

The Insolvency Act 1986

Administrator's progress report

Name of Company
Phoenix Chemicals Limited

Company number
03681753

In the High Court of Justice, Chancery Division, Manchester District Registry (full name of court)

Court case number 54 of 2011

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

I/We (a)
Christopher Ratten
RSM Tenon Recovery
Arkwright House
Parsonage Gardens
Manchester
M3 2LF

Jeremy Nigel Ian Woodside
RSM Tenon Recovery
Arkwright House
Parsonage Gardens
Manchester
M3 2LF

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

(b) Insert date

From
(b) 25 January 2011

To
(b) 24 July 2011

Signed

Joint / Administrator(s)

Dated

12/8/11

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

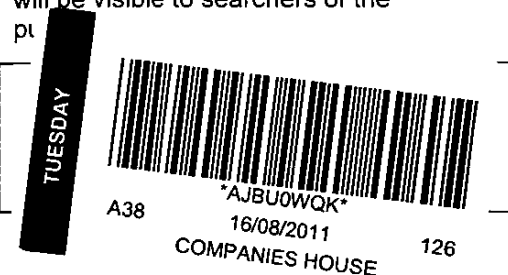
The contact information that you give will be visible to searchers of the

Christopher Ratten
RSM Tenon Recovery
Arkwright House
Parsonage Gardens
Manchester
M3 2LF

DX Number

+44 (0)161 834 3313
DX Exchange

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



Phoenix Chemicals Limited (“the Company”) – In Administration

**Joint Administrators’ First Progress Report
for the period from 25 January 2011 to 24 July 2011**

Issued on: 12 August 2011

Christopher Ratten and Jeremy Nigel Ian Woodside of RSM Tenon Recovery are the Joint Administrators of the Company and this is their report on the progress of the administration of the Company for the period from 25 January 2011 to 24 July 2011

1 Statutory Information

Statutory information relating to the Company is attached at **Appendix I**

2. Joint Administrators' receipts and payments account

A summary of the Joint Administrators' receipts and payments account relating to the Company for the relevant period from 25 January 2011 to 24 July 2011 is attached at **Appendix II**

3. Action taken by the Joint Administrators since appointment

Administrators' Proposals

As no meeting of creditors was requisitioned, I can confirm that creditors have been deemed to approve the Administrators' proposals previously circulated on 17 March 2011

Summary of steps taken since appointment

A summary of the actions taken by the Administrators from appointment to 17 March 2011 was included in the Administrators' proposals issued on 17 March 2011. To summarise

- On the Administration appointment, we attended the Company's trading premises located at Bromborough and Annan and immediately took control of the business and assets. The decision was taken to trade the business for a short period whilst a purchaser for the business was sought. It was envisaged that this would maximise asset realisations and achieve a better outcome than would have been achieved from an immediate cessation of trade and sale of the assets and stock on a break up basis. It would also allow work in progress to be converted into saleable finished goods. The Company continued to manufacture and sell product from both of its sites.
- Lloyds TSB Commercial Finance ("LTSBCF") agreed to provide the Company with an invoice discounting facility during the Administration trading period, to assist with the cash flow requirements of continued trade.
- Following an immediate review of staffing levels and costs, it was necessary to make a number of redundancies and the staffing level across the two manufacturing sites reduced from 112 to 71 employees on 25 January 2011.
- Prior to the Administration appointment, a discreet marketing campaign was undertaken by the proposed Administrators in an attempt to generate interest in the business and/or assets of the Company. A database of firms who operate in the same sector as the Company, including certain of the Company's customers, were contacted and provided with relevant Company documentation if interested, subject to appropriate confidentiality agreements being put in place.

- The Administrators continued to market the business for sale following appointment. This involved liaising with parties who had expressed interest prior to the Administration and any parties who contacted the Administrators directly as a result of the Administration.
- Detailed discussions took place with interested parties identified before and after the date of Administration and a total of 33 parties had access to certain information concerning the Company. Following these discussions, a deadline for best and final offers for the whole or part of the business and assets was set for 21 February 2011. This resulted in 4 offers for the whole business, one of which was subsequently withdrawn. None of the remaining 3 offers were considered acceptable as they were all significantly below our agents' valuations and it was considered that the best outcome for creditors would result from a sale of the intellectual property and technology side of the business followed by the disposal of the properties and tangible assets on a break-up basis.

Summary of steps taken from 17 March 2011 to 24 July 2011

- Production at Annan ceased at the end of February 2011 and production at Bromborough ceased on 8 March 2011. All finished goods produced during Administration trading have been sold. A summary of trading is provided in more detail below.
- The Administrators continued negotiations with 3 parties who expressed an interest in purchasing the intellectual property and technology side of the business, together with associated items of plant and machinery. On 30 March 2011, a sale of the intellectual property together with certain items of plant and machinery located at Bromborough and Annan was completed to Bakhu Limited.
- Bakhu Limited is a connected party as it is under the control of two directors of the Company, Colin Leece and Lee Procter. The sale consideration received was £950,000. The sale consideration was received in full by our solicitors on the date of completion.
- The sale consideration was apportioned as follows:

	£
Intellectual Property	750,000
Plant & Machinery at Bromborough	175,000
Plant & Machinery at Annan	25,000
Total	950,000

- A licence to occupy a small part of the Bromborough facility was granted to Bakhu Limited for up to 6 months whilst the assets are uplifted. A monthly licence fee of £800 is payable to the Company.
- The Administrators took advice from DLA Piper Solicitors and Winterhill Asset Limited regarding this transaction and Bakhu Limited was independently advised by Hill Dickinson Solicitors.
- A further offer was received from Bakhu Pharma Limited on 31 March 2011 in the sum of £2,700,000 for the Annan facility as a whole together with certain specific assets located at the Bromborough facility. Bakhu Pharma Limited is also a connected party as it is under the control of two directors of the Company, Colin Leece and Lee Procter. Following a review and discussions with Bakhu Pharma Limited, the offer was increased to £2,800,000 on 1 April 2011. The offer was in line with my agents' estimated to

realise values for the assets and my agents, Winterhill Asset Limited, recommended acceptance of the offer

- After protracted contract negotiations, the sale completed on 9 June 2011 and the sale consideration of £2,800,000 was released to our solicitors on the same date
- The sale consideration was apportioned as follows

	£
Annan Freehold Land and Property	1,200,000
Annan Plant and Machinery	1,400,000
Bromborough Plant and Machinery	100,000
Stock	100,000
Total	2,800,000

- The sale has resulted in fixed charge realisations in excess of our agents' market value and has avoided significant holding costs and decommissioning costs
- The Administrators took advice from DLA Piper Solicitors and Winterhill Asset Limited regarding this transaction and Bakhu Pharma Limited was independently advised by Leslie Wolfson & Co Solicitors
- The remaining employees at Annan were transferred to Bakhu Pharma Limited and the site licences were transferred with the permission of the Scottish Environment Protection Agency
- As no creditors committee has been formed, the above sales of Company assets to connected parties were not discussed with a creditors' committee prior to completion

Investigations

- Administrators have a duty to submit confidential reports to the government's Disqualification Unit on the conduct of those persons who acted as directors of the Company in the three year period before the Administration. I can confirm that I have conducted my investigations and my report has been completed
- As part of my investigations, I conducted a review of the Company's bank statements and records. My review did not indicate that further investigations would be of benefit to creditors. There are no outstanding lines of enquiry

I will now summarise the progress made in relation to the Company's assets as detailed in the attached receipts and payments account

Factored Book Debts

The Company factored its book debts with Bank of Scotland Commercial Finance ("BOSCF"), and as a result, they were held as security by BOSCF. On appointment, the book value of assigned debts was \$1,093k, which had an estimated to realise value of £682,000 taking account of exchange rate movements. The current account balance owing to BOSCF on appointment was \$195k which equated to approximately £123,079

All assigned debts have now been collected. Collections totalled £678,857 of which £257,811 was retained by

BOSCF to pay their liability and termination/collect out charges in full This left a surplus of £421,046 available to Bank of Scotland Plc ("The Bank")

Intellectual Property

A sale of the Intellectual Property together with certain assets was concluded to Bakhu Limited on 30 March 2011 The sale price agreed for the Intellectual Property of £750,000 was received in full on completion The sale price was in excess of the book value of the Intellectual Property of £105,465 and in excess of the estimated to realise value of £300,000

Plant and Machinery - Bromborough

The Company's plant and machinery located at the Bromborough facility is subject to the Bank's fixed charge as a result of a chattel mortgage in its favour

As a sale as a going concern was not achievable at Bromborough, the decision was taken to sell the plant and machinery at the Bromborough facility on a break-up basis Our agents were instructed to deal with the sale The estimated to realise value of £450,000, as disclosed in the Statement of Affairs, is based upon our agent's estimate of the forced sale value of the plant and machinery Sales have been concluded either via Private Treaty, through a Tender Sale taking place at the beginning of May 2011, or as part of the two separate sales concluded with Bakhu Ltd and Bakhu Pharma Ltd

Realisations of plant and machinery at the Bromborough facility since appointment can be summarised as follows

Sale	£
Sale to Bakhu Limited completed on 30 March 2011	175K
Private Treaty Sales - 30 March 2011	100K
Tender Sale - 9 May 2011	125K
Sale to Bakhu Limited - Completed on 9 June 2011	100K
Further Private Treaty Sales	15K
Total Sales	515K

Realisations received to the Administration account during the period total £275,000 and relate to the two sales completed to Bakhu Limited on 30 March 2011 and to Bakhu Pharma Limited on 9 June 2011 The remaining £240,000 has been paid directly to our agents and has not yet been remitted to the Administration account so is not yet reflected in the attached Receipts and Payments account

Bakhu Limited has expressed an interest in purchasing further plant and machinery located at the Bromborough site and negotiations with Bakhu Limited are ongoing A further marketing campaign undertaken by our agents has received little further interest and our agents have advised that, in relation to the remaining unsold plant and machinery, the greatest realisations will be achieved through disposal as scrap metal

Freehold Land and Property – Bromborough

The Company's land and property located at Bromborough is subject to fixed charges in favour of the Bank, MSIF Mezzanine Fund No 2 and MSIF Venture Fund No 3. As a sale as a going concern was not achievable at Bromborough our agents have been instructed to market the property for sale.

A licence to occupy unit 16 and unit 30 of the property has been granted to Bakhu Limited following the first sale completed on 30 March 2011. Licence fees totalling £800 per month are payable to the Administrators. To date, £2,400 has been received. A further licence is being finalised which will allow Bakhu Limited to occupy the ground floor laboratories within units 32 and 34 at Bromborough pending possible agreement of a lease for these two units.

Our agents have received interest from 3 other parties regarding the property and are currently in talks with these parties with a view to progressing their interest.

Site Ops Limited were appointed to advise the Administrators and to supervise the equipment, waste removal and decommissioning activities at the Bromborough facility. Site Ops Limited are also the principal contractor and co-ordinator for the site as required under CDM Regulations and are assisting with the permit surrender, environmental and health and safety issues at the site.

Freehold Land and Property – Annan

As detailed above, the freehold land and property at Annan was sold to Bakhu Pharma Ltd for £1,200,000 which exceeded the estimated to realise value of £850,000.

Plant and Machinery – Annan

Realisations totalling £1,362,500 have been received in respect of the plant and machinery at Annan which is in line with the estimated to realise value of £1,400,000.

Stock

At the date of appointment, the Company's balance sheet included stock with a book value of £2,277,560. This consisted of finished goods, work in progress and raw materials. Some of this stock was utilised during Administration trading period. A quantity of stock located at Bromborough and Annan was sold to Bakhu Pharma Limited on 9 June 2011 for the sum of £100,000, this being in line with my agent's valuation of the stock. Some stock was unsaleable and has required disposal via specialist waste disposal contractors.

Non-Factored Book Debts

The Company's debtor ledger also included some non-factored debts with a book value of £485,718 and an estimated to realise value of £450,000 on appointment. Book debts totalling £453,588 have been collected during the period. The Administrators are continuing to chase the remaining outstanding balances however, it is uncertain whether there will be any further realisations.

Rates Refund

At the date of appointment, the Company's balance sheet included a rates refund with a book value of £8,280.

The rates refund was received in full during the period

Trading Surplus

As discussed above, the Company continued to trade following appointment from its two trading premises located at Bromborough and Annan. This was to allow work in progress to be converted in to saleable finished goods and to allow the possibility of a going concern sale to be explored.

The interest that was generated during the period of Administration trading has allowed £750,000 to be realised in relation to the Intellectual Property as well as allowing a sale of the Annan manufacturing site to take place resulting in reduced decommissioning and site holding costs and improving the outcome for creditors.

Production at Annan ceased at the end of February 2011 and production at Bromborough ceased on 8 March 2011. Two members of staff remain employed at the Bromborough facility, assisting the Administrators with various matters including the decommissioning of plant and machinery.

The sum of £76,490 detailed on the receipts and payments account represents the trading surplus as at 24 July 2011. Further sales receipts are being pursued and there remain some trading expenses to be discharged. It is anticipated that the final trading surplus will be slightly in excess of £150,000.

A trading account is also provided at **Appendix IV** which details Administration sales, purchases, other direct costs together with trading expenditure. I would comment as follows:

- Sales receipts to date total £1,617,479. Further trading sales receipts of approximately £200,000 are being pursued.
- In addition to staff wages, arrears of pay totalling £120,880 have been paid to employees who have assisted with the Administration trading, reducing preferential creditors claims.
- Other payments are either trading purchases or expenses and are self explanatory.

4. Future Actions of the Joint Administrators

Decommission and disposal of assets at the Bromborough facility

The Administrators will continue to monitor the progress of the decommissioning activities at the Bromborough facility together with the disposal of the remaining plant and machinery and the freehold land and property at Bromborough.

Tax Refunds

The Company has historically claimed R&D tax refunds and at the date of appointment, the Company's balance sheet included a VAT refund due to the Company with a book value of £98,722. The Company's tax position is being reviewed to determine whether any refunds may be due, however the realisable value is uncertain since there is expected to be crown set-off in respect of the PAYE liability owed.

Administration Extension

The appointment of Administrators will cease to have effect at the end of the period of one year beginning with the date of the Administrators' appointment, being 25 January 2011

Should it be considered necessary, the Administration can be extended by application of the Administrators to court for a specified period or, the Administrators may seek to extend the Administration for a specified period not exceeding six months by consent of the Company's secured and preferential creditors

Prior to any formal application to court, should any creditors have any concerns or objections regarding such an extension, please contact Steven Colclough on the number provided above

5. Liabilities and dividends

Secured Creditors

Bank of Scotland Commercial Finance ("BOSCF")

The Company factored its book debts with BOSCF, and as a result, they were held as security by BOSCF. All assigned debts have now been collected and BOSCF has been repaid in full.

Bank of Scotland Plc ("The Bank")

At the date of the Administration, the Bank was owed approximately £1,182,057. The Bank holds a debenture dated 16 July 2008 creating fixed and floating charges over the assets of the Company and a chattel mortgage over the plant and machinery at the Company's Bromborough premises dated 11 January 2011.

The Bank has been repaid in full during the period with a total distribution of £1,213,715 having been paid.

Shasun Pharma Solutions Limited ("Shasun")

At the date of the Administration, the Company's books and records showed £625,000 as outstanding to Shasun, although this balance was later revised to and agreed at £665,376 as a result of an additional outstanding invoice. Shasun held a fixed charge dated 4 September 2009 over the property at Three Trees Road, Newbie, Annan. Shasun has been repaid in full during the period from fixed charge realisations from the sale of the Annan freehold land and property.

Trustees of HA Cann 1997 Trust ("The Cann Trust")

At the date of the Administration, the Cann Trust was owed the sum of £15,856,969. The Cann Trust held standard security dated 19 March 2010 creating a second fixed charge over the freehold land and property located at Annan. The Cann Trust has been paid an initial distribution of £100,000 under its second fixed charge over the Annan freehold land and property.

In addition, the Cann Trust owned finished goods stock purchased from the Company for the sum of £660,000. The Administrators agreed that during the Administration trading period, the Administrators would seek to sell this stock and pay the Cann Trust the sum of £660,000 from the sale proceeds. The Cann Trust has been paid £540,000 to date.

The Merseyside Special Investment Fund ("MSIF")

At the date of the Administration, MSIF is understood to have been owed £223,437 in respect of the MSIF Mezzanine Fund No 2 and £1,000,000 in respect of the MSIF Venture Fund No 3. No distributions have been paid to MSIF to date.

MSIF Mezzanine Fund No 2 is expected to be repaid in full from fixed charge realisations.

MSIF Venture Fund No 3 is currently expected to receive a substantial distribution following the sale of the Bromborough freehold property.

Preferential Creditors

The only known preferential creditors are employees and former employees of the Company who have claims for holiday pay and wage arrears owing, together with arrears of contributions owed to the pension scheme. Preferential claims are subject to a maximum limit set by the insolvency legislation.

A distribution of 100p in £ was paid to preferential creditors on 27 June 2011. A total of £219,697 was paid to preferential creditors, this being made up of £60,012 paid to employees for arrears of wages and holiday pay and £159,685 paid in relation to the pension scheme arrears.

Prescribed Part/Unsecured Creditors

The only secured creditor expected to have to rely upon floating charge security will be MSIF. The Company granted a debenture in favour of MSIF on 21 June 2002 and, given that its floating charge security was created and registered prior to 15 September 2003, the prescribed part rules will not be applicable in this instance.

6 Joint Administrators' Remuneration, Disbursements and Expenses

Basis of remuneration and disbursements

The Joint Administrators' Proposals provided for the Joint Administrators to be remunerated with reference to time properly spent in dealing with matters in the administration and that disbursements would be drawn in accordance with the tariff outlined in **Appendix III**. The Joint Administrators' remuneration and disbursements on the basis outlined in the Proposals were approved by the secured creditors on the following dates:

- The Bank – 3 May 2011
- Shasun – 15 April 2011
- The Cann Trust – 4 May 2011
- MSIF – 19 April 2011

Approval was not sought from preferential creditors as all preferential creditors were paid a distribution of 100p in £ before any remuneration was drawn.

Remuneration charged and drawn in the period

The Joint Administrators' time costs were charged (exc VAT) as follows

	Incurring	Paid
For this period from appointment 25 January 2011 to 24 July 2011	£665,529 10	£501,000

The Administrators' remuneration drawn totalling £501,000 has been allocated £250,000 against fixed and £251,000 against floating charge realisations. This includes £1,000 drawn by RSM Tenon VAT specialists in connection with advice given during the sale negotiation process with Bakhu Limited

In accordance with Statement of Insolvency Practice 9, attached at **Appendix III** is a breakdown of these time costs

Since the end of this period to the current date, further time costs have been incurred of £22,387 35 representing 96 70 hours

Disbursements incurred and drawn

The Joint Administrators' disbursements incurred during the period of this report and those reimbursed in the period are summarised below. Details are in the attached **Appendix III**.

	Incurring	Paid
Category 1 disbursements for this period from appointment -25 January 2011 to 24 July 2011	£13,456 00	£1,000 00
Category 2 disbursements for this period from appointment -25 January 2011 to 24 July 2011	£Nil	£Nil
Total	£13,456.00	£1,000 00

Expenses (professional advisors) charged and drawn in the period

The following professional advisors have been instructed in this matter

Professional Advisor	Nature of Work	Fee Arrangement
Winterhill Asset Limited	Agents - Valuation of assets/ assistance with disposal of plant and machinery at Annan and Bromborough/ Marketing Bromborough property	Based upon % of assets realised
DLA Piper UK Limited	Solicitors - Preparing documentation for Administration appointment, security advice, preparing sale contracts/ general advice throughout	Time Costs Basis
Site Ops Limited	Supervising the equipment/waste removal/decommissioning activities at the	Time Costs Basis

Bromborough premises Acting as principle contractor/co-ordinator Responsible for the permit surrender, environmental and health and safety at the site

Force4 Security

Provision of on site security at Bromborough and Annan facilities Time Cost Basis

The choice of professionals was based on perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the Administrators' fee arrangement with them. Details of the costs incurred and paid by the Administrators in relation to administration expenses for the period are also attached at **Appendix III**

Pre-administration costs

The secured creditors have also resolved that the Joint Administrators be authorised to draw pre-administration costs of £36,856 05 plus VAT, as was detailed in my statement of pre-administration costs contained within my proposals. The date of approval of pre-administration costs by the secured creditors is as is detailed above.

These costs were drawn in full on 29 June 2011

Creditors' Guide to Fees and statement of creditors' rights

Creditors have a right to request further information from the Administrators and additionally have a right to challenge the Administrators' remuneration and expenses. Time limits apply. Details can be found in the document 'Remuneration Guidelines Administration (post 6 April 2010)' which you can access and download at <http://www.rsmtenton.com/creditorguides>. Alternatively a copy is available free of charge upon request from the address above.

7. End of Administration

As outlined in the initial report to creditors, as there will be no return to unsecured creditors, the Company will be dissolved following cessation of the Administration.

The Joint Administrators have obtained the agreement of the secured creditors that upon the Company proceeding into dissolution, the Joint Administrators discharge from liability, pursuant to paragraph 98 of Schedule B1 shall take effect 14 days following the Company filing the notice of moving from Administration to dissolution.



Christopher Ratten
Joint Administrator

*Licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales
The affairs, business and property of the Company are being managed by the Administrators*

Appendix I

Company Information

Company Name	Phoenix Chemicals Limited
Previous Name	Phoenix (Wirral) Ltd (Name changed on 28 September 1999)
Company Number	03681753
Date of Incorporation	10 December 1998
Trading Address	34 Thursby Road, Croft Business Park, Wirral, Merseyside, CH62 3PW Three Trees Road, Newbie, Annan, Dumfriesshire, DG12 5QH
Current Registered Office	Arkwright House, Parsonage Gardens, Manchester, M3 2LF
Former Registered Office	34 Thursby Road, Croft Business Park, Wirral, Merseyside, CH62 3PW
Principal Trading Activity	Research, development and manufacture of chemicals

Appointment details

Joint Administrators' name and address	Christopher Ratten (IP Number 9338) of RSM Tenon Recovery, Arkwright House, Parsonage Gardens, Manchester, M3 2LF and Jeremy Nigel Ian Woodside (IP Number 9515) of RSM Tenon Recovery Arkwright House, Parsonage Gardens, Manchester, M3 2LF
Date of appointment	25 January 2011
Court Name and Reference	High Court of Justice, Chancery Division, Manchester District Registry 54 / 2011
Appointment made by	Directors - 34 Thursby Road, Croft Business Park, Wirral, Merseyside, CH62 3PW
Actions of Joint Administrators	Any act required or authorised under any enactment to be done by an Administrator may be done by either or both of the Administrators acting jointly or alone
Extension to period of appointment	Not Applicable – No Extension as yet

Appendix II – Receipts and Payments account

Phoenix Chemicals Limited
(In Administration)
Joint Administrators' Trading Account
To 24/07/2011

S of A £	£	£
POST APPOINTMENT SALES		
Sales - UK	447,282 54	
Sales - Ireland	1,096,929 99	
Sales - India	73,266 18	
		1,617,478 71
PURCHASES		
Purchases	589,601 11	
		(589,601 11)
OTHER DIRECT COSTS		
Fuel Oil	43,681 48	
Waste Removal	20,830 58	
Royalty Payments	59,776 08	
		(124,288 14)
TRADING EXPENDITURE		
Staff Wages	484,760 63	
Other Staff Costs	26,398 06	
Rates	18,863 65	
Heat, Light & Water	76,419 22	
Motor and Travel	1,386 30	
Telephone	2,752 90	
Haulage Costs	6,789 30	
Insurance	8,000 00	
Licence Fees	17,969 06	
Bank Charges	375 00	
Factoring Charges & Interest	38,552 07	
Lease/HP Payments	11,818 40	
Repairs & Maintenance	5,400 08	
Sundry Expenses	755 49	
Security Costs	5,978 40	
Arrears of Pay	120,880 56	
		(827,099 12)
TRADING SURPLUS/(DEFICIT)		76,490.34

Phoenix Chemicals Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments
To 24/07/2011

S of A £		£	£
	SECURED ASSETS		
682,000 00	Factored Book Debts	678,857 14	
(123,079 00)	Bank of Scotland Commercial Finance	(257,811 31)	
300,000 00	Intellectual Property	750,000 00	
450,000 00	Plant & Machinery - Bromborough	275,000 00	
Uncertain	Freehold Land & Property - Bromborou	NIL	
(1,182,057 00)	Bank of Scotland plc	(1,213,715 48)	
(223,437 00)	MSIF Mezzanine Fund No 2	NIL	
(1,000,000 00)	MSIF Venture Fund No 3	NIL	
850,000 00	Freehold Land & Property - Annan	1,200,000 00	
(625,000 00)	Shasun Pharma Solutions Ltd	(665,375 71)	
(15,856,969 00)	Trustees of HA Cann 1997 Trust	(100,000 00)	
			666,954 64
	COSTS OF REALISATION		
	Office Holders Fees	250,000 00	
	Legal Fees	40,588 37	
	Agents Fees	99,000 00	
	Agents Disbursements	10,948 19	
	Insurance	4,000 00	
			(404,536 56)
	ASSET REALISATIONS		
1,400,000 00	Plant & Machinery - Annan	1,362,500 00	
4,000 00	Motor Vehicles	NIL	
Uncertain	Stock	100,000 00	
450,000 00	Non-Factored Book Debts	453,587 82	
	Sundry Debts	1,036 25	
Uncertain	R&D Tax Refund	NIL	
Uncertain	VAT Refund	NIL	
146 00	Cash in hand	NIL	
	Licence Fee	2,400 00	
8,280 00	Rates Refund	8,280 00	
	Bank Interest Gross	160 98	
	Solicitors Interest Received	144 22	
	Trading Surplus/(Deficit)	76,490 34	
	Sundry receipts	71 34	
			2,004,670 95
	COST OF REALISATIONS		
	Specific Bond	1,000 00	
	Preparation of S of A (Third Party)	2,000 00	
	Pre-Administration Fees	36,856 05	
	Office Holders Fees	251,000 00	
	Decommissioning & Environmental Co	26,232 34	
	Site Security Costs	81,512 00	
	Agents Fees	169,000 00	
	Agents Disbursements	22,991 37	
	Legal Fees	72,509 74	
	Advertising business for sale	2,086 00	
	Telephone	5,328 85	
	Lease / HP Payments	11,755 90	
	Heat, light & utilities	126,138 36	

Phoenix Chemicals Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments
To 24/07/2011

S of A £		£	£
	Statutory Advertising	75 60	
	Waste removal & cleaning costs	88,567 31	
	Rates	58,401 03	
	Property / asset maintenance expense	5,244 10	
	Insurance of Assets	3,812 86	
	Wages & Salaries	187,041 39	
	Consultancy Fees & Expenses	3,849 10	
	Bank Charges	14 07	
	Other costs	12 58	
			(1,155,428 65)
	PREFERENTIAL CREDITORS		
(124,596 00)	Employee Arrears of Pay and Holiday	60,012 09	
(166,524 00)	Pension Schemes	159,684 70	
			(219,696 79)
	UNSECURED CREDITORS		
(1,800,641 00)	Trade & Expense Creditors	NIL	
(592,688 00)	Employees PILON and Redundancy P	NIL	
(722,709 00)	HM Revenue & Customs - PAYE & NI	NIL	
(8,445,956 00)	Unsecured loans	NIL	
			NIL
	DISTRIBUTIONS		
(14,865,021 00)	Ordinary Shareholders	NIL	
			NIL
(41,584,251 00)			891,963.59
	REPRESENTED BY		
	Vat Receivable		3,296 91
	LloydsTSBCF Factoring A/c		297,399 56
	Floating Deposit A/c		543,581 22
	Vat Payable		(9,732 55)
	Vat Control Account		57,418 45
			891,963.59

Appendix III – Information relating to the Joint Administrators' Fees and Expenses

Appendix III

Phoenix Chemicals Limited

Information relating to the Joint Administrators' Fees and Expenses

1. Explanation of Administrators' charging and disbursement recovery policies

1.1 Time recording

Work undertaken on cases is recorded in 6 minute units in an electronic time recording system. Time properly incurred on cases is charged at the hourly rate of the grade of staff undertaking the work that applies at the time the work is done. The current hourly charge out rates are

	Rate since 25 January 2011 £
Director and licensed Insolvency Practitioner	355
Associate Director	355
Senior Manager	275-290
Manager	185-200
Senior Administrator	130-173
Administrator	115-121
Cashier	105-115

Secretarial and support staff are not charged to the cases concerned, being accounted as an overhead of RSM Tenon Recovery.

1.2. Disbursement recovery

Disbursements are categorised as either Category 1 or Category 2.

Category 1 disbursements will generally comprise external supplies of incidental services specifically identifiable to the case. Where these have initially been paid by RSM Tenon Recovery and then recharged to the case, approval from creditors is not required. The amount recharged is the exact amount incurred.

Examples of Category 1 expenses are postage, case advertising, specific bond insurance, company search fees, invoiced travel and properly reimbursed expenses incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and document storage.

Category 2 disbursements include elements of shared or allocated costs incurred by RSM Tenon Recovery and recharged to the estate, they are not attributed to the estate by a third party invoice and/or they may include a profit element. These disbursements are recoverable in full, subject to the basis of the disbursement charge being approved by creditors in advance. Examples of category 2 disbursements are photocopying, internal room hire, and internal storage.

The current levels of Category 2 disbursements recovered by RSM Tenon Recovery are as follows

Room hire	£60 00
Envelope	4 2p
Paper (photocopies per sheet)	1 75p
Postage (depending on size and weight)	At cost
Files and dividers (cost per 100 creditors)	£2 00
Storage of archive box for one quarter	£1 60
Travel (per mile)	40p

The costs recharged are based upon the actual cost of the materials used or the costs which would have been incurred if that service had been sourced externally

2. Description of work carried out

Section 3 of this appendix outlines the time costs to date in relation to activities undertaken during this period. These can be summarised as follows:

2.1. Pre-appointment

Details of the Joint Administrators' pre-administration costs are set out in the main body of the report.

2.2 Administration and planning

This includes the following activities which have been undertaken:

- > Statutory duties associated with the appointment including the filing of relevant notices,
- > Notification of the appointment to creditors, members, employees and other interested parties,
- > Setting up case files,
- > Reviewing available information to determine appropriate strategy,
- > Setting up and maintaining bank accounts,
- > 6 monthly progress review of the case

Staff of different levels were involved in the above activities depending upon the experience required.

2.3 Investigations

The time spent includes:

- > Corresponding with the former directors and management,
- > Review of questionnaires and comments provided by interested parties,
- > Review of company documentation,
- > Completion of statutory returns to the Insolvency Service

Due to the complex nature and importance of the investigations, the staff utilised to conduct such work involved experienced members of staff.

2.4 Realisation of assets

Please refer to the main body of the report but in summary the time spent includes

- > Marketing the business with a view to a sale as a going concern
- > Liaison with agents and solicitors,
- > Correspondence and meetings with interested parties,
- > Negotiation and agreement of sale contracts,
- > Reviewing offers,
- > Identifying, securing and insuring of assets
- > Debt collection

Staff were chosen depending upon the appropriate level of experience required for the activity they were required to undertake. The sale of the business was particularly complex and required extensive involvement of the Administrators and senior staff.

2.5 Trading

The business continued to trade for the reasons outlined in the main body of my report.

Trading activities included,

- > Planning appropriate trading strategy,
- > Liaison with employees,
- > Dealing with suppliers,
- > Contact and negotiation with customers,
- > Authorisation of commitments,
- > Review of trading position,
- > Paying suppliers,

Staff were chosen depending upon the appropriate level of experience required for the activity they were required to undertake.

2.6 Creditors

The time spent includes the following matters

- > Recording and maintaining the list of creditors,
- > Dealing with employee related matters,
- > Dealing with reservation of title claims,
- > Recording creditor claims
- > Reporting to creditors,
- > Dealing with creditor queries,
- > Reviewing and evaluating creditor claims,
- > Reporting to the secured creditors,
- > Agreement of preferential claims and payment of dividend,
- > Distribution of funds to secured creditors

3. Time and charge-out summary

For the period of the report 25 January 2011 to 24 July 2011, a total of 3,060 81 hours have been spent at an average charge out rate of £217 44 bringing the total cost to date to £665,529 10

The table below shows details of the time costs charged (exc VAT) in the current period

Classification of work function	Insolvency Practitioner/ Director/ Associate Director	Manager	Hours Other senior professionals	Assistants and support staff	Total	Time cost £	Average Hourly rate £
Administration and Planning	68 40	242 80	247 07	92 20	650 47	122,927 95	188 98
Creditors	6 55	75 75	159 42	0 00	241 72	44,853 56	185 56
Distribution	0 00	9 90	20 40	0 00	30 30	6,301 19	207 96
Employees	23 60	113 85	347 42	0 00	484 87	92,425 92	190 62
Retention of Title	2 25	20 95	60 90	0 00	84 10	15,157 34	180 23
Secured Creditors	39 00	63 70	11 80	0 00	114 50	34,120 17	297 99
Investigations	1 50	6 50	5 90	12 25	26 15	4,563 50	174 51
Book Debts	0 30	8 15	16 30	0 00	24 75	5,457 88	220 52
Intangible Assets	53 60	0 00	3 70	0 00	57 30	19,667 96	343 25
Tangible Assets	169 30	263 05	83 75	0 00	516 10	138,475 28	268 31
Trading	129 55	197 10	503 90	0 00	830 55	181,578 35	218 62
Total hours	494 05	1,001 75	1,460 56	104 45	3,060 81		
Total fees claimed £	175,387 75	242,540 90	234,696 75	12,903 70		665,529 10	217 44

Since the end of the current period to the date of this report, further time costs have been incurred of £22,387 35 Such costs will be fully reported in my next progress report

4 Disbursements

Disbursements incurred during the period of this report and those reimbursed in the period are detailed below (exc VAT)

Disbursements	Incurred £	This period	Paid £
<i>Category 1</i>			
Accommodation/Room Hire (External)	3,313 00		Nil
Bonding	1,000 00		1,000 00
Mileage	8,278 00		Nil
Parking & Motor Expense	276 00		Nil
Storage Charge (External)	102 00		Nil
Subsistence	152 00		Nil
Internet Charges	55 00		Nil
General Disbursements	280 00		Nil
Total	13,456.00		1,000 00

No category 2 disbursements (amounts payable or paid to RSM Tenon Recovery or to any party which the officeholder or RSM Tenon Recovery has an interest) have been incurred or paid in this matter

5 Professional advisors and expenses

The Joint Administrators have paid administration expenses in connection with the instruction of the following parties,

Name & Activity	Paid (£)
DLA Piper UK LLP – Solicitors	113,098 11
Winterhill Asset Limited – Agents	301,939 56
Site Ops Limited – Decommissioning	26,232 34
Force4 Security – Site Security	79,912 00
Total	521,182 01

The above costs exclude VAT