and disbursements are discussed in detail in Section 8 of this report.

##### **Legal Fees**

Eversheds LLP were the Administrators appointed lawyers on this case. They assisted in the pre appointment negotiations on the sale of the assets, they prepared the sales contract and prepared the paperwork for the appointment of Administrators. They have been paid £12,007 out of St James, a recharge will be required to Touchline.

## **7. OTHER POST APPOINTMENT INFORMATION**

##### **Secured Creditors**

Barclays Bank plc "the Bank" has the benefit of a fixed and floating charge debenture created on 29 March 1999 and registered on 12 April 1999 and a guarantee and debenture created on 26 February 2006 and registered on 3 March 2006.

The Bank indebtedness to the Group at the date of appointment was through the Invoice Discounting Agreement with St James, this was cross guaranteed by Touchline. The Bank have now been paid in full under their Invoice Discounting Agreement from the book debts recoveries in St James.

It is not anticipated that there will be any secured creditor claims in this case.

##### **Preferential Creditors**

We are advised by the Directors that all employees who worked on Touchline assignments were in fact on the payroll of St James.

Twenty three employees were made redundant at the date of appointment. They have submitted claims to the Department for Business Innovation & Skills (DBIS) for arrears of pay and holiday pay.

The estimated preferential claims of DBIS and the ex-employees represents the employees' estimated claims under The Employment Rights Act 1996 (ERA) in respect of arrears of pay (to a maximum of £800 per employee) and holiday pay, this claim will be submitted in the Administration of St James.

Certain employee claims may exceed the various ERA limits in which case the employee rather than the DBIS will have a preferential claim in the Administration of St James.

It is not anticipated that there will be any preferential creditor claims in this case.

**Section 176A Fund for Unsecured Creditors**

Section 176A of the Act provides that, where the Company has created a floating charge after 15 September 2003, the Administrator must make a *prescribed part* of the Company's *net property* available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims

Barclays Bank plc who had a floating charge have no outstanding debt therefore Section 176A will not apply in this case

**Unsecured Non Preferential Creditors**

A schedule of the unsecured creditors is attached at Appendix 2

The estimated outcome statement detailed at Appendix 1 indicates that there may be sufficient funds to allow for a distribution to unsecured creditors

**We would ask all of those creditors who have not yet submitted their claim as at 23 July 2010 to do so as soon as possible**

**If any creditor receiving this report does not have a claim or does not wish to lodge a claim would they please advise the Administrators in writing so that they can be deleted from the list of creditors**

**VAT Bad Debt Relief**

Section 36 of the Value Added Tax Act 1994 incorporates provisions which enable the trader to VAT Bad Debt Relief after writing the debt off in his accounts six months after the supply. This procedure does not involve the Administrators and claims should be made directly to HM Revenue & Customs

**Company Directors Disqualification ("CDDA")**

As part of their statutory duties the Administrators will consider the conduct of the Directors and any person they consider a shadow or de facto Director in relation to their management of the affairs of the Company and the cause of failure and submit their confidential report to the Department for Business, Innovation & Skills

Creditors who wish to draw any matters to the attention of the Administrators should do so in writing

## 8. JOINT ADMINISTRATORS' PROPOSALS FOR ACHIEVING THE PURPOSE OF THE ADMINISTRATION

### **Purpose of the Administration**

We are required to set out our Proposals for achieving the purpose of the Administration which in this context means one of the objectives specified in Paragraph 3 of Schedule B1 to the Act as set out at Section 3 of this report above

For the reasons set out in our report, we presently consider that it is not reasonably practicable to achieve the objective specified in subparagraph 3(1)(a) and consequently the most appropriate objective to pursue in this case is that specified in subparagraph 3(1)(b) namely 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)

The Joint Administrators propose that

- 1) The Joint Administrators will seek to agree creditors' claims generally
- 2) The Joint Administrators, if they see fit, make an application pursuant to Paragraph 65(3) of Schedule B1 of the Insolvency Act 1986, for the permission of the Court to make a payment by way of a distribution to all or any creditors where such distribution is considered to be in the best interests of creditors as a whole
- 3) The Company shall remain in Administration for such period as the Joint Administrators deem necessary and appropriate. The Administration period is limited to 12 months unless extended
- 4) If necessary, the Joint Administrators shall have the authority to apply to Court for an extension of the duration of the Administration (in accordance with the provisions of Schedule B1 paragraph 76(2) of the Insolvency Act 1986)
- 5) In the event that the Joint Administrators are of the view that it is appropriate for the Company to move from Administration into Liquidation, the Joint Administrators be authorised to take steps to place the Company into Creditors Voluntary Liquidation as detailed in the 'Exit from Administration' section in the main body of the report
- 6) In the event that the Company moves to Liquidation the Joint Administrators be appointed as Joint Liquidators as detailed in the 'Exit from Administration' section in the main body of the report
- 7) If the Joint Administrators consider that there will be no distribution to unsecured creditors, and if they also consider that an exit from Administration into Liquidation is not appropriate, then the Joint Administrators be authorised to take the necessary procedural steps to bring about the end of the Administration and move the Company into dissolution pursuant to Paragraph 84 of Schedule B1 of the Act. For more details of this procedure, please refer to the 'Exit from Administration' section below
- 8) Upon the Company either proceeding into Liquidation or dissolution as set out above, the Joint Administrators discharge from liability, pursuant to paragraph 98 of Schedule B1 shall take effect fourteen days following either the Company entering into Liquidation or filing the Notice moving from Administration to dissolution
- 9) For the purposes of Rule 2.106(2)(b) of the Insolvency Rules 1986, the Joint Administrators' remuneration be fixed on the basis of their hourly costs at scale rates calculated on the time properly spent in the course of the Administration and that, subject to full disclosure to creditors in accordance

with *Statement of Insolvency Practice 9* issued by the Joint Insolvency Committee on behalf of the Joint Administrators' licensing bodies, they may draw their remuneration on account as and when funds permit. For more details please refer to the 'Administrations Remuneration' section in the main body of the report

- 10) The Joint Administrators shall have authority to sanction and agree the fees of any solicitors, quantity surveyors or similar agents by reference to the time given by such agents and their staff, in attending to matters arising in the Administration
- 11) The Joint Administrators be at liberty to recharge disbursements including disbursements for services provided by their firm (defined as Category 2 disbursements in *Statement of Insolvency Practice 9* as detailed in the *Guide to Administrators' Fees* details of which are set out at Appendix 3
- 12) The Joint Administrators be at liberty to pay costs and remuneration as and when funds become available
- 13) Without prejudice to the provisions of Section 14 of the Insolvency Act 1986, the Joint Administrators may carry out all other acts that they may consider to be incidental to the Proposals above in order to assist in their achievement of the stated purposes of the Administration order or any variation thereto

In order that the purpose of the Administration may be fully achieved, we propose to remain in office as Administrators in order to conclude the realisation of the Company's debtors

Once we have realised the remaining debtors a distribution will be made to preferential creditors and then the Administrator will exit the Administration by the most appropriate route

#### **Exit from Administration**

##### **Creditors' Voluntary Liquidation**

The outcome as regards creditors will be dependent upon the availability of any surplus from the assets after costs of realisation and payment of preferential creditors. As stated previously, we believe a surplus may be likely

However as Administrators we do not have a general power to make a distribution to unsecured creditors and may only do so if the Court gives permission. It is considered that the Court will only grant such permission in exceptional circumstances where the normal course for making distributions to unsecured creditors in a Voluntary Liquidation is inappropriate

Additionally there may be matters for enquiry concerning a Company's affairs which are not within the scope of an Administrator's powers and which can only be properly dealt with by a Liquidator

Consequently, as soon as we are satisfied that we have fully discharged our duties as Administrators and that the purpose of the Administration has been fully achieved, we may decide to implement the provisions of Paragraph 83 of Schedule B1 to the Act whereby on the registration of a notice sent to the Registrar of Companies, our appointment as Administrators shall cease to have effect and the Company will automatically be placed into Creditors Voluntary Liquidation

Paragraph 83(7) provides

The Liquidators for the purpose of the winding up shall be-

- (a) a person nominated by the creditors of the Company in the prescribed manner and within the prescribed period, or
- (b) if no person is nominated under paragraph (a), the Administrators

We confirm that as part of our Proposals we seek nomination as Liquidators in the subsequent winding up of the Company, in the event that there is a surplus available for distribution to unsecured creditors

### **Dissolution**

Should the position arise where the Company will have insufficient property to enable a distribution to be made to unsecured creditors, as soon as we are satisfied that we have fully discharged our duties as Administrators and that the purpose of the Administration has been fully achieved, we propose to implement the provisions of Paragraph 84 of Schedule B1 to the Act. Under these provisions, on the registration of a notice sent by us to the Registrar of Companies, our appointment as Administrators ceases to have effect, and at the end of three months the Company will automatically be dissolved.

Where an Administrator sends such a notice of dissolution to the Registrar of Companies, he must also file a copy of the notice with the Court and send a copy to each creditor of the Company, and on application by any interested party the court may suspend or disapply the automatic dissolution of the Company.

### **Pre-Administration costs**

In the period before the Company entered Administration, the Andrew David Haslam and Robert Alexander Henry Maxwell of Begbies Traynor (Central) LLP carried out a significant amount of 'work' detailed as follows.

Following the Director's initial approach to Begbies Traynor (Central) LLP at the end of June 2010, advice was given to the Company on the options available given its financial position.

These options included looking for a new funder so that the Company could continue as a going concern, looking to sell the assets of the business, ceasing to trade.

Begbies Traynor (Central) LLP assisted the Company in considering the options.

The Company gave consent for Begbies Traynor (Central) LLP to approach their bankers, Barclays Bank plc the 'Bank' to discuss the position. A meeting was held with the Bank who were willing to support the Company in the short term. They understood the aim was to rescue the Company as a going concern or to find a purchaser of the assets. They requested that Begbies Traynor (Central) LLP work with the Company to provide cash flows going forward for a month and to monitor the critical payments needed on a daily basis.

Begbies Traynor (Central) LLP introduced three alternative invoice finance providers to the Company to see if they would be able to provide funding going forward to allow the business to continue as a going concern, to support a trading period while in Administration or to support a new purchaser.

Begbies Traynor (Central) LLP co-ordinated the marketing of the business which was undertaken by BTG McInnes Corporate Finance and held meetings and spoke to all interested parties.

Once an offer was received Begbies Traynor (Central) LLP led the negotiations and spent considerable time liaising with the lawyers, the prospective purchaser and the Bank to ensure that they continued to support the business to allow a sale of the assets to be achieved.

Begbies Traynor (Central) LLP also instructed agents to carry out a valuation of the tangible assets of the business.

Begbies Traynor (Central) LLP analysed management information in connection with the work in progress in order to establish a valuation.

The 'work' was carried out before the Company entered Administration and the Joint Administrators consider that the 'work' has furthered the achievement of the objective of Administration being pursued, namely 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).

This pre appointment work resulted in a sale of the assets of the Group being achieved. This safeguarded approximately 900 jobs, protected the debtor position, allowed a continuation of service to customers and should allow a return to unsecured creditors.

Had this pre appointment work not been undertaken, there would have been a break in trade as no party was willing to fund an Administrators trading period. The Goodwill would have been lost and the debtor recovers greatly reduced as customer would have had counter claims for breach of contract. We do not believe that any funds would have become available for creditors in this scenario.

There are unpaid Pre-Administration costs in the sum of £6,647.50 ("the Unpaid Costs"). The Joint Administrators are seeking that the Unpaid Costs be paid as an expense of the Administration. Pursuant to Rule 2.67A of the Insolvency Rules 1986, approval to pay the Unpaid Costs as an expense is required from the creditors' committee, or in the absence of a committee, or if the committee does not make a determination, by way of a resolution of creditors.

Payment of the unpaid Pre-Administration costs requires separate approval and is not part of the Joint Administrators' Proposals subject to approval pursuant to Paragraph 53 of Schedule B1 to the Act.

#### **Administrators' Remuneration**

The Joint Administrators propose that the basis of their remuneration be fixed under Rule 2.106 of the Rules by reference to the time properly given by them (as Administrators) and the various grades of their staff calculated at the prevailing hourly rates of Begbies Traynor (Central) LLP in attending to matters arising in the Administration.

It is for the creditors' committee to approve the basis of the Administrators' remuneration under Rule 2.106 of the Rules, but if no such committee is appointed it will be for the creditors to determine.

Appendix 3 sets out the Administrators' firm's hourly charge out rates and the time that they and their staff have spent in attending to matters arising in the Administration since their appointment as Joint Administrators.

#### **Administrators' Disbursements**

The Joint Administrators propose that disbursements, including disbursements for services provided by their firm (defined as Category 2 disbursements in Statement of Insolvency Practice 9) be charged in accordance with their firm's policy, details of which are set out at Appendix 3.

These disbursements will be identified by the Administrators and subject to the approval of those responsible for determining the basis of the Administrators' remuneration.

## **9. CONCLUSION**

Pursuant to Paragraph 51 of Schedule B1 to the Act, the Joint Administrators' Proposals will be considered at an initial meeting of the Company's creditors summoned in accordance with the Notice of meeting (Form 2.20B) accompanying this document, this meeting to be held at **11.30am on Wednesday 29 September 2010, at the offices of Begbies Traynor (Central) LLP, 2 Collingwood Street, Newcastle upon Tyne, NE1 1JF**.

You are invited to attend the above meeting and a proxy form is enclosed with the covering letter to this report which should be completed and returned to Begbies Traynor (Central) LLP, 2 Collingwood Street, Newcastle upon Tyne, NE1 1JF, by noon on 28 September 2010.

Creditors should note that the purpose of the meeting of creditors is simply to consider the Administrators' Proposals as set out in this report.

There is no requirement for the Directors to be present at the meeting of creditors.

Subject to the approval of our Proposals, I will report on progress again approximately six months after the commencement of the Administration, or at the conclusion of the Administration, whichever is the sooner.



Please do not hesitate to contact either my colleague Gillian Sayburn or myself should you have any queries regarding this report or any other aspect of the Company's affairs

A handwritten signature in black ink, appearing to read 'Andrew D Haslam', written in a cursive style.

**Andrew D Haslam**  
Joint Administrator

Date 15 September 2010

# JOINT ADMINISTRATORS' ACCOUNT OF RECEIPTS AND PAYMENTS, INCORPORATING ESTIMATED OUTCOME FOR CREDITORS

Period 23 July 2010 to 15 September 2010

Estimated to  
realise per  
Statement of  
Affairs  
£

Receipts &  
Payments to  
date  
£

Anticipated  
Receipts &  
Payments  
£

Projected  
Outcome  
£

## ASSETS NOT SPECIFICALLY PLEDGED

Plant, Machinery, Goodwill Contracts, Marketing and Sales Information	5,000	-	5 000
Book Debts	3,946	54,599	58,545
Cash at Bank at date of appointment	-	12,197	12,197
	<u>8,946</u>	<u>66,796</u>	<u>75,742</u>

## Payments

Administrators' pre-appointment fee	-	(6,647)	(6,647)
Administrators' Remuneration	-	(20,000)	(20,000)
Administrators' Disbursements	-	(1,000)	(1,000)
Bordereau (statutory bond)	-	(158)	(158)
Legal fees	-	(1,000)	(1,000)
Statutory advertising	-	(1,000)	(1 000)
Others	-	(1,000)	(1,000)
		<u>(1,000)</u>	<u>(1,000)</u>

## Available for preferential creditors

45,937

Arrears of wages and holiday pay

- - -

## Net property

- - 45,937

Prescribed part of net property set aside for unsecured creditors

- - -

## Available for floating charge holder

- - 45,937

Floating charge holder

- - -

## Available for unsecured creditors

- - 45,937

Unsecured creditors

14 120

**Begbies Traynor (Central) LLP**  
**Touchline Event Management Limited**  
**B - Company Creditors**

Key	Name	Address	£
C000	02 Telehoneica	02 uk ltd 260 Bath Road, Slough, Berjshire, SL1 4DX	0 00
CA00	Apex Radio Systems Limited	102 Tantobie Road, Denton Burn, Newcastle upon Tyne, NE15 7DQ	468 53
CB00	British Safety Council	70 Chancellors Road, London, W6 9RS	287 50
CB01	Burnt Tree Group	c/o Moore Stephens, 150 Aldersgate Street, London, EC1A 4AB	846 03
CC00	Club Ties	Brook Street Studios, 60 Brook Street, Glasgow, G40 2AB	1,198 74
CH00	HFGL Ltd	Northern Cross, Basing View, Basingstoke, Hampshire, RG21 4HL	76 37
CI00	ISOQAR	Cobra Court, 1 Blackmore Road, Stretford, Macheater, M32 0QY	1,374 75
CI01	Investec Asset Finance plc	Windrush Court, Blacklands Way, Abingdon, Oxfordshire, OX14 1SY	1,252 23
CM00	Metro Vehicle Hire	Staites Road, Dunston, Tyne & Wear, NE11 9DR	1,389 31
CN00	Newcastle Rugby Limited	Kingston Park, Brunton Road, Kenton Bank Foot, Newcastle upon Tyne, NE13 8AF	7,050 00
CN01	North News & Pictures Ltd	North News & Pictures Ltd, 69 Grainger Street, Newcastle upon Tyne, NE1 5JE	176 25
<b>11 Entries Totalling</b>			<b>14,119.71</b>

Signature \_\_\_\_\_

Page 1 of 1

IPS SQL Ver 2010

15 September 2010 15 25

## JOINT ADMINISTRATORS' TIME COSTS AND EXPENSES

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Remuneration drawn will be notified to any creditors' committee appointed under paragraph 57 of Schedule B1 to the Act. In the absence of a creditors' committee, details of time incurred and disbursements drawn will be reported to creditors in accordance with *Statement of Insolvency Practice 9* issued by the Joint Insolvency Committee on behalf of the Administrators' licensing bodies.

Total post appointment time spent to 15 September 2010 on this assignment amounts to 59.60 hours resulting in total time costs to 15 September 2010 of £15,700.50 which equates to an average composite rate of £28.78 per hour.

To assist creditors in determining this matter, the following further information on time costs and expenses are set out:

- ☐ SIP 9 Table of time spent and charge-out value
- ☐ Begbies Traynor (Central) LLP's policy for re-charging expenses
- ☐ Begbies Traynor (Central) LLP's charge-out rates
- ☐ Narrative summary of time costs incurred

In addition a copy of *A Creditors' Guide to Administrators' Fees* is available on request. Alternatively, the guide can be downloaded from our website [www.begbies-traynor.com](http://www.begbies-traynor.com) via the "Corporate Recovery and Insolvency" link in the "Quick Links" box on the left hand side of the homepage. From there please follow the "Creditor" link which will take you to the appropriate page where the Guide can be found at the end.

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**Touchline Event Management Limited**

[illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible]

Total fees drawn to date

**BEGBIES TRAYNOR (CENTRAL) LLP**

**DISBURSEMENTS AND EXPENSES POLICY AND CHARGE OUT RATES**

**NEWCASTLE UPON TYNE AND TEESSIDE OFFICES**

**INTRODUCTION**

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis.

Best practice guidance<sup>1</sup> requires that such information should be disclosed to those who are responsible for approving remuneration.

Where the office holder's remuneration is proposed to be fixed on an additional or alternative basis, sufficient information will be provided to creditors in order to allow them to consider whether to approve the proposed basis or bases of the office holder's remuneration.

Following approval further information will be provided to creditors regarding the office holder's fees as required by the legislation and best practice guidance.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm and also where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest.

Best practice guidance<sup>2</sup> requires that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

**OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES**

The office holder has overall responsibility for the administration of the estate.

He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level.

There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded, in 6 minute units, at the individual's hourly rate in force at that time, the hourly rates applicable to this case are detailed below.

This is of course only applicable to those cases where the office holder is remunerated on a time cost basis, rather than the additional or alternative bases explained in SIP9.

**EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES**

Best practice guidance classifies expenses into two broad categories.

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<sup>1</sup> Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales (Effective 6 April 2010)

<sup>2</sup> Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales (Effective 6 April 2010)

- *Category 1 disbursements (where creditor approval is not required)* - specific expenditure that is directly related to the case usually referable to an independent external supplier's invoice. Such expenditure may include Court fees, filing fees, company search fees, ML Regulation ID fees, oath fees, redirection of mail, external storage of books and records, external printing copying and stationary, postages, etc as well as legal fees, property agent fees, security, valuer fees, auctioneer and agent fees, utility costs etc. All such items are charged to the case as they are incurred.
- *Category 2 disbursements (where creditor approval is required)* - items of incidental expenditure directly incurred on the case which include an element of shared or allocated cost and which are based on a reasonable method of calculation.

The following items of expenditure may be charged to the case (subject to creditor approval)

- Internal meeting room usage for the purpose of statutory meetings is charged at the rate of £100 per meeting. The Newcastle upon Tyne and Teesside offices do not at this time make any such charge to the insolvent estate for internal meeting room usage.
  - Car mileage is charged at the rate of 40 pence per mile.
  - Storage of books and records (when not chargeable as a *Category 1 expense*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates. The Newcastle upon Tyne and Teesside offices do not at this time make any such charge to the insolvent estate for the internal storage of books and records.
- *Expenses which should be treated as Category 2 disbursements (creditor approval is required)*

In addition to the 2 Categories referred to above best practice guidance indicates that where payments are made or are to be made to outside parties in which the office holder or his firm or any associate has an interest these payments should be treated as Category 2 disbursements.

Such Category 2 disbursements would for example include payments made to other entities within the Begbies Traynor Group (BTG) e.g. BTG Asset Consulting, BTG Corporate Finance, BTG Commercial Finance, BTG Tax, BTG Global Risk Partners (incorporating BTG Forensic, BTN Risk and BTG Intelligence).

BTG Asset Consulting, a division of BTG Consulting LLP which is itself part of BTG, charges £125 per hour for their advice regarding asset appraisal and disposal etc.

BTG Global Risk Partners provide a wide range of services, the most likely to be used in an insolvency procedure is in relation to enquiries and investigations into the location of assets or individuals surveillance and other investigative services, costs range from £100 to £250 per hour.

Where we have used or intend to use other entities within the Begbies Traynor Group that fact will be disclosed in the report to which this Appendix is attached or in future reports to creditors detailing the reasons for the instruction, the nature of the work undertaken, the basis of remuneration and the costs thereof.

The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*.

- Telephone and facsimile
- Printing and photocopying
- Stationery
- Postages

**APPENDIX 3c**

**BEGBIES TRAYNOR (CENTRAL) LLP**

**CHARGE-OUT RATES**

**NEWCASTLE UPON TYNE AND TEESSIDE OFFICES**

Begbies Traynor (Central) LLP is a national firm

The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions

The rates applying to the Newcastle upon Tyne and Teesside offices of Begbies Traynor (Central) LLP as at the date of the report to which this Appendix is attached are as follows

<b>Grade of staff</b>	<b>Charge-out Rate (£ per hour)</b>
Partner	350
Director	325
Senior Manager	295
Manager	250
Assistant Manager	195
Senior Administrator	160
Administrator	130
Junior Administrator	100
Support	100

Time spent by support staff for carrying out shorter tasks, such as typing or dealing with post, is not charged to cases but is carried as an overhead

Only where a significant amount of time is spent at one time on a case is a charge made for support staff

Time is recorded in units of 0.10 of an hour (i.e. 6 minute units)



**BEGBIES TRAYNOR (CENTRAL) LLP - NARRATIVE SUMMARY OF TIME COSTS**

**NEWCASTLE UPON TYNE/TEESSIDE OFFICES**

**CORPORATE APPOINTMENTS**

The narrative below refers to the time cost grid provided to creditors in compliance with Statement of Insolvency Practice SIP 9 and summarises the detailed time records maintained by Begbies Traynor (Central) LLP, more detail of time spent with time recorded over 28 separate headings is available on request

Some of the detail may not be appropriate to this particular insolvency appointment

**ADMINISTRATION AND BANKING**

**Appointment and Case Planning** - initial notifications of appointment to creditors, statutory notices, statutory adverts etc after appointment All correspondence with Companies House and the Court Any necessary consideration of validity of appointment All work relating to obtaining and maintaining the IP bond

**Administration and Banking** - general administration not covered within a specific time code Bank reconciliations, general case banking, fee calculation, SIP 9 grids and WIP

All closing matters and any post closure work

**Statutory Reporting and Statement of Affairs** - all reports and returns not under another specific time coding Case reviews, consideration of strategy File notes, planning meetings, internal meetings for case discussion and file reviews

Preparation and review of receipts and payments accounts

Contact with Directors re preparation/submission of Statement of Affairs

**INVESTIGATIONS**

**CDDA and Investigations** - drafting and submission of CDDA reports/returns to DBIS and any necessary follow up work in relation to Directors (Includes any travel specifically for CDDA proceedings)

All general investigation work other than that specifically required for CDDA reporting and proceedings - e.g investigations to identify antecedent transactions, preferences, transactions at undervalues, misfeasance's, director overdrawn loan accounts etc

**REALISATION OF ASSETS**

**Debt Collection** - preparation of, and review of, the schedule of book debts, all work and correspondence to collect book debts (but not 'Trading' debts) and other debts such as claims, refunds etc, investigating likelihood of recovery and write offs, all contact with debtors, instruction of solicitors, negotiation of any commercial settlements

**Property, Business and Asset Sales** - all steps to be taken to preserve and realise fixed charge assets and floating charge assets (other than book debts) including stock, WIP, plant and equipment, computers, office furniture and equipment and motor vehicles

Negotiations and steps pre and post completion relating directly to sale of business/assets

Sale of any intangible assets eg IPR, copyrights, patents

**Retention of Title/Third Party Assets** - general enquires, stock-taking, agreeing claims and correspondence with ROT creditors

Dealing with hire purchase, lease purchase, lease, rental and hire creditors etc

Dealing with landlords, surrenders and disclaimers of leases

**TRADING (if appropriate)**

**Trading** - Trading strategy meetings, site attendance, dealing with customers/suppliers and dealing with accounts, collection of trading debts and including employee issues arising during trading but not redundancy

Preparation of trading facts and figures, all necessary accounting, dealing with VAT, PAYE etc for the trading period Management and control of the trading, reporting to funders, banks and other third parties

**CREDITORS**

**Secured** - establishing validity and scope of security, all correspondence and work associated with distribution to secured creditors Communications with and reporting to secured creditors

**Others** - correspondence, e-mails, phone calls with preferential and non preferential unsecured creditors (including dealing with enquiries from parties who claim to be creditors) and with members

Acknowledgement and recording of creditor claims Adjudication of the claims as appropriate

Redundancy, employee claims and correspondence (other than employee issues arising as part of trading), DBIS RPO correspondence

**Creditors Committee** - meetings, reports to and dealings with creditors committee / liquidation committee, if appointed

**OTHER MATTERS**

**Meetings** - all meetings, including statutory meetings, following appointment other than creditors committee / liquidation committee meetings, other meetings (excluding those specifically part of investigations or CDDA reporting/proceedings) and internal case strategy meetings

**Tax** - all statutory returns, VAT returns, CT returns, P35 PAYE returns, all calculations, disputes, enquiries and inspections

**Litigation** - all work relating to legal proceedings (following issue of proceedings)

**Other** - all work involving pension issues

Travel to businesses, meetings, Courts, Directors, shareholders and in respect of trading insolvencies (Excludes any travel specifically for CDDA proceedings)

**Begbies Traynor (Central) LLP, Newcastle upon Tyne and Teesside.**

**ST. JAMES SECURITY LIMITED T/A IPC SECURITY (In Administration)**

**TOUCHLINE EVENT MANAGEMENT LIMITED (In Administration)**

**SJS (HOLDINGS) LIMITED (In Administration)**

**Together referred to as "The Group"**

**INFORMATION ABOUT THE COMPANY AND THE PRE-PACKAGED SALE OF THE GROUP'S ASSETS AND UNDERTAKING ON 23 JULY 2010**

**Background Information**

The Administrators' Statement of Proposals for achieving the purpose of the Administration which will be sent to creditors in due course will provide detailed information in relation to the Group

However, to assist creditors who may have a limited understanding of the Group and their affairs to better understand the reasons for the pre-packaged sale, we have provided certain background information at this stage

St James Security Limited T/A IPC Security provided security services including retail security, manned guarding, mobile patrols, CCTV Personnel and key holding

Touchline Event Management Limited provided stewarding for public events such as race meetings and shows

SJS (Holdings) Limited was a dormant company

The three Companies who make up the Group are owned 100% by IPC International Corporation (UK) Limited which acts as a holding company

The Group traded from leased premises at Allison Court, Gateshead, Nickalls House, Gateshead, at Nasmyth Building, Scottish Enterprise Technology Park, East Kilbride and at Hersham Place, Technology Park, Walton on Thames

The Group had been operating for 14 years and employed approximately 1000 people

The Group turnover for the year ending September 2009 was £12.1m. The Group traded predominantly in the North East of England where 75% of the turnover was generated. A further 20% of turnover was generated from Scotland and the remaining 5% of turnover from other areas of England.

Approximately five years ago the shareholders of IPC International Corporation (UK) Limited sold 51% of their shares to IPC International Corporation an American company. The Group had been making trading losses year on year and required new investment. The American company invested approximately £4.4m over a five year period to allow the Group to continue to trade.

During this five year period new management has been brought in to restructure the business and to return the Group to profit. Measures such as introducing new time recording systems to allow accurate and timely invoicing have been introduced, the management structure has been changed and the product was re-branded in November 2009. Management have advised that these changes did show beneficial results, however the business was still

showing a loss in 2009 albeit a smaller loss than in previous years

In June 2010 a cash call was made to the majority shareholder, however due to factors outside the Groups control further support was not forthcoming. As such, a call was put out to the other shareholders who hold 49% of the shares, who took the decision that they too were unable to provide funding.

As soon as the Director became aware that there was no funding available from either group of shareholders he sought insolvency advice, as without further financial support the business would have been unable to pay debts when they fell due.

Further to the funding issues, the Company received a 7 day notice of a winding up petition on 20 July 2010 from HM Revenue & Customs for outstanding VAT.

### **The reasons for the pre-packaged sale**

On 29 June 2010 the Director of the Group met with Begbies Traynor (Central) LLP to try and formulate a strategy for the rescue of the Group.

At this time the Group had sufficient funds to make critical payments to creditors and to pay the payroll which was due on 9 July 2010.

The Group employed approximately 1000 staff. The majority of the employees were based on sites in the North East of England and Scotland.

The business was a people business and without the employees in situ it could not operate and there would be no business to sell.

Management believed that if the employees were not paid they would not turn up to work. This would result in customers being unable to operate, i.e. shopping centres would not be able to open if they did not have security in place. If this happened, clients would terminate their existing contracts with the Group and there would be no business to sell. In addition, the debtor book would suffer as customers would claim damages for breach of contract and loss of business against the outstanding invoices.

Therefore, to retain the contracts and a saleable business, the Group needed to prevent any break in the service provided to customers. To achieve this, funds had to be available to pay wages until a sale of the business could be achieved.

Andrew Haslam of Begbies Traynor (Central) LLP, advised the Company prior to being appointed as Joint Administrator, to consider whether the Group should be placed into Administration on 9 July 2010 following the payroll being paid and then to trade the business while in Administration whilst a buyer was sought.

To action this plan, the Joint Administrators would have required substantial funding to pay the wage bill for the trading period. The wage bill up to 23 July 2010 (the next payroll date) was estimated to be £240,000.

Discussions were held with two interested parties about making funds available to allow an Administrator to trade the business while the business was marketed.

Discussions were also held with alternative fund providers to make funds available to allow an Administrator to pay wages for a short trading period.

Neither the interested parties nor the fund providers were able to support a trading period

St James Security Limited had a Sales Finance facility with Barclay Sales Finance (as discussed later in this Appendix) Andrew Haslam held discussions with Barclays Sales Finance to find out if they would allow a further draw down on their facility to allow wages to be paid after 9 July 2010 if a sale had not happened by this date They agreed that a draw down could be made if an acceptable funded offer was in place at the time the wages were drawn down so as to minimise their risk They would not be able to support any more than a further two week trading period

Andrew Haslam concluded that if the Group was able to make critical payments to creditors and pay wages on 9 July 2010 then it should continue to trade while a short marketing campaign could be undertaken As soon as a suitable buyer could be found a sale had to be structured pre appointment Once the sale was agreed, the Company would be placed into Administration Barclays Sales Finance would allow a draw down for the payment of wages up to the date of Administration with the purchaser immediately taking over the liability moving forward

This would safeguard close to 1000 jobs, ensure a continuity of service for the customers and allow contracts to be retained, keeping the Goodwill of the business intact

#### **FURTHER INFORMATION IN RELATION TO THE PRE-PACKAGED SALE**

##### **Who was the source of Begbies Traynor (Central) LLP's initial introduction to the Company?**

The initial introduction to the Group was through the Group's accountants Ryecroft Glenton of Newcastle upon Tyne

As soon as the Director Mark Partridge, became aware that neither group of shareholders were willing to meet the cash call, he contacted his accountant who advised that he speak to Begbies Traynor (Central) LLP Andrew Haslam met initially with the Director on Monday 21 June 2010

##### **What was the extent of Andrew David Haslam and Bob Maxwell, and Begbies Traynor (Central) LLP's involvement with the Company before appointment?**

A meeting took place at the Group's offices on Monday 21 June 2010 The Director provided Andrew Haslam with an outline of the current position and his concerns that the business may now be trading while insolvent The proposed Administrator gave the Director initial insolvency advice, but cautioned the Director that the advice given was to the Group and not the Director on his personal position, the Director was encouraged to take independent advice

The Director contacted Begbies Traynor (Central) LLP on 29 June 2010 to discuss the position of the Group further, whereby he provided further background information and what he was hoping to achieve with the Group

The Director had been in office since 2008 at which time he had been brought into the Group to look to restructure and return the Group to profitability

The Director believed that there was a profitable business but acknowledged that the restructuring had taken longer than had been anticipated and further funds were required to complete the exercise

The Director was aware that the Group could not continue to trade as it was insolvent but was very conscious that a failure of the business would result in close to 1000 people being made

redundant He was very keen to explore all alternatives to find a new investor

The critical payments in the next four weeks were discussed with the Director Wages were due on 9 July 2010, 23 July 2010 and 28 July 2010 The Group had sufficient funds to pay the wages on 9 July 2010 but at this stage it was uncertain whether there would be sufficient funds to make the second wages payment

The Group banked with Barclays Bank Plc (the Bank) who held a fixed and floating charge over the assets of the Group St James Security Limited also operated an invoice discounting facility with Barclays Sales Finance

Robert A H Maxwell had spoken with the Bank on Tuesday 22 June 2010 to advise them that the Group had put out a cash call to its shareholders but this had not been met and as a result the Group was currently unable to pay all debts when they became due

A meeting was held with the Bank, the Director and Begbies Traynor (Central) LLP to discuss the options open to the Group on 7 July 2010 The Bank requested cash flow forecasts be prepared by the Group and monitored by Begbies Traynor (Central) LLP for the following 4 week period with critical payments being identified and notified to the Bank to allow payments to be made

The Bank also agreed to the invoice discounting facility to continue

It was agreed that BTG McInnes Corporate Finance would be instructed to confidentially market the business for sale The Director was also asked to suggest parties that should be approached

It was vital that the financial problems that the Group was facing were not known to the market as there was a great risk that competitors would try to acquire the Group's main contracts If this happened there would be no business to sell

**What marketing of the Company's undertaking and assets was undertaken by the Company?**

The Group was not in a position to market the undertaking and assets as there was a real risk that any approach from the Director to a competitor would enable the competitor to start speaking to the Group's main contracts and try to win these without purchasing the business

The decision was taken that the Director would provide details of any parties he believed may have an interest in the business and the approach and subsequent marketing would be done through BTG McInnes Corporate Finance

**What marketing of the Company's undertaking and assets was undertaken by Andrew David Haslam and Robert A H Maxwell?**

BTG McInnes Corporate Finance part of the BTG Group were instructed to confidentially market the business They sent out a bulletin of key information about the sale without identifying the Group on 16 July 2010 This was sent to seventeen Venture Capital providers, all Partners of the BTG Group, to consider if the Group may be of interest to any of their clients or contacts and to four other parties

A non disclosure agreement was requested by three parties so that further information could be provided

One party submitted an offer which was passed to Andrew Haslam for consideration

Please note that negotiations with the Purchaser (as defined below) in relation to the pre-

packaged sale were conducted by Andrew David Haslam and Robert A H Maxwell prior to their formal appointment as Administrators and not by the Director of the Company

**What valuations of the Company's undertaking and assets were obtained?**

James Sutherland (Auctioneers) Limited were instructed to carry out a valuation of the tangible assets of the business on 20 July 2010

The only tangible assets consisted of office furniture and equipment which was valued on a value to the business basis at £9,195

The vehicles were all on hire agreements and therefore had no value to the business

The Group did not have any stock

**What alternative courses of action were considered by Andrew David Haslam and Robert A H Maxwell?**

The main objective was to find a purchaser of the business or an investor to safeguard close on 1000 jobs

The continuity of the business would also help to maximise the debtor recoveries

The alternative courses of action considered are detailed earlier in this report

Should a purchaser/investor not be found, the business would cease and there would be minimal recoveries from assets

The debtor book would prove difficult to recover as the customers would try to claim set off for business disruption and the costs of re-sourcing the service

**Why was it not appropriate to trade the business during the Administration in order to offer it for sale as a going concern?**

The Administrators looked to find funding to pay wages during a trading period but were unable to secure any funding as explained above

The Administrators would be unable to trade the business if they could not pay wages

**What requests were made to potential funders to fund working capital requirements during the Administration?**

As detailed above, discussions were held with two interested parties about making available funds to allow trading to take place

Discussions were also held with alternative fund providers to make funds available to allow the Administrators to pay wages for a short trading period

Neither the interested parties nor the fund providers were able to support a trading period

**What consultations were made with major creditors?**

The major creditor was the Holding Company, IPC International Corporation (UK) Limited. The American shareholders of this Company had lent in excess of £4.4m to the Holding Company who had then lent the money to St James Security Limited. The American shareholders were advised by Andrew Haslam of the proposed sale strategy. They did not register any objection to the strategy.

**What was the date of the transaction?**

The sale of the assets and business of the three Group Companies took place at 4.10pm on

23 July 2010 following the Appointment of Joint Administrators over the three Group Companies earlier that afternoon

**What were the assets sold, what was the nature of the transaction and what was the consideration for the sale?**

St James Security Limited

Plant and Machinery, the Property, the Business, the Goodwill, the Customer Contracts, the Intellectual Property, the Marketing Information and the Sale Information - **£25,000**  
Work in Progress - **£263,000**

Touchline Event Management Limited

Plant and Machinery, the Property, the Business, the Goodwill, the Customer Contracts, the Intellectual Property, the Marketing Information and the Sale Information - **£9,999**

SJS (Holding) Limited

Plant and Machinery, the Property, the Business, the Goodwill, the Customer Contracts, the Intellectual Property, the Marketing Information and the Sale Information - **£1**

The consideration was paid in full by the purchaser on 23 July 2010.

**Is the sale part of a wider transaction? If so a description of the other aspects of the transaction**

No

**Who was the purchaser?**

The company that the Joint Administrators negotiated the sale of the business with was Churchill Contract Services Limited a contract cleaning company based in Harpenden, Hampshire. They set up a new legal entity IPC Security (2010) Limited, Company Number 07317266 to purchase the assets

**Is there a connection between the purchaser and the Director, shareholders or secured creditors of the Group?**

The Joint Administrators are not aware of any connection between the purchaser and the Director, shareholders or secured creditors of the Group

**Is the Director, or former Directors of the Group involved in the management or ownership of the purchaser, or of any other entity into which any of the assets have been transferred? If so, who are they?**

From information obtained at Companies House and from information provided by the Director the Joint Administrators are not aware of the Director, Mark Partridge or former Directors of the Group being involved in the management of the Purchaser or any other entity into which the assets have been transferred

The Director of the Group, Mark Partridge has been retained by the purchaser and we understand he is currently negotiating his role within the new company

**Had any Director of the Group given guarantees for amounts due from the Company to a prior financier? Is that financier financing the new business?**

The Director has informed the Joint Administrators that he has given no guarantees to a prior financier

**What options, buy-back arrangements or similar conditions are attached to the contract of sale?**

None



## Summary of the Joint Administrators' Proposals

- 1) The Joint Administrators will seek to agree creditors' claims generally
- 2) The Joint Administrators, if they see fit, make an application pursuant to paragraph 65(3) of Schedule B1 of the Insolvency Act 1986, for the permission of the Court to make a payment by way of a distribution to all or any creditors where such distribution is considered to be in the best interests of creditors as a whole
- 3) The Company shall remain in Administration for such period as the Joint Administrators deem necessary and appropriate. The Administration period is limited to 12 months unless extended
- 4) If necessary, the Joint Administrators shall have the authority to apply to Court for an extension of the duration of the Administration (in accordance with the provisions of Schedule B1 paragraph 76(2) of the Insolvency Act 1986)
- 5) In the event that the Joint Administrators are of the view that it is appropriate for the Company to move from Administration into Liquidation, the Joint Administrators be authorised to take steps to place the Company into creditors voluntary liquidation as detailed in the 'Exit from Administration' section in the main body of the report
- 6) In the event that the Company moves to Liquidation the Joint Administrators be appointed as Joint Liquidators as detailed in the 'Exit from Administration' section in the main body of the report
- 7) If the Joint Administrators consider that there will be no distribution to unsecured creditors, and if they also consider that an exit from Administration into Liquidation is not appropriate, then the Joint Administrators be authorised to take the necessary procedural steps to bring about the end of the Administration and move the Company into dissolution pursuant to paragraph 84 of Schedule B1 of the Act. For more details of this procedure, please refer to the 'Exit from Administration' section below
- 8) Upon the Company either proceeding into Liquidation or dissolution as set out above, the Joint Administrators discharge from liability, pursuant to paragraph 98 of Schedule B1 shall take effect fourteen days following either the Company entering into Liquidation or filing the Notice moving from Administration to dissolution
- 9) For the purposes of Rule 2.106(2)(b) of the Insolvency Rules 1986, the Joint Administrators' remuneration be fixed on the basis of their hourly costs at scale rates calculated on the time properly spent in the course of the Administration and that, subject to full disclosure to creditors in accordance with *Statement of Insolvency Practice 9* issued by the Joint Insolvency Committee on behalf of the Joint Administrators' licensing bodies, they may draw their remuneration on account as and when funds permit. For more details please refer to the 'Administrations Remuneration' section in the main body of the report
- 10) The Joint Administrators shall have authority to sanction and agree the fees of any solicitors, quantity surveyors or similar agents by reference to the time given by such agents and their staff, in attending to matters arising in the Administration
- 11) The Joint Administrators be at liberty to recharge disbursements including disbursements for services provided by their firm (defined as Category 2 disbursements in *Statement of Insolvency Practice 9* as detailed in the Guide to Administrators' Fees details of which are set out at Appendix 3
- 12) The Joint Administrators be at liberty to pay costs and remuneration as and when funds become available
- 13) Without prejudice to the provisions of Section 14 of the Insolvency Act 1986, the Joint Administrators may carry out all other acts that they may consider to be incidental to the Proposals above in order to assist in their achievement of the stated purposes of the Administration order or any variation thereto