

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 Restructuring  
Arkwright House  
Parsonage Gardens  
Manchester  
M3 2LFJeremy Nigel Ian Woodside  
RSM Tenon Restructuring  
Arkwright House  
Parsonage Gardens  
Manchester  
M3 2LF

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

From

To

(b) Insert date

(b) 7 June 2013

(b) 23 July 2013

Signed

Joint / Administrator(s)

Dated

23/7/13

**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

Christopher Ratten  
RSM Tenon Restructuring  
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**

THURSDAY



A19

\*A2DD5V4Q\*

25/07/2013

#276

COMPANIES HOUSE

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

**Joint Administrators’ Final Report  
for the period from 7 June 2013 to 23 July 2013**

**Issued on: 24 July 2013**

Christopher Ratten and Jeremy Nigel Ian Woodside of RSM Tenon Restructuring are the Joint Administrators of the Company and this is their final progress report on the administration of the Company for the period from 7 June 2013 to 23 July 2013, with a summary of the Administration as a whole. This report should be read in conjunction with previous progress reports and the approved Administrators' Proposals.

## **1 Statutory Information**

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

## **2. Joint Administrators' receipts and payment account**

A summary of the Joint Administrators' receipts and payments account relating to the Company for the relevant period from 7 June 2013 to 23 July 2013, and cumulatively for the period of the Administration is attached at **Appendix II**

## **3. Action taken by the Joint Administrators**

### **3.1 Actions in this final period**

During the short final period of the Administration, we have recovered a further business rates refund of £48,586, with assistance from the surveyor we instructed, and received the VAT refund of £72,579 referred to in my previous report.

We have also submitted the Company's final Corporation Tax return and computations and the final VAT reclaim. A VAT refund of £8,918 is expected to be received which will be distributed to the secured creditor MSIF Venture Fund No 3.

During the final period, we have made a payment of £3,550 which relates to third party funds received in respect of the sale of financed plant and machinery at Bromborough. The final expenses of the Administration have been discharged as set out in **Appendix III** and we have made the following distributions to the secured creditors -

Trustees of HA Cann 1997 Trust	£28,942
MSIF Mezzanine Fund No 2	£30,877
MSIF Venture Fund No 3	£63,416

These distributions totalling £123,235 are the final distributions in this matter.

### **Actions from commencement to the end of the Administration**

### **3.2 Marketing the business for sale**

On appointment, we attended the Company's trading premises 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.

Bank of Scotland Commercial Finance ("BOSCF") agreed to provide the Company with an invoice discounting facility during the Administration trading period, to assist with immediate working capital requirements and the

Company continued to manufacture and sell product from both its sites at Bromborough and Annan

Prior to the Administration appointment, a discreet marketing campaign had been undertaken by the proposed Administrators in an attempt to generate interest in the business and/or assets of the Company and this continued following our appointment. Businesses operating in the same sector as the Company were contacted and an advert was placed in the Financial Times on 1 February 2011 in an attempt to generate further interest.

Detailed discussions took place with interested parties and a total of 33 parties had access to certain information concerning the Company subject to appropriate confidentiality agreements being signed. 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.

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. Further details of these sales are set out below.

Due to the lack of interest in the Bromborough manufacturing site it was necessary to implement a site decommissioning and closure plan.

### **3.3 Trading Surplus**

As noted above, the Company continued to trade under the Administrators' control whilst the possibility of a going concern sale was explored and to allow work in progress to be converted into saleable finished goods, avoiding the cost of chemical waste disposal that would potentially have been incurred in respect of some of the work in progress.

After the marketing had been concluded and work in progress completed, production at Annan ceased at the end of February 2011 and production at Bromborough ceased on 8 March 2011.

A trading account is attached at **Appendix II** which details Administration sales, purchases, other direct costs and with trading expenditure.

A trading surplus of £165,977 was achieved. It should be noted that the trading account includes payments of arrears of pay totalling £120,880 to the Company's employees which reduced preferential creditor claims.

### **3.4 Factored Book Debts**

The Company factored its book debts with Bank of Scotland Commercial Finance ("BOSCF"), and as a result, the debts were assigned to BOSCF. On appointment, the book value of assigned debts was \$1,093k, which was translated to a Sterling value of £687,396 and had an estimated to realise value of £682,000 taking account of exchange rate movements.

All assigned debts were collected in full. After translation to Sterling, collections totalled £678,857 of which

£257,811 was retained by BOSCF to pay their liability and termination/collect out charges in full

### **3.5 Intellectual Property**

A sale of the Company's intellectual property (together with certain items of plant and machinery located at Bromborough and Annan) to Bakhu Ltd was completed on 30 March 2011

Bakhu Limited is a connected party as it is under the control of two directors of the Company, Colin Leece and Lee Procter. The total sale consideration received was £950,000, of which £750,000 related to the intellectual property. The sale consideration was received in full by our solicitors on the date of 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 in the Statement of Affairs.

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.

### **3.6 Plant and Machinery - Bromborough**

The Company's plant and machinery located at the Bromborough facility was subject to a fixed charge in favour of Bank of Scotland plc ("the Bank") under a chattel mortgage.

As a sale as a going concern was not achievable at Bromborough, it was necessary to instruct our agents to sell the plant and machinery at that site on a break-up basis. The estimated to realise value of £450,000, as disclosed in the Statement of Affairs, was based upon our agent's estimate of the forced sale value of the plant and machinery.

Certain items of plant and machinery were sold to the connected companies, Bakhu Ltd and Bakhu Pharma Ltd, both of which are under the control of the directors, Colin Leece and Lee Procter. These sales were for £175,000 on 30 March 2011, £100,000 on 9 June 2011 and £144,000 on 2 April 2012. The rest of the plant and machinery was sold to independent third parties by private treaty, through a tender sale in May 2011 or as scrap metal.

The final realisations in respect of plant & machinery at Bromborough total £604,546, which considerably exceeds the initial estimated to realise value of £450,000.

### **3.7 Freehold Land and Property – Bromborough**

The Company's land and property located at Bromborough was 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 it was necessary to remove all chemicals from the site, fully decommission the site and then surrender the Company's site permit to the Environment Agency before selling the freehold property.

#### ***Decommissioning Activities and Site Permit Surrender***

Site Ops Limited was appointed to advise the Administrators and to supervise the equipment, waste removal and decommissioning activities at the Bromborough facility. Site Ops Limited was also appointed as the principal contractor and co-ordinator for the site as required under CDM Regulations and assisted with the permit.

surrender, environmental and health and safety issues at the site

As part of the site permit surrender process, the Environment Agency required ground contamination surveys to be completed at the site to establish the level of chemical contamination compared to "base level" surveys which had been carried out in 2003 when the Company originally applied for its permit. The Environment Agency then required a remediation strategy to be put forward detailing how the contamination was proposed to be remedied before a permit surrender application could be submitted.

Site Ops Limited carried out the surveys and submitted the results to the Environment Agency. Unfortunately several areas of ground contamination were identified and substantial remediation work was required. Following the submission of the results of the ground contamination surveys to the Environment Agency a remediation strategy was agreed for the contamination identified. A soil vapour extraction system was set up in Units 32/34 as a pilot for the decontamination of the rest of the site. Following the decontamination of this area of the site, further test results were submitted to the Environment Agency who confirmed that they were satisfied that that area of the site had been satisfactorily remediated. The same type of extraction system was set up in the remaining areas of contamination and the remediation work was then completed in these areas.

After completion of the remediation, the application for surrender of the Company's site permit, and the associated fee of £3,968, were submitted to the Environment Agency. The Environment Agency accepted the permit surrender in September 2012, leaving the Company free to sell the site.

#### ***Licences and lease***

In order to generate income from the site whilst decommissioning was carried out, a licence to occupy unit 16 and unit 30 of the property was granted to Bakhu Limited following the asset sale on 30 March 2011. Subsequently a further licence was granted to allow Bakhu Limited to occupy the ground floor laboratories within units 32 and 34 pending agreement of a lease for these two units. We completed the lease agreement with Bakhu Pharma Limited relating to units 32/34 on 14 June 2012 which included a rent-free period to 13 September 2012.

We received rent and licence fees totalling £50,292 during the Administration.

#### ***Property sale***

The property was extensively marketed by my agents, both on a national and on a local level. We received a significant number of enquiries and several offers in respect of the property either with or without Bakhu Pharma Ltd in occupation as a tenant of Units 32/34.

Having reviewed the offers and having taken advice from Winterhill, we accepted an offer from an independent third party in respect of the freehold property. Following protracted contract negotiations, exchange of contracts took place on 22 November 2012 and a deposit of £107,500 was paid pending completion, which was due to take place on 4 January 2013.

Unfortunately the purchaser didn't proceed with completion on 4 January 2013 and a notice of completion was served giving them until 22 January 2013 or their deposit could be forfeited. Towards the end of this period the proposed purchaser requested a further extension and paid £7,500 to the Company as a contribution towards holding costs in return for our agreement not to rescind the contract before 19 February 2013.

On 14 February 2013, the purchaser explained that their funder was not willing to lend against the property at the level required for them to pay the completion monies under the contract and they made a substantially reduced

offer of £850,000 including the £107,500 deposit already held

We consulted our agents, Winterhill, and sought their advice. After discussions with the parties that had previously expressed an interest in the property we considered the options of re-marketing the property and auctioning the property and decided to instruct Winterhill to market the property for sale by auction. The previous sale contract was rescinded due to the purchaser's failure to complete and the £107,500 deposit was retained, however they were still given an opportunity to purchase the property prior to the date of auction.

The Bromborough property was sold at auction on 5 April 2013 for the sum of £900,000, bringing total realisations in respect of the property to £1,007,500.

### **3.8 Freehold Land & Property - Annan**

The Company's land and property in Annan was subject to a first ranking fixed charge in favour of Shasun Pharma Solutions Ltd ("Shasun") and a second fixed charge in favour of the Trustees of H A Cann 1997 Trust ("Cann Trust"). Our agents were instructed to market the property for sale.

An 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 assets located at the Bromborough site. Following a review of the offer and negotiations with Bakhu Pharma Limited, the offer was increased to £2,800,000 on 1 April 2011. 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 freehold land and property at Annan was sold for £1,200,000 as part of this transaction. This exceeded the estimated to realise value of £850,000.

### **3.9 Plant & Machinery - Annan**

The Company's plant and machinery located at the Annan facility had a book value of £2,251,116 and an estimated to realise value of £1,400,000. All of this plant and machinery was included as part of the sale to Bakhu Pharma Limited on 9 June 2011 detailed above.

Realisations totalling £1,362,500 were received in respect of the plant and machinery at Annan, which was in line with the estimated to realise value.

### **3.10 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 and had an uncertain estimated to realise value. Some of this stock was utilised during Administration trading period and some was sold, whilst the remainder was a liability as it needed to be disposed of via specialist waste disposal contractors.

Advice was taken from Site Ops Ltd and retained staff regarding the stock and its sale or disposal. The saleable stock was sold to the connected company, Bakhu Pharma Limited, on 9 June 2011 for the sum of £100,000.

### **3.11 Non-Factored Book Debts**

The Company's debtor ledger also included some non-factored debts with a book value of £485,718 with an estimated to realise value of £450,000. Book debts totalling £469,874 have been collected.

### **3.12 Sundry Debts**

Sundry debts collected total £10,663 which includes £9,627 collected in respect of an overpayment to one of the Company's suppliers prior to the Administration.

### **3.13 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 was reviewed by the tax department of RSM Tenon to determine whether any refunds may be recovered.

R&D tax credit is only payable if the Company remains a going concern both when the claim is being made and when the tax refund is paid by HM Revenue & Customs. As such the Company was no longer entitled to submit a claim.

The potential VAT refund was not recoverable due to Crown set off by HM Revenue & Customs against the PAYE liability owed by the Company.

### **3.14 Petty Cash**

The sum of £147 held as petty cash at the date of Administration has been collected and paid into the Administration estate.

### **3.15 Rates Refund**

The Company's balance sheet included a rates prepayment with a book value of £8,280 relating to the Annan property. We appointed a surveyor specialising in rates appeals to assist with investigating whether any refunds were due to the Company. With their assistance, we have received rates refunds in respect of both the Bromborough and Annan sites totalling £99,127.

### **3.16 Other Sundry Realisations**

The other realisations set out in **Appendix II** in respect of bank interest etc. are considered self-explanatory.

### **3.17 Investigations**

Administrators have a duty to submit a confidential report or return 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. These have been completed.

As part of my investigations, I conducted a review of the Company's bank statements and accounting records. My review did not identify any further assets or claims to be pursued and did not indicate that further investigations would be of benefit to creditors. There are no outstanding lines of enquiry.



#### **4. Joint Administrators' Proposals**

As no meeting of creditors was requisitioned it is confirmed that creditors have been deemed to approve the Administrators' proposals previously circulated on 30 March 2011. A further copy is attached at **Appendix IV**.

There were no major amendments to, or deviations from these proposals.

#### **5 Liabilities and Dividends**

##### **Secured creditors**

The total distributed to secured creditors during the Administration is £2,590,135. Details of the outcome for each secured creditor are set out below.

##### **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. A total of £257,811 was repaid to BOSCF from assigned book debt collections, this being repayment in full including termination charges.

##### **Bank of Scotland Plc ("The Bank")**

At the date of Administration, the Bank was owed £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 with a total distribution of £1,213,713 having been paid.

##### **Shasun Pharma Solutions Limited ("Shasun")**

At the date of 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. The liability to Shasun of £665,376 has been repaid in full from fixed charge realisations from the sale of the Annan freehold land and property.

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

The Cann Trust was owed the sum of £15,856,969 at the date of Administration. 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 distributions totalling £158,942 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 £659,647. The Administrators agreed that during the Administration trading period, they would seek to sell this stock and pay the Cann Trust the sum of £659,647 from the sale proceeds. This sum has been fully repaid to The Cann Trust.

### **Merseyside Special Investment Fund ("MSIF")**

At the date of Administration, MSIF is understood to have been owed £223,951 in respect of the MSIF Mezzanine Fund No 2 and £1,000,000 in respect of the MSIF Venture Fund No 3

After interest had been applied, MSIF Mezzanine Fund No 2 was owed the sum of £230,877 and this sum has been repaid in full as a floating charge distribution

MSIF Venture Fund No 3 has been paid a distribution of £63,416 under its floating charge security and will be paid the sum of £8,918 once the final VAT refund is received

### **Preferential Creditors**

The only known preferential creditors are employees and former employees of the Company who had claims for holiday pay and wage arrears owing, together with arrears of contributions owed to their 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 £222,726 has been paid to preferential creditors, this being made up of £63,041 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 relying upon floating charge security in this matter was MSIF. As the Company granted a debenture in favour of MSIF on 21 June 2002, the floating charge security was created and registered prior to 15 September 2003 and consequently the prescribed part rules are not applicable in this instance.

There were insufficient funds to repay MSIF Venture Fund No 2 in full, so there are no surplus funds available to allow a distribution to be paid to unsecured creditors.

There will be no further payments to any class of creditor.

## **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 this with matters in the Administration and that disbursements 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 as follows:

- 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

For this period, from 7 June 2013 to 23 July 2013	£19,512 00
Since appointment on 25 January 2011 to 6 June 2013	£1,046,655 46
<b>Total</b>	<b>£1,066,167 46</b>

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

Time costs drawn are as follows

In this period, from 7 June 2013 to 22 July 2013	£75,000 00
Since appointment on 25 January 2011 to 6 June 2013	£991,000 00
<b>Total</b>	<b>£1,066,000.00</b>

The Administrators' remuneration drawn totalling £1,066,000 has been allocated £540,000 against fixed charge realisations and £526,000 against floating charge realisations

In addition, RSM Tenon's tax department has been paid fees totalling £4,300 for their assistance with reviewing the Company's tax affairs and preparing and submitting Corporation Tax computations and returns for the three tax accounting periods during the Administration

### ***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**.

	Incurred	Paid
Category 1 disbursements for this period, from 7 June 2013 to 23 July 2013	£63 98	£63 98
Category 1 disbursements since appointment on 25 January 2011 to 6 June 2013	£14,761 61	£14,761 61
<b>Total</b>	<b>£14,825 59</b>	<b>£14,825.59</b>

No category 2 disbursements have been charged nor will be recovered in this matter

### ***Expenses (professional advisors) charged and drawn in the period***

The following professional advisors have been instructed in this matter

<i>Professional Advisor</i>	<i>Nature of Work</i>	<i>Fee Arrangement</i>
Winterhill Asset Limited	Agents - Valuation of assets, assistance with disposal of plant and machinery at Annan and Bromborough and marketing and sale of 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 Cost Basis
Site Ops Limited	Supervising the equipment and waste removal and decommissioning activities at the Bromborough premises Acting as principal contractor/co-ordinator for the CDM Regulations Responsible for the site permit surrender, environmental and health and safety at the site	Time Cost Basis
Force4 Security	Provision of on site security at Bromborough and Annan facilities	Time Cost Basis
Lamb & Swift Commercial	Rates valuation agents – assistance with review of rates for both trading sites and recovery of rates refunds	Based upon % of assets realised
Bermans LLP	Solicitors – assistance with debt collection	Time Cost Basis

The choice of professionals and the Administrators' fee arrangement with them was based on perception of their experience and ability to perform this type of work, the complexity and nature of the assignment 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 dates of approval of pre-Administration costs by the secured creditors are as 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 1 November 2011)' which you can access and download at <http://www.rsmtenon.com/creditorguides> Alternatively a copy is available free of charge upon request from the

address above

## **7. End of Administration**

The objective of the administration has been achieved

All assets have now been realised apart from those where it has not been commercially viable to do so as explained earlier in this report

The Company will be automatically dissolved three months after the Notice of Moving from Administration to Dissolution has been filed by the Registrar of Companies. The relevant documentation will be sent to Companies House on 24 July 2013

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 Addresses	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' names and addresses	Christopher Ratten (IP No 9338) of RSM Tenon Restructuring, Arkwright House, Parsonage Gardens, Manchester, M3 2LF and Jeremy Nigel Ian Woodside (IP No 9515) of RSM Tenon Restructuring 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	The 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
Extensions to period of appointment	A six month extension to the period of Administration to 25 July 2012 was granted with the consent of the secured creditors  A further twelve month extension to the period of the Administration to 25 July 2013 was granted by the court

**Phoenix Chemicals Limited**  
**(In Administration)**  
**Joint Administrators' Trading Account**

<b>Statement of Affairs</b>	<b>From 07/06/2013 To 23/07/2013</b>	<b>From 25/01/2011 To 23/07/2013</b>
<b>POST APPOINTMENT SALES</b>		
Sales - UK	NIL	456,942 95
Sales - Ireland	NIL	1,316,648 65
Sales - India	NIL	73,266 18
	NIL	1,846,857 78
<b>PURCHASES</b>		
Purchases	NIL	709,248 49
	NIL	(709,248 49)
<b>OTHER DIRECT COSTS</b>		
Fuel Oil	NIL	43,681 48
Waste Removal	NIL	20,830 58
Royalty Payments	NIL	71,621 10
	NIL	(136,133 16)
<b>TRADING EXPENDITURE</b>		
Staff Wages	NIL	484,760 63
Other Staff Costs	NIL	26,398 06
Rates	NIL	18,863 65
Heat, Light & Water	NIL	77,047 09
Motor and Travel	NIL	1,386 30
Telephone	NIL	2,752 90
Haulage Costs	NIL	6,789 30
Insurance	NIL	8,000 00
Licence Fees	NIL	17,969 06
Bank Charges	NIL	375 00
Factoring Charges & Interest	NIL	44,052 07
Lease/HP Payments	NIL	13,320 76
Repairs & Maintenance	NIL	5,400 08
Sundry Expenses	NIL	1,525 50
Security Costs	NIL	5,978 40
Arrears of Pay	NIL	120,880 56
	NIL	(835,499 36)
<b>TRADING SURPLUS/(DEFICIT)</b>	<b>NIL</b>	<b>165,976.77</b>

**Phoenix Chemicals Limited**  
**(In Administration)**  
**Joint Administrators' Abstract of Receipts & Payments**

Statement of Affairs		From 07/06/2013 To 23/07/2013	From 25/01/2011 To 23/07/2013
	<b>SECURED ASSETS</b>		
682,000 00	Factored Book Debts	NIL	678,857 14
(123,079 00)	Bank of Scotland Commercial Finance	NIL	(257,811 31)
300,000 00	Intellectual Property	NIL	750,000 00
450,000 00	Plant & Machinery - Bromborough	(3,550 00)	604,546 47
1,200,000 00	Freehold Land & Property - Bromborou	NIL	1,007,500 00
(1,182,057 00)	Bank of Scotland plc	NIL	(1,213,712 88)
(223,437 00)	MSIF Mezzanine Fund No 2	(30,877 34)	(230,877 34)
(1,000,000 00)	MSIF Venture Fund No 3	(63,415 97)	(63,415 97)
850,000 00	Freehold Land & Property - Annan	NIL	1,200,000 00
(625,000 00)	Shasun Pharma Solutions Ltd	NIL	(665,375 71)
(15,856,969 00)	Trustees of HA Cann 1997 Trust	(28,942 00)	(158,942 00)
		(126,785 31)	1,650,768 40
	<b>COSTS OF REALISATION</b>		
	Office Holders Fees	NIL	540,000 00
	Legal Fees	NIL	156,041 87
	Agents Fees	NIL	179,281 14
	Agents Disbursements	NIL	55,136 77
	Environment Agency Fees	NIL	3,968 00
	Insurance	NIL	42,819 27
		NIL	(977,247 05)
	<b>ASSET REALISATIONS</b>		
1,400,000 00	Plant & Machinery - Annan	NIL	1,362,500 00
4,000 00	Motor Vehicles	NIL	NIL
Uncertain	Stock	NIL	100,000 00
450,000 00	Non-Factored Book Debts	NIL	469,873 85
	Sundry Debts	NIL	10,663 58
Uncertain	R&D Tax Refund	NIL	NIL
Uncertain	VAT Refund	NIL	NIL
146 00	Cash in hand	NIL	146 99
	Licence Fee	NIL	37,410 00
8,280 00	Rates Refund	48,586 64	99,126 89
	Rents Received	NIL	12,882 42
	Bank Interest Gross	NIL	2,523 76
	Solicitors Interest Received	NIL	248 92
	Contribution to Holding Costs	NIL	7,500 00
	Trading Surplus/(Deficit)	NIL	165,976 77
	Sundry receipts	NIL	339 46
		48,586 64	2,269,192 64
	<b>COST OF REALISATIONS</b>		
	Specific Bond	NIL	1,110 00
	Preparation of S of A (Third Party)	NIL	2,000 00
	Pre-Administration Fees	NIL	36,856 05
	Office Holders Fees	75,000 00	526,000 00
	Office Holders Expenses	NIL	13,103 32
	Decommissioning & Environmental Co	NIL	456,667 80
	Site Security Costs	NIL	326,127 00
	Agents Fees	NIL	169,000 00
	Agents Disbursements	NIL	22,991 37
	Legal Fees	250 00	106,090 01



**Phoenix Chemicals Limited**  
**(In Administration)**  
**Joint Administrators' Abstract of Receipts & Payments**

<b>Statement of Affairs</b>		<b>From 07/06/2013 To 23/07/2013</b>	<b>From 25/01/2011 To 23/07/2013</b>
	Legal Disbursements	95 00	1,084 26
	Advertising business for sale	NIL	2,086 00
	Telephone	NIL	5,744 67
	Lease / HP Payments	NIL	29,982 00
	Professional Fees - Tax	600 00	4,300 00
	Storage Costs	63 98	612 27
	Heat, light & utilities	5 28	231,910 30
	Statutory Advertising	NIL	75 60
	Waste removal & cleaning costs	NIL	381,379 62
	Rates	NIL	86,589 03
	Property / asset maintenance expense	NIL	11,547 10
	Insurance of Assets	NIL	21,620 30
	Wages & Salaries	NIL	249,407 47
	Consultancy Fees & Expenses	NIL	6,932 10
	Bank Charges	1 48	168 55
	Rates Refund - Agent's Commission	9,717 33	17,672 53
	Postage	NIL	12 58
		<u>(85,733 07)</u>	<u>(2,711,069 93)</u>
	<b>PREFERENTIAL CREDITORS</b>		
(124,596 00)	Employee Arrears of Pay and Holiday	NIL	63,041 19
(166,524 00)	Pension Schemes	NIL	159,684 70
		NIL	<u>(222,725 89)</u>
	<b>UNSECURED CREDITORS</b>		
(1,800,641 00)	Trade & Expense Creditors	NIL	NIL
(592,688 00)	Employees PILON and Redundancy P	NIL	NIL
(722,709 00)	HM Revenue & Customs - PAYE & NI	NIL	NIL
(8,445,956 00)	Unsecured loans	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	<b>DISTRIBUTIONS</b>		
(14,865,021 00)	Ordinary Shareholders	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
<b>(40,384,251.00)</b>		<b><u>(163,931.74)</u></b>	<b><u>8,918.17</u></b>
	<b>REPRESENTED BY</b>		
	Vat Control Account		8,918 17
			<u><b>8,918 17</b></u>

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

## 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 from 25 January 2011 to 3 November 2011 £	Rate from 4 November 2011 to date £
Partner and licensed Insolvency Practitioner	355	395
Director	355	355
Senior Manager	275-290	300
Manager	185-200	220-260
Senior Administrator	130-173	185
Administrator	115-121	130-155
Cashier	105-121	155

## 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 Restructuring and then recharged to the case, approval from creditors is not required. The amount recharged is the exact amount incurred.

Examples of Category 1 disbursements include postage, case advertising, specific bond insurance, company search fees, case management software system, invoiced travel and properly reimbursed expenses incurred by personnel in connection with the case, (including business mileage up to HMRC approved rate for cases commenced before 1 November 2011). 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 Restructuring 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, all business mileage (for cases commencing on or after 1 November 2011), internal room hire and internal storage.

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

Room Hire	£60 00
Envelope	4 2p
Paper (photocopies per sheet)	1 75p
Postage (dependent 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)	45p

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,
- > 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 were 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,
- > Liaising with agents and solicitors,
- > Correspondence and meetings with interested parties,
- > Review and comparison of offers,
- > Negotiation and agreement of sale contracts,
- > Identifying, securing and insuring of assets,
- > Collection of rents and rates refunds,
- > Debt collection

Staff were chosen depending upon the appropriate level of experience required for the activity they were required to undertake. The sales of the business, intellectual property rights and property were relatively complex and required extensive involvement of the Administrators and senior staff.

## **2.5 Trading**

Trading was concluded prior to the current period. 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
- > Dealing with creditor queries,
- > Reviewing and evaluating creditor claims,

### 3. Time and charge-out summary

For the period of the report 7 June 2013 to 23 July 2013, a total of 77.75 hours have been spent at an average charge out rate of £250.96 bringing the total cost to date to £19,512.00

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	6.90	6.85	0.40	4.90	19.05	5,455.00	286.35
Creditors	1.20	24.35	2.10	7.75	35.40	7,402.00	209.10
Distribution	0.70	2.80	0.00	0.00	3.50	1,116.50	319.00
Employees	0.00	0.20	0.00	0.00	0.20	60.00	300.00
Retention of Title	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Secured Creditors	0.80	3.70	0.10	0.00	4.60	1,470.00	319.57
Investigations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Book Debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tangible Assets	1.90	13.10	0.00	0.00	15.00	4,008.50	267.23
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total hours	11.50	51.00	2.60	12.65	77.75		
Total fees claimed £	4,542.50	13,732.00	478.00	759.50		19,512.00	250.96

The following table shows all time costs incurred from appointment on 25 January 2011 to 23 July 2013

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	113 10	462 05	297 12	206 50	1,078 77	218,270 95	202 33
Creditors	16 70	242 95	196 29	10 84	466 78	95,029 21	203 58
Distribution	1 60	16 10	31 20	0 00	48 90	10,706 30	218 94
Employees	23 90	164 40	423 52	1 00	612 82	118,623 16	193 57
Retention of Title	2 25	21 55	61 10	0 00	84 90	15,359 26	180 91
Secured Creditors	62 10	113 80	12 00	0 00	187 90	57,128 93	304 04
Investigations	1 50	7 50	5 90	12 25	27 15	4,783 50	176 19
Book Debts	1 30	13 40	16 50	0 00	31 20	7,023 48	225 11
Intangible Assets	53 60	2 00	4 00	0 00	59 60	20,170 72	338 43
Tangible Assets	283 10	863 50	110 65	0 00	1,257 25	331,328 60	263 53
Trading	137 35	199 70	522 80	0 00	859 85	187,743 35	218 34
Total hours	696 50	2,106 95	1,681 08	230 59	4,715 12		
Total fees claimed £	252,181 50	514,544 90	269,312 22	30,128 84		1,066,167 46	226 12

From appointment to the end of the current period the total time costs incurred are £1,066,167 46, this being 4,715 12 hours spent at an average charge out rate of £226 12

#### 4. Disbursements

Disbursements incurred during the period of this report and cumulatively, and those reimbursed in the period and cumulatively to end of the Administration, are detailed below

Disbursements	This period		Previous periods		Cumulatively	
	Incurred £	Paid £	Incurred £	Paid £	Incurred £	Paid £
<b>Category 1</b>						
Accommodation/Room Hire (External)	0 00	0 00	3,312 60	3,312 60	3,312 60	3,312 60
Bonding	0 00	0 00	1,110 00	1,110 00	1,110 00	1,110 00
Mileage	0 00	0 00	9,254 00	9,254 00	9,254 00	9,254 00
Parking and Motor Expense	0 00	0 00	278 64	278 64	278 64	278 64
Storage Charge (External)	63 98	63 98	548 29	548 29	612 27	612 27
Subsistence	0 00	0 00	152 44	152 44	152 44	152 44
Internet Charges	0 00	0 00	80 00	80 00	80 00	80 00
Website Charge	0 00	0 00	8 00	8 00	8 00	8 00
Case Management Software Charge	0 00	0 00	17 64	17 64	17 64	17 64
<b>Total</b>	<b>63.98</b>	<b>63.98</b>	<b>14,761.61</b>	<b>14,761.61</b>	<b>14,825.59</b>	<b>14825.59</b>

The above costs exclude VAT

No category 2 disbursements have been charged to this matter



## 5. Professional advisors and expenses

The Joint Administrators have incurred administration expenses in connection with the instruction of the parties shown below. Expenses incurred during the period of this report and cumulatively, and those paid in the period and cumulatively to the end of the current period are detailed below.

Name & Activity	This period		Previous Periods		Cumulatively	
	Incurred £	Paid £	Incurred £	Paid £	Incurred £	Paid £
DLA Piper UK LLP – Solicitors	0 00	0 00	261,881 88	261,881 88	261,881 88	261,881 88
Winterhill Asset Limited – Agents	0 00	0 00	426,409 28	426,409 28	426,409 28	426,409 28
Site Ops Limited – Decommissioning	0 00	0 00	456,667 80	456,667 80	456,667 80	456,667 80
Force4 Security – Site Security	0 00	0 00	324,527 00	324,527 00	324,527 00	324,527 00
Lamb & Swift Commercial - Surveyors	9,717 33	9,717 33	7,955 20	7,955 20	17,672 53	17,672 53
Bermans LLP - Solicitors	345 00	345 00	0 00	0 00	345 00	345 00
<b>Total</b>	<b>10,062.33</b>	<b>10,062.33</b>	<b>1,477,441.16</b>	<b>1,477,441.16</b>	<b>1,487,503.49</b>	<b>1,487,503.49</b>

The above figures for agents include disbursements, equipment hire costs and the costs of the agents instructing other third parties to assist with decommissioning activities paid by them as well as their fees. Disbursements etc paid to Winterhill Asset Ltd and included above total £77,358. Disbursements etc incurred and paid to Site Ops Ltd and included above total £166,663.

The Joint Administrators' proposals to creditors in order to achieve the objective of the Administration were as follows -

- (a) they continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration. In particular that they
  - (i) Realise the outstanding book debts, collect any outstanding balances in respect of Administrators' sales, settle any outstanding liabilities, sell the research and development business / intellectual property and certain assets, sell the remaining stock, plant and machinery and properties with the assistance of our agents, investigate the possibility of a R&D Tax refund and realise the rates refund
  - (ii) sell the Company's assets at such time(s) on such terms as they consider appropriate,
  - (iii) investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or company whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or company which supplies or has supplied goods or services to the Company, and
  - (iv) do all such things and generally exercise all their powers as Administrators as they in their discretion consider desirable or expedient in order to achieve the purpose of the administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these proposals
- (b) If there are no funds available for distribution to the unsecured creditors, the Company exits Administration by way of dissolution
- (c) If there are funds available to be distributed to the unsecured creditors, the Company exits the Administration by way of a Creditors' Voluntary Liquidation, and that Christopher Ratten and Jeremy Nigel Ian Woodside are appointed the Joint Liquidators of the Company, and that they will act jointly and severally in their duties. Creditors may nominate a different person(s) as the proposed liquidator(s), but must make the nomination(s) at any time after receipt of these proposals, but before they are approved