

The Insolvency Act 1986

Statement of joint administrators' proposals

Name of Company Bright Engineering (North West) Ltd	Company Number 03777640
In the High Court of Justice, Chancery Division, Manchester District Registry	Court Case Number 2940 of 2016

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

We (a) Jason Mark Elliott and Craig Johns of Cowgill Holloway Business Recovery LLP, Regency House, 45 – 53 Chorley New Road, Bolton BL1 4QR

attach a copy of 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) 26 October 2016

Signed 
Joint Administrator

Dated 26/10/16

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.

	Tel
DX Number	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

FRIDAY



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28/10/2016

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COMPANIES HOUSE

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

**Bright Engineering (North West) Ltd –
In Administration**

26 October 2016

 **cowgillholloway**
Business Recovery

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1 Introduction and Background

- 1 1 By way of background, the Company was incorporated on 26 May 1999 by former Directors, Stephen Coates and John Hanson in the name of Bright Spark Precision Engineering Ltd, before changing its name to Bright Engineering (North West) Ltd in May 2014
- 1 2 The Company provided machined components to a variety of different precision engineering sectors to include aerospace, power generation, defence, scientific and motorsport throughout the North West
- 1 3 In May 2014, the current directors, Jon Hoyle and Nigel Jenkins acquired the business. At this time, funding was provided by way of invoicing finance, asset finance and personal monies provided by way of directors' loan accounts
- 1 4 The Company traded from a leasehold premises in Nelson, Lancashire and it is understood that the lease was due to elapse in 2020 with no break clauses. The Company employed 22 permanent members of staff to include the directors and their length of service ranges from three months to 25 years
- 1 5 Over the last two years, the Company encountered a general reduction in sales due to the general downturn in this sector. Although the Company historically recorded good gross profit margins, it had been unable to reduce overheads in line with the recent fall in turnover, and the cost of labour and materials was out of proportion for the level of turnover being attained. As a result, the profit margin had reduced and the Company recorded net losses for the year ended September 2015 and for the subsequent period ended August 2016
- 1 6 As losses were made and cash flow became a problem, the Company was unable to maintain its current liabilities, specifically to HM Revenue & Customs ("HMRC"). In July 2016, the Company entered into two separate Time to Pay Arrangements ("TTPA") with HMRC in relation to arrears of VAT and PAYE totalling approximately £197,000. The TTPA was for a combined weekly payment of £9,000. The Company found it difficult to maintain the TTPA weekly payments and defaulted on the TTPA. In addition, HMRC approached the Company in respect of post TTPA liabilities of approximately £51,000 that the Company was unable to maintain and, as a result, the Company became under increasing pressure from HMRC in this respect

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- 1 7 In an attempt to ease cash flow pressure, the directors injected personal funds of approximately £75,000 as working capital which initially reduced creditor pressure in the short-term, however, creditor pressure continued and several threats of legal proceedings were made
- 1 8 As a result of the Company's continued cash flow difficulties, the directors sought financial advice from the Company accountant and following these discussions, the accountant advised the directors to liaise with Cowgill Holloway Business Recovery LLP ("CHBR") to obtain insolvency advice
- 1 9 The directors met with CHBR on 27 September 2016. At this meeting and following a review of the Company's management information, it became apparent that the Company was irrecoverably insolvent and could not continue to trade in its current form. At this stage, the directors confirmed that they were unable to inject any further funds to support the Company
- 1 10 Various options were discussed with the directors, including a Company Voluntary Arrangement ("CVA"), Creditors' Voluntary Liquidation ("CVL") and Administration. It was considered that a CVA was not viable option as following a review of the Company's management information, it was apparent that the Company had very little in the form of working capital and would be unable to meet a set monthly payment in addition to its obligatory financial commitments. Furthermore, it was unlikely that, HMRC, the Company's largest creditor, would support a CVA Proposal. It was considered that CVL was not appropriate as in Liquidation, the value of the Company's intangible assets would be eroded and any interruption in trade would jeopardise the collectability of the book debt ledger. Furthermore, CVL would result in redundancy for all staff and increase creditor claims of both a preferential and non-preferential, unsecured nature. Accordingly, Administration was deemed the correct strategy
- 1 11 Accordingly, form 2 8B, Notice of Intention to Appoint an Administrator, was filed in court as it was understood that the Company was under significant pressure from HMRC and winding up proceedings were imminent. On 14 October 2016, Form 2 8B was served upon Skipton Business Finance Limited ("SBF") as it held a Qualifying Floating Charge. Furthermore, CHBR served a formal report on SBF outlining the proposed strategy, and after further discussions regarding strategy and a brief marketing campaign (further details provided in Appendix G), and following confirmation from SBF that it had no objection to the proposed Administrators'

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appointment, the directors filed Form 2 9B, Notice of Appointment of an Administrator in court and Jason Mark Elliott and Craig Johns of CHBR, Regency House, 45 – 53 Chorley New Road, Bolton BL1 4QR, Insolvency Practitioners licensed in the UK by the Insolvency Practitioners Association, were appointed Joint Administrators of the Company on 19 October 2016

1 12 The Joint Administrators will act jointly and severally

1 13 The EC Regulation on Insolvency Proceedings 2000 applies to the Administration The proceedings are main proceedings as defined by Article 3 of the Regulation The Company is based in the United Kingdom

2 Administration Strategy and Objective

2 1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives

- Rescuing the Company as a going concern, or
- Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration), or
- Realising property in order to make a distribution to one or more secured or preferential creditors

2 2 Further information on the pursuance of the above objectives is detailed below

Pre-Packaged Sale

2 3 A pre-packaged sale of the Company's business and assets was concluded on 19 October 2016 to Bright Engineering (Precision Products) Ltd (Formerly Pendle Rentals Limited) ("BEPP") Full information on the sale pursuant to the requirements of Statement of Insolvency Practice 16 can be found at Appendix G and should be read in conjunction with the remainder of this report

2 4 A Company Voluntary Arrangement ("CVA") was not considered appropriate as HMRC who are the Company's largest creditor were anticipated not to support a CVA proposal as the Company had defaulted its TTPA and in addition, it has accrued a further £51,000 of subsequent arrears Furthermore, after reviewing the Company's management information,

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it was not likely that the Company would be able to maintain monthly CVA contributions in addition to paying its ongoing financial commitments. Therefore, as a result of the above, the first purpose of Administration could not be satisfied.

2.5 The Joint Administrators do not believe that the second objective of the Administration, 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), will be achievable, as although Administration has maximised asset realisations in relation to the business sale, it is not anticipated that there will be sufficient funds to make distributions to either the preferential or unsecured creditors.

2.6 As such, the Joint Administrators believe that the third objective of the Administration, namely, realising property in order to make a distribution to one or more secured or preferential creditors, as it is anticipated that a distribution will be made to the Company's secured creditor, Skipton Business Finance Limited ("SBF"), from book debt receipts under the terms of its fixed charge. Please note that this is discussed in more detail in Section 9 of this report.

Progress Since Appointment

2.7 The Joint Administrators' time costs as at 26 October 2016 are £7,100 this represents 28 hours at an average rate of £254 per hour.

2.8 Attached at Appendix D is a time matrix outlining the time spent by the Joint Administrators and their staff since the date of appointment. Further information about the basis of remuneration being proposed by the Joint Administrators can be found in Section 8 of this report.

2.9 Below is information about the work performed by the Joint Administrators and their staff since the Company entered Administration.

Administration (including statutory compliance and reporting)

2.10 Following our appointment, the strategy for the Administration was carefully assessed to ensure that a coherent planned process for the case could be achieved. This work will, where appropriate, have included liaison with solicitors to deal with any legal considerations surrounding the Company's insolvency (such as assessing the validity of any 3rd party security).

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in relation to the assets) and liaising with valuation agents about the most appropriate means of realising the value in the Company's business and assets

- 2 11 We have also dealt with a number of statutory formalities which are required of us under related legislation. Typically, this includes issuing and filing all appointment notices with creditors and the Registrar of Companies and also advertising my appointment in the London Gazette
- 2 12 Where a pre-packaged sale of the Company's assets and business has taken place, we have prepared and issued the report on the transaction as required by Statement of Insolvency Practice 16 and we have also prepared and issued these proposals to creditors outlining how the purpose of the Administration may be achieved
- 2 13 Other statutory duties performed are outlined in further detail in the fees estimates which can be found at Appendix E. Please note that much of this work will have been performed to comply with statutory requirements and as such may not necessary add any value to the insolvent estate
- 2 14 The work undertaken by the Joint Administrators and their staff to date in realising the Company's assets has been necessary in order to maximise the likelihood of a return to creditors. Where assets are still to be realised, these will be dealt with as the Administration progresses with further updates being provided to creditors in our progress reports
- 2 15 Further information on the estimated outcome of the Administration can be found in Section 9 of this report

Realisation of Assets

- 2 16 On 19 October 2016, a sale of the Company's business and assets was completed in the sum of £37,500. A sum of £7,500 was received by the Joint Administrators' Solicitors, TLT LLP ("TLT"), in respect to an initial contribution in this regard. It was agreed that the balance would be paid by deferred consideration, as follows
- £5,000 on or before 4pm on 25 November 2016,
 - £5,000 on or before 4pm on 25 January 2017,
 - £5,000 on or before 4pm on 25 February 2017,
 - £5,000 on or before 4pm on 25 March 2017,

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- £5,000 on or before 4pm on 25 April 2017,
 - £5,000 on or before 4pm on 25 May 2017
- 2 17 A personal guarantee has been provided by the directors in this respect and no buy-back arrangements were contained within the sale contract and the business sale was not part of a wider transaction
- 2 18 In addition, the Company has an outstanding book debt ledger in the sum of £194,839 SBF provided the Company with an invoice discounting facility in respect of the book debts and accordingly were granted the benefit of a fixed charge over the book debts and a floating charge over the remaining assets of the Company
- 2 19 It is understood that SBF are currently owed the sum of £176,761 before interest and charges Collections are ongoing and it is currently unknown as to whether there will be any surplus available for the benefit of the Administration

Creditors

- 2 20 Further information on the anticipated outcome for creditors in this case can be found at Section 9 of this report An Administrator is not only required to deal with correspondence and claims from unsecured creditors (which may include retention of title claims), but also those of any secured and preferential creditors of the Company This may involve separate reporting to any secured creditor and dealing with distributions from asset realisations caught under their security, most typically a debenture
- 2 21 The Company is subject to a Debenture, in favour of SBF, incorporating a fixed and floating charge over the Company's assets which was created on 1 May 2014 and registered on 1 May 2014 It is understood that as at 26 October 2016, the indebtedness due to SBF in this regard is £176,761
- 2 22 Claims from preferential creditors typically involve employee claims and payments made on behalf of the Company by the Redundancy Payments Service following dismissal As a result of the pre-packed sale, the employees were transferred to BEPP It is understood that employees are not owed any outstanding wages and therefore, a claim of a preferential nature is not anticipated in this regard
- 2 23 The above work will not necessarily bring any financial benefit to creditors generally, however, an Administrator is required by statute to undertake this work Similarly, if a

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distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Administrator in dealing with those claims.

Investigations

- 2.24 In accordance with the Company Directors Disqualification Act 1986, the Joint Administrators are required to investigate the Company's affairs and to subsequently submit a report on the conduct of the Directors of the Company to the Department for Business Innovation & Skills ("BIS"). As this is a confidential report, we will not be able to disclose the contents of this.

Sale of Assets to Connected Parties

- 2.25 In accordance with Statement of Insolvency Practice 13, we would advise you that the following assets were sold to a party connected with the Company:

Date of Transaction	Assets Involved / Nature of Transaction	Consideration Paid & Date	Sold To	Relationship
19 October 2016	Assets to Include Plant & Machinery, Office Furniture & Equipment, Stock and Work in Progress, a Motor Vehicle and Goodwill	£7,500 initial consideration received on 19 October 2016, with the deferred consideration which consists of six monthly payments of £5,000 to be received by the 25th of each calendar month, and by no later than 25 May 2017	Bright Engineering (Precision Products) Ltd (Formerly Pendle Rentals Limited) ("BEPP")	Connected Company by way of common Directors and Shareholders, Jon Hoyle and Nigel Jenkins and former Director, Geoffrey Hall

- 2.26 Where a pre-packaged sale of the Company's assets and business has taken place, we have prepared and issued the report on the transaction as required by Statement of Insolvency Practice 16 and we have also prepared and issued these proposals to creditors outlining how the purpose of the Administration may be achieved.
- 2.27 As detailed above, the transaction took place on 19 October 2016 to BEPP, a connected party by way of common directors and shareholders. Having reviewed the sale we can confirm the following:
- The purchaser and the Company were independently advised by GWA Auctioneers and Valuers ("GWA") in respect of the value of the assets,

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- A review of the asset valuation has been undertaken by the Joint Administrators to which no issues have been raised

3 Joint Administrators' Receipts and Payments

- 3 1 A summary of receipts and payments for the Administration period from the date of our appointment to 26 October 2016 is attached at Appendix B
- 3 2 Initial sales consideration in the sum of £7,500 in relation to the pre-packaged sale of the assets has been paid by the purchaser, BEPP on the date of completion, 19 October 2016. These funds are being held by the Joint Administrators Solicitors, TLT, who will transfer the funds to the Joint Administrators in due course, but for the purposes of the Receipts and Payments Account, these monies show as being received and held by TLT
- 3 3 The remaining consideration is payable by way of monthly contributions as detailed in Section 2 16 of this report

4 Financial Position

- 4 1 A Statement of the Company's Affairs has not yet been received, however, the deadline for it to be returned has not yet elapsed Attached at Appendix C is a summary of the Estimated Financial Position ("EFP") of the Company as at 19 October 2016, together with a list of creditors' names and addresses along with details of their debts (including details of any security held by them)
- 4 2 We have the following observations to make in relation to the EFP of the Company
- 4 3 As at the date of the Joint Administrators' appointment, Companies House listed one fixed and floating charge debenture granted to SBF The charge was created on 1 May 2014 and registered on 1 May 2014, and is in relation to an Invoice Discounting Facility
- 4 4 As at our appointment the book debts had a book value of £198,436, however, for the purpose of the EFP they have been written down by 50% to take into account disputes and counter claims should the Company have ceased to trade and be penalised by its customers for a break in service and non-fulfilment As such, anticipated receipts for the book debts in the EFP are £99,218 SBF have advised that as at the date of appointment the sum of £179,655 remains outstanding in this regard As such, according to the EFP, there would be a shortfall

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to SBF in the sum of £80,437 which SBF would be able to claim under its floating charge. There are no other outstanding charges registered against the Company.

- 4.5 The valuation for the physical assets of £39,000 has been provided by GWA based upon a shutdown scenario in which the Company's assets would be decommissioned, uplifted and sold at auction. However, it is understood that in this scenario, the agents' costs for dealing with the assets in this manner would be significant.
- 4.6 The Company had 22 employees to include the Directors. Should a pre-packaged sale have not been completed and the Company had entered Liquidation, all of the Company's employees would have been made redundant, resulting in a preferential claim in a Liquidation scenario. For the purpose of the EFP, a provision of £800 per employee has been used.
- 4.7 As the Company granted a floating charge to SBF on 1 May 2014, we would be required to create a fund out of the Company's net floating charge property for the benefit of unsecured creditors (known as the Prescribed Part). The estimated value of the Company's net floating charge property would be £21,400. Arising from this, the value of the unsecured creditors' fund is estimated to be £7,280.
- 4.8 The figures included for all unsecured creditors, including HMRC, are not agreed figures and are estimated based upon the Company's records as at the date of appointment.
- 4.9 Employees are also entitled to submit claims to BIS in respect to redundancy pay, pay in lieu of notice and any arrears of pay which cannot be claimed preferentially. Such claims will rank as unsecured non-preferential claims in the Liquidation. As previously advised, the Company's employees were transferred to BEPP; it is not anticipated that claims of this nature will be received, however, a provision for any such claims has been included based on £1,000 per employee.
- 4.10 Please note the EFP is before the provision of any costs.

5 Proposals

- 5.1 It is proposed that the Joint Administrators will continue to manage the affairs of the Company in order to achieve the objective of the Administration. In the circumstances it is proposed that

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- 5 2 If having realised the assets of the Company, the Joint Administrators think that a distribution will be made to the unsecured creditors from the fund created out of the Company's net floating charge property (known as the Prescribed Part) by virtue of section 176A(2)(a), this will be distributed by the Joint Administrators in the Administration and the Company will thereafter proceed to dissolution
- 5 3 If, however, having realised the assets of the Company the Joint Administrators think that a distribution will be made to the unsecured creditors other than by virtue of section 176A(2)(a) as noted above, they propose filing a notice with the Registrar of Companies which will have the effect of bringing the appointment of the Joint Administrators to an end and will move the Company automatically into Creditors' Voluntary Liquidation ("CVL") in order that the distribution can be made. In these circumstances, it is proposed that the Joint Administrators in office at the date of conversion to CVL will become the Joint Liquidators in the CVL. The acts of the Joint Liquidators may be undertaken by either or both of them
- 5 4 Court approval is not required to enable the Joint Administrators to make a distribution to the unsecured creditors of the Prescribed Part. If however, a distribution to unsecured creditors not limited to the Prescribed Part is anticipated, the Joint Administrators may consider making an application to Court to seek permission to distribute this in the Administration. If permission is granted, the Company will exit into dissolution once the distribution has been made and the Administration is concluded
- 5 5 If the Joint Administrators think that the Company has no property which might permit a distribution to its creditors, they will file a notice with the Court and the Registrar of Companies for the dissolution of the Company
- 5 6 See Section 6 below on Exit Routes for further information on the exit routes available from Administration
- 5 7 The Joint Administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986, as they consider desirable or expedient to achieve the statutory purpose of the Administration
- 5 8 If the Joint Administrators consider it necessary to extend the period of the Administration, they will seek the consent of creditors or the approval of the Court to the extension. Creditors may consent to an extension for a period of up to one year and the Court can order that the Joint Administrators' term of office be extended for a specified period determined by it

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- 5 9 The creditors consider establishing a Creditors' Committee and that if any such Committee is formed they be authorised to sanction the basis of the Joint Administrators' remuneration and disbursements and any proposed act on the part of the Joint Administrators without the need to report back to a further meeting of creditors generally, to include any decision regarding the most appropriate exit route from the Administration
- 5 10 The basis of the Joint Administrators' remuneration may be fixed as one or more of the following bases and different bases may be fixed in respect of different things done by them
- As a percentage of the value of the assets he has to deal with, or
 - By reference to time properly spent by the Joint Administrators and their staff managing the Administration, or
 - As a set amount
- 5 11 In accordance with Statement of Insolvency Practice 9, issued by the Association of Business Recovery Professionals, the Joint Administrators be authorised to draw Category 2 disbursements as and when funds are available, in accordance with his firm's published tariff Details of Category 2 disbursements charged by the firm can be found at Appendix E
- 5 12 Where no Creditors' Committee is appointed the remuneration and disbursements of the Joint Administrators shall be fixed by resolution of a meeting of creditors or where the Joint Administrators think that the Company has insufficient property to enable a distribution to be made to the unsecured creditors (other than via the Prescribed Part), approval will be sought from the secured and (if necessary) the preferential creditors in accordance with R2 106 of the Insolvency Rules 1986 The Joint Administrators will also seek approval for any unpaid pre-administration costs detailed in this report and his discharge from liability in the same manner
- 5 13 In this case, the Joint Administrators are seeking to approve the basis of their remuneration as follows
- By reference to the time properly spent by the Joint Administrators and their staff in attending to matters arising in the Administration
- 5 14 Further details about the proposed fee basis can be found in Section 8 below and Appendix E

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- 5 15 The Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Joint Administrators ceasing to have effect

6 Exit Routes

Dissolution of the Company

- 6 2 Based upon current information, a distribution to unsecured creditors will not be available. At present a distribution is only anticipated to be made to SBF, under the terms of its fixed charge. As a result, all funds will be distributed in due course within the Administration and a notice will thereafter be filed at Court and with the Registrar of Companies with the Joint Administrators' final report, for the dissolution of the Company.
- 6 3 The Joint Administrators' appointment will end following the registration of the notice by the Registrar of Companies.

Creditors Voluntary Liquidation

- 6 4 Should realisations exceed initial estimates and funds be available to permit a distribution to unsecured creditors, the Joint Administrators will either make an application to Court to enable them to make a distribution to unsecured creditors in the Administration or they will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into CVL to facilitate this distribution.
- 6 5 Based on present information, the Joint Administrators do not think a dividend will be paid to the unsecured creditors. As a result, the Joint Administrators do not intend on making an application to Court to enable them to make a distribution to unsecured creditors in the Administration. Should it be appropriate for the Company to move to CVL, it is proposed that the Joint Administrators in office at the date of conversion to CVL will become the Joint Liquidators of the CVL.
- 6 6 It is proposed that the Joint Liquidators will be authorised to act jointly and severally in the subsequent Liquidation.
- 6 7 Creditors have the right to nominate an alternative Liquidator of their choice. To do this, creditors must make their nomination in writing to the Joint Administrators prior to these

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Proposals being approved Where this occurs, the Joint Administrators will advise creditors and provide the opportunity to vote In the absence of a nomination, the Joint Administrators will automatically become the Joint Liquidators of the subsequent CVL

Compulsory Liquidation

- 6 8 If a move to Creditors' Voluntary Liquidation is not possible because a dividend to the unsecured creditors (other than by virtue of the Prescribed Part) is not anticipated, but the Joint Administrators conclude that an exit into Liquidation is appropriate so that further investigations into the Company's affairs may be carried out for example, an application to Court may be made to exit into Compulsory Liquidation instead If this exit route is appropriate, at this stage it is anticipated (but is not mandatory) that the Joint Administrators will become the Joint Liquidators in the subsequent liquidation

7 Pre-administration Costs

- 7 1 Pre-administration costs are defined as

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

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

- 7 2 Below is information on the pre-administration costs incurred in this case, together with details of any amounts which remain unpaid, where applicable
- 7 3 TLT were engaged to prepare the sale and purchase agreement
- 7 4 GWA were engaged to report on the value of the Company's assets and advise the Joint Administrators on the suitability of the offer received
- 7 5 TH Accounting Solutions ("TH") were engaged to advise on the value of the Company's goodwill and provide a report on the same

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7 6 Pre-appointment fees charged and expenses incurred by the Joint Administrators are as shown below

Charged by	What description of Services Provided	Estimated Amount	Amount Due	Who Payments Made By	Amount Owed
CHBR	Attending meetings and providing advice to the Company, marketing the business opportunity and negotiating a sale of the Company's business, preparation of statutory documentation and assets	£4,750 plus VAT	Nil	N/a	£4,750 plus VAT
TLT	Preparation of the sale and purchase agreement	£3,000 plus VAT	Nil	N/a	£3,000 plus VAT
GWA	Valuation completed of the Company's assets and advice regarding the acceptance of the offer from BEPP	£3,000 plus VAT	Nil	N/a	£3,000 plus VAT
TH	Valuation of the Company's Goodwill	£1,500 plus VAT	Nil	N/a	£1,500 plus VAT

7 7 The payment of the unpaid pre-administration costs set out above as an expense of the Administration is subject to the approval of creditors, separately to the approval of the Joint Administrators' Proposals. This approval will be the responsibility of the Creditors' Committee if one is appointed or alternatively by resolution of a meeting of creditors where there is no Committee.

8 Joint Administrators' Remuneration

8 1 As Joint Administrators, under the provisions of R2 106 of the Insolvency Rules 1986, we are required to provide creditors with details of the work we propose to undertake in the Administration and the expenses we consider will be, or are likely to be, incurred in dealing with the Company's affairs, prior to determining the basis upon which our remuneration will be fixed.

8 2 In addition to this, where the Joint Administrators seek to pass a resolution to agree the basis of their remuneration by reference to time properly spent by them and their staff in attending to matters arising in the Administration, a fees estimate outlining the time and estimated cost of the work to be done must also be provided.

8 3 In this case, we are seeking to agree that our remuneration be based on the time properly spent by us and our staff in dealing with the affairs of the Company. Our fees estimate and

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details of the work we propose to undertake in the Administration can be found at Appendix E and further information on the work done since our appointment to the date of this report can be found in Section 2

- 8 4 Please note that where appropriate, the fees estimate may be to a particular stage of the case only and if we consider the estimate will be exceeded during the Administration, we are obliged to seek further approval for any increase in our remuneration. The fees estimate provides details of these matters where relevant and appropriate approval to the basis of our remuneration will be sought as outlined in Section 5 of this report
- 8 5 For information, attached at Appendix D is a time matrix outlining the time spent by us and our staff since the date of our appointment as Joint Administrators. Please note that this time is included within the overall fees estimate provided with this report
- 8 6 We will provide updates on the expenses we consider will be, or are likely to be, incurred during this case with our progress reports in due course
- 8 7 A copy of “A Creditors’ Guide to Administrators’ Fees” is available on request or can be downloaded from <http://www.cowgills.co.uk/wp-content/uploads/2015/07/Administrators-Fees.pdf>. If you would prefer this to be sent to you in hard copy please contact Tanya Lemon of this office on 0161 827 1200

9 Estimated Outcome

- 9 1 An estimate of the outcome (“EOS”) of the Administration as at 26 October 2016 is attached as Appendix F
- 9 2 As detailed previously, SBF hold the benefit of a fixed and floating charge debenture which was created on 1 May 2014 and registered on 1 May 2014 and is in relation to an Invoice Discounting Facility. Accordingly, we are required to create a fund out of the Company’s net floating charge property for the benefit of unsecured creditors (known as the Prescribed Part)
- 9 3 Following confirmation from SBF as at 26 October 2016, there remains the sum of £194,839 due to the Company in respect of its outstanding ledger, however, for the purpose of the EOS, the Joint Administrators have applied a 20% write down of this value for the sake of prudence and to account for potential debtor disputes. As such, book debts have been included in the EOS in the sum of £155,871

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- 9 4 SBF have also confirmed that its liability at 26 October 2016 is £176,761 and, as such, it is anticipated that SBF will suffer a shortfall in the sum of £20,890 which SBF would be able to claim under its floating charge
- 9 5 The figures used for the Company's assets are based upon the pre-packaged sale to BEPP and the schedule of payments included in Section 2 of this report
- 9 6 Based on present information, we estimate that the Company has no net floating charge property. As such, there is no requirement for the Joint Administrators to create a fund out of the Company's net floating charge property for the benefit of unsecured creditors as it is below the prescribed minimum of £10,000
- 9 7 It is not anticipated that there will be claims of a preferential nature in this regard as all employees have been transferred to BEPP under Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE")
- 9 8 The figures used relating to the Company's trade creditors and HMRC, are not agreed figures and are estimated based upon the Company's records as at the date of appointment
- 9 9 As a result of the TUPE transfer of the employees to BEPP, there is not anticipated to be any employee claims for Redundancy Pay or Pay in Lieu of Notice in the Administration
- 9 10 Based upon the EOS, there will be insufficient funds to permit a distribution to unsecured creditors

10 Next Report

- 10 1 The Joint Administrators are required to provide a progress report within one month of the end of the first six months of the Administration and we will report to you again at this time

11 Meeting of Creditors

- 11 1 The Joint Administrators think that neither objective (a) or (b) above can be achieved. In accordance with Paragraph 52(1)(c) of Schedule B1 of the Insolvency Act 1986, the Joint Administrators are therefore not required to convene an initial meeting of the Company's creditors

BRIGHT ENGINEERING (NORTH WEST) LTD – IN ADMINISTRATION

- 11 2 However, there are certain matters which require the specific approval of creditors. We therefore propose to deal with these by correspondence rather than by calling a meeting of creditors to save costs, under the provisions of Rule 2.48 of the Insolvency Rules 1986. Further details on this procedure are contained in the letter which accompanies this report.

For and on behalf of

Bright Engineering (North West) Ltd



Craig Johns
Joint Administrator

Enc

Statutory Information

1 Company Information

Company Name	Bright Engineering (North West) Ltd
Trading Name(s)	N/A
Registered Number	03777640
Registered Office Address	3 Carrside, Lomeshaye Industrial Estate, Nelson, Lancashire BB9 6RX
Former Registered Office Address	N/A
Trading Address	3 Carrside, Lomeshaye Industrial Estate, Nelson, Lancashire BB9 6RX
Court Details	High Court of Justice, Chancery Division, Manchester District Registry
Court Reference Number	2940 of 2016

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

Directors	Date Appointed	Date Resigned	Shares Held		
			Ordinary A	Ordinary B	Ordinary
Jon Hoyle	22 March 2010	-	30,032	1	-
Nigel Jenkins	22 March 2010	-	30,032	1	-
Geoffrey Hall	30 April 2014	19 February 2015	30,032	-	2
Leslie Nuttall	27 February 2008	30 April 2014	-	-	-
Kathryn Nuttall	27 February 2008	30 April 2014	-	-	-
Secretary					
Leslie Nuttall	27 February 2008	30 April 2014	-	-	-

3 Joint Administrators' Details

Name of Administrators	Jason Mark Elliott and Craig Johns
Address	Cowgill Holloway Business Recovery LLP, Regency House, 45 – 53 Chorley New Road, Bolton BL1 4QR
Telephone Number	0161 827 1200
Fax Number	01204 414 244
Administrator's IP Number	009496 & 013152
Authorising Body	Insolvency Practitioners Association

Appendix B

**Joint Administrators' Receipts and Payments Account for the Period
from 19 October 2016 to 26 October 2016**

	Statement of Affairs	For the Period From 19 October 2016 to 26 October 2016
	£	£
INCOME		
Plant and Machinery	n/a	7,500
		<u>7,500</u>
EXPENDITURE		
		<u>Nil</u>
Balance		<u><u>Nil</u></u>
MADE UP AS FOLLOWS		
TLT's Client Account		7,500
		<u>7,500</u>

Appendix C

Summary of the Estimated Financial Position of the Company as at 19 October 2016

	Notes	£
Assets Subject to Fixed Charge		
Book Debts	1	99,218
LESS Skipton Business Finance Limited		(179,655)
Surplus/(Deficit) c/d		(80,437)
Assets Subject to Floating Charge		
Plant and Machinery	2	30,000
Office Furniture & Equipment		3,500
Stock and Work in Progress		3,500
Motor Vehicle		2,000
Goodwill and Business Intellectual Property Rights	2	Nil
		39,000
Estimated funds available for Preferential Creditors		39,000
Less Estimated Preferential Creditors	3	(17,600)
Net property		21,400
Prescribed Part calculation c/d	4	(7,280)
Estimated Surplus / (Deficiency) to floating charge creditor		14,120
Less Deficit to Skipton Business Finance b/d		(80,437)
Estimated Surplus / (Shortfall) to Skipton Business Finance Limited c/d		(66,317)
Add back Prescribed Part	4	7,280
Estimated available to unsecured creditors		7,280
Less Unsecured Creditors		
Trade & Expense Creditors	5	(125,181)
HMRC - PAYE/NIC	5	(118,000)
HMRC - VAT	5	(130,000)
Unsecured Element of Redundancy/PILON	5	(22,000)
Total Unsecured Creditors		(395,181)
Estimated (Shortfall) to Creditors		(387,901)
Less Deficit to Skipton Business Finance b/d		(66,317)
Less Share Capital		(99,100)
Estimated Total Deficiency		(553,318)

Notes

- 1 The Company has an outstanding book debt ledger with Skipton Business Finance Limited, as at 19 October 2016, the sum of £198,436 remains outstanding in respect to this book debt ledger, however, a write down of 50% has been applied in this regard and the ledger is estimated to realise £99,218
- 2 Based upon valuations on a forced sale basis provided by GWA Auctioneers and Valuers. Please note that the costs associated with decommissioning, uplifting and selling the physical assets would be significant
- 3 Based upon a provision of £800 per employee for all 22 employees
- 4 The company granted a floating charge to Skipton Business Finance Limited and accordingly we are required to create a fund out of the Company's net floating charge property for unsecured creditors (known as the prescribed part fund)
- 5 Value taken from the Company's books and records

Cowgill Holloway Business Recovery LLP
Bright Engineering (North West) Ltd
B - Company Creditors

Key	Name	Address	£
CA00	AA Anodising UK Ltd	Unit 1B, Garden Vale Business Centre, Greenfield Road, Colne, Lancashire, BB8 9PD	207 77
CA01	AALCO	The Credit Centre, Nautica, Navigation Park, Water Meeting Road, Bolton, BL1 8SW	338 18
CA02	A C A S Engineering	Hewitt House, Winstanley Road, Orrell, WN5 7XA	765 44
CA03	ADG Laser Design & Engraving	Unit 8 Brookmill Complex, Lower Darwen, Blackburn, Lancashire, BB3 0PR	32 50
CA05	Atlas Alarms Ltd	2/4 Blackburn Road, Darwen, Lancs, BB3 0BS	484 84
CB00	Backhouse Insurance Brokers Ltd	Oakmount House, 9 Carrside, Lomeshaye Business Park, Nelson, BB9 6RX	5,134 40
CB02	Barclays Credit Card	PO Box 362, Manchester, M60 3PN	241 17
CB03	Beevers & Struthers	Central Buildings, Richmond Terrace, Blackburn, BB1 7AP	2,280 00
CB04	Berkeley Myles Solutions Ltd	Pavilion 4B, Moorpark Court, 17 Dava Street, Glasgow, G51 2JA	2,033 96
CB05	Biffa Waste Services Ltd	Coronation Road, Cressex, High Wycombe, Bucks, HP12 3TZ	212 46
CB06	BNP Paribas Lease Group	Northern Cross, Basing View, Basingstoke, Hants, RG21 4HL	171 60
CB07	Borough of Pendle	Treasury Services, 1 Market Street, Nelson, Lancs, BB9 7LJ	12,690 08
CB08	Brier Engineering Limited	Unit 1-3 Kirby Road, Lomeshaye Industrial Estate, Nelson, Lancashire, BB9 6RS	878 40
CB09	British Turned Parts Manufacturers Association	77 Greyhound Lane, Norton, Stourbridge, West Midlands, DY8 3AD	999 00
CB0A	Brolly Aluminium Finishing Ltd	Unit 10, 55 Antrim Road, Ballynahinch, Co. Down, BT24 8AN	942 30
CC00	Carrs Toolsteel Technologies	Steelbright Works, Coneygree Road, Tipton, West Midlands, DY4 8XQ	126 82
CC01	CDS Precision Engineering Ltd	Unit 5A, Aldon Road, Poulton Industrial Estate, Poulton-le-Fylde, Lancashire, FY6 8UL	846 00
CC02	C E M Limited	The Engine Shed, C/O Finney Springs, Charley Road, Shephed, LE12 9EW	423 53
CC03	Centaur Communications Ltd	St Giles House, 50 Poland Street, London, W1F 7AX	300 00
CC04	Chromal Plating Co (Bolton) Ltd	Unit 3 Hollins Grove Mill, Hollins Grove Street, Darwen, Lancashire, BB3 1HG	233 28
CC05	Clarks of Stillington	Ironmasters Way, Stillington, Stockton-On-Tees, TS21 1LF	2,534 40
CC06	Cogne UK Limited	Uniformity Steel Works, 19 Don Road, Newhall, Sheffield, S9 2UD	4,282 01
CC08	CSJ Enterprises	Evesham Road, Bishop Cleeve, Cheltenham, Gloucestershire, GL52 8SA	648 00
CC09	Custom Colour Anodising Ltd	Unit 6 Ouzledale Foundry, Long Ing, Barnoldswick, Lancashire, BB18 6BN	2,700 00
CC0A	Cutwel Ltd	Unit A, Riverside Drive, Cleckheaton, West Yorkshire, BD19 4DH	1,580 91
CD00	Durbin Metal Industries Ltd	No 1 Wharf Approach, Anchor Brook Industrial Park, Aldridge, Walsall, WS9 8BX	2,615 18
CD01	Driver & Vehicle Licensing Agency	Swansea, SA99 1AR	181 08
CE00	EON (Gas)	PO BOX 8610, Nottingham, NG1 9AH	29 99
CE01	European Tubes Ltd	Unit 9 Pagefield Ind Estate, Miry Lane, Wigan, Lancashire, WN6 7LA	3,109 50
CE02	Eyre Taylor Metals Ltd	Skipton Business Finance, The Bailey, Skipton, North Yorkshire, BD23 1DN	696 00

Cowgill Holloway Business Recovery LLP
Bright Engineering (North West) Ltd
B - Company Creditors

Key	Name	Address	£
CF00	Frank Blakeley & Son Ltd	Poor Peg Mill, Buckley Street, Heywood, Lancs, OL10 4HZ	700 98
CF01	Fedex	Parkhouse Ind Estate, Newcastle Under Lyme, Staffordshire, ST5 7RB	586 42
CF03	Fuel Card Services Ltd	Kingsway House, Kingsway, Burnley, Lancs, BB11 1BJ	165 11
CG00	Grovefern Estates Ltd	1 Cornmill Farm, Burnley Road, Altham, Lancashire, BB5 5UP	63 77
CG01	Green & Preece Grinding Ltd	Rufford Road, Stourbridge, West Midlands, DY9 7NE	651 00
CH00	Hard Anodising Ltd	IGF Invoice Finance Ltd, 2 Maidstone Road, Paddock Wood, Tonbridge, TN12 6GF	802 80
CH01	HM Revenue & Customs	Enforcement & Insolvency Service (EIS) Durrington Bridge House, Barrington Road, Worthing BN12 4SE	248,000 00
CH02	Hexagon Metrology Ltd	Metrology House, Halesfield 13, Telford, Shropshire, TF7 4PL	2,184 00
CH03	Hitchens Engravers Ltd	Maudsley Street, Accrington, BB5 6AD	198 00
CH04	Hoffmann Group	Hoffmann GmbH, Herbert-Ludwig-Strasse 4, Achim, D-28832	4,979 20
CH05	Holme Dodsworth Metals Ltd	Unit 2 Vale Park Ind Estate, Hazelbottom Road, Crumpsall, Manchester, M8 0GF	10,631 26
CH06	Horn Cutting Tools Ltd	32 New Street, Ringwood, Hants, BH24 3AD	1,694 77
CH08	Hub Le Bas	Bower Street, Newton Heath, Manchester, M40 2AF	893 37
CH09	Hudson Energy	Avebury House, 219-225 Avebury Blvd, Milton Keynes, MK9 1AU	6,929 03
CI00	Industrial Tooling Corporation	Cyber Hoi, 1 Kelper, Uchfield Road Ind Es, Tamworth, Staffs, B797XE	2,795 37
CI01	Interlink Express Parcels Ltd	Unit 3 Enterprise Court, Huncoat Ind Est, Newhouse Rd Huncoat Nr Accrington,	220 13
CI00	Jon Hoyle (Expenses)	3 Carrside, Lomeshayre Industrial Estate, Nelson, Lancashire, BB9 6RX	10 58
CI01	JMI Tools Ltd	Bridge House, 425 Garstang Road, Broughton, Preston, PR3 5JA	2,286 19
CK00	KR Saws	Unit A2, Abbey Industrial Estate, Bodmin Road, Coventry, CV2 5DB	299 84
CL00	Leigh Metal Polishing Services	Unit 9, Swinton Industrial Estate, Pendlebury Road, Swinton, Manchester, M27 4AJ	286 56
CL01	L&K Nuttall	7 Cottesloe Place, Barrowford, Nelson, Lancashire, BB9 8QZ	4,333 33
CM00	Machine Tool Supplies	Unit 7, Kenyon Business Park, Pilkington Street, Bolton, BL3 6HL	208 85
CM01	Mazak Europe	Yamazaki Machinery U K Ltd, Badgeworth Drive, Worcester, Warndon, WR4 9NF	3,232 17
CM02	Mills CNC Ltd	Tachbrook Link, Tachbrook Park Drive, Leamington Spa, CV34 6SN	741 00
CM03	Metal Product Services	Unit O Stratton Bus Park, London Road, Biggleswade, Beds, SG18 8QB	6,013 58
CM04	MSC Industrial Supply Co	7 Pacific Avenue, Wednesbury, West Midlands, WS10 7WP	1,575 09
CN00	Nitec (UK) Limited	Hardwick House , Hardwick View Road, Holmewood Ind Estate, Chesterfield, Derbyshire, S42 5SA	1,006 47
CN01	Northern Broaching Services	Marian Buildings, 2 Bury Road, Radcliffe, M26 2UU	72 00

Cowgill Holloway Business Recovery LLP
Bright Engineering (North West) Ltd
B - Company Creditors

Key	Name	Address	£
CN02	Northbridge Vending Company Ltd	Unit 1, Holt Business Park, Widow Hill Road, Burnley, Lancashire, BB10 2TN	347 66
CP00	Parkside Steel (Stockholders) Ltd	Unit 6, Waterways Business Centre, Navigation drive, Enfield, EN3 6JJ	1,173 01
CP02	Pendle Nu Tech Limited	The Old School Hou , School Lane, Laneshaw Bridge, Colne, Lancashire	359 21
CP03	Precision Engineering Pieces Ltd	Unit 5A-5C Ashchurch Business Centre, Tewkesbury, Gloucestershire, GL20 8NB	1,725 10
CP04	Process Treatments	Stone Gappe House Gisburn Road, Blacko, Lancashire, BB9 6LS	1,573 68
CQ00	Quadrant EPP UK Ltd	Woodhouse Road, Todmorden, Lancashire, OL14 5TP	422 40
CR00	Riley & Shutt (TOOLS) Ltd	34 Church Lane, Clayton-le-Moors, Accrington, BB5 4DE	5,632 32
CR01	RSK Fastenings Ltd	Units 1 & 2 The Market Business Centre, Hanson Lane, Halifax, Lancs, HX1 5PF	1,202 76
CS00	SGS United Kingdom Ltd	Rossmore Business Park, Ellesmere Port, Cheshire, CH65 3EN	1,024 86
CS01	Silchrome Plating Ltd	Barras Garth Road, Leeds, West Yorkshire, LS12 4JW	242 19
CS02	Simmel Ltd	Unit 479 Ranglet Ro , Walton Summit Centre, Bamber Bridge, Preston, Lancashire, PR5 8AR	278 28
CS03	Simply Bearings Ltd	Halton House, Greenfold Way, Leigh Business Park Leigh, Lancashire, WN7 3XJ	46 14
CS06	Style Machine Tools Ltd	434 Ranglet Road , Walton Summit, Bamber Bridge, Preston, Lancashire, PR5 8AR	83 48
CT00	Talbot Plating Co Ltd	Victoria Works, Riverway Barrowford, Lancashire, BB9 6EL	739 20
CT01	Threadmaster Gauge	Princes Drive, Crackley Ind Est , Kenilworth, Warwickshire, CV8 2FD	180 84
CT02	Thyssenkrupp Materials (UK) Ltd	Phoenix Close Industrial Estate, Phoenix Close, Heywood Lancashire, OL10 2JG	3,420 00
CT03	Topchem Glassware	9 Kirby Road, Lomeshaye Industrial Estate, Nelson, Lancashire, BB9 6RS	1,134 69
CT04	Training 2000	Furthergate Business Park, Harwood Street, Blackburn, Lancashire, BB1 38D	3,262 50
CU00	United Utilities	Haweswater House, Ungley Mere Business Park, Lingley Green Avenue, Warrington, WAS 3LP	778 88
CV00	RBS Credit Card	Po Box 5747, Southend-On-Sea, SS1 9AJ	273 91
78 Entries Totalling			373,180 78

Appendix D

Time Analysis for the Period from 19 October 2016 to 26 October 2016

	Hours							Total Hours	Total Cost £	Average Cost £
	Partner	Director	Manager	Senior Administrator	Administrator	Junior Administrator	Cashier			
Administration	8 60	-	13 40	-	6 00	-	-	28 00	7,100 00	253 57
Total Hours	8 60	-	13 40	-	6 00	-	-	28 00	7,100 00	253 57

Appendix E

Additional Information in Relation to Joint Administrators' Fees

1 Fee Basis

- 1 1 The Joint Administrators are seeking to agree the basis of their remuneration in this case as time properly spent by them and their staff in dealing with the affairs of the Company. Attached to this appendix are details of the work the Joint Administrators propose to undertake and the expenses the Joint Administrators consider will be, or are likely to be, incurred. Information about the work done to date can be found in the body of the Joint Administrators' Report and Statement of Proposals at Section 2.
- 1 2 Where a time cost basis is being sought, the Joint Administrators' fees estimate will be included in this information, which also provides details of the rates the Joint Administrators and their staff propose to charge for each part of that work and the time they anticipate each part of that work will take.
- 1 3 The fees estimate is based on information about the Company's affairs available to the Joint Administrators at the present time. Should any matters arise which impact on this estimate, such as additional investigatory matters or potential realisable assets, further time or cost will be incurred and it may be necessary to revise the Joint Administrators' estimate of fees.
- 1 4 In this case, we do not anticipate that it will be necessary to seek further approval to increase the level of the fees estimate if the time incurred is in excess of the fees estimate enclosed with this report.
- 1 5 Each part of the work to be undertaken will necessarily require different levels of expertise and therefore related cost. In order to aid understanding, for the purposes of our fees estimate, we have indicated an average blended rate of the grades of staff such as ourselves, the case manager, the case administrator and cashier when estimating the total hours to be spent on each part of the work.
- 1 6 Overleaf are details of the work we propose undertaking in support of the fees estimate for the Administration.

BRIGHT ENGINEERING (NORTH WEST) LTD – IN ADMINISTRATION

Administration (including statutory compliance & reporting)

- Notifying creditors of the Joint Administrators' appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House,
- Preparing and issuing progress reports to members and creditors,
- Lodging periodic returns with the Registrar of Companies for the Administration,
- Complying with statutory duties in respect of the Joint Administrators' specific penalty bond,
- Creation and update of case files on the firm's insolvency software,
- Securing the Company's books and records,
- Pension regulatory reporting and auto-enrolment cancellation,
- Completion and filing of the notice of the Company's insolvency to HMRC,
- Initial assessment required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 (CDDA) including the review of the Company's books and records and the identification of potential further asset realisations which may be pursued in the Administration,
- Filing a statutory return to the Department for Business, Innovation and Skills under the CDDA,
- Periodic case progression reviews (typically at the end of Month 1 and every 6 months thereafter),
- Opening, maintaining and managing the Administration estate cashbook and bank account(s),
- Dealing with all post-appointment VAT and corporation tax compliance

Creditors (claims and distributions)

- 1 7 As Joint Administrators, we will deal with all unsecured creditor correspondence and claims as received, including any claims of creditors under retention of title. Based on the Proposals, we think that a distribution to creditors will become available to the unsecured creditors in this case. We will deal with the review and adjudication of creditors' claims as appropriate, if and when it is determined that a dividend is to be declared to that class of creditor.
- 1 8 It should be noted that the above is based on the estimated outcome statement contained within the Proposals.

Investigations

- 1 9 As Joint Administrators, we are required to conduct investigations into the conduct of the Director(s) of the Company and transactions entered into prior to the Company's insolvency,

BRIGHT ENGINEERING (NORTH WEST) LTD – IN ADMINISTRATION

as required by the Company Directors Disqualification Act 1986 and Statement of Insolvency Practice 2 (Investigations by Office Holders in Administrations and Insolvent Liquidations)

- 1 10 This work may not necessarily lead to any financial benefit to creditors yet is work we are required to undertake by statute. We have included the time we consider will be needed to comply with the above legislation within Administration above
- 1 11 If however, our initial investigations reveal that further recoveries may be available for the insolvent estate, all work undertaken to pursue these recoveries will be estimated within this time category
- 1 12 At this stage, we do not foresee any substantial investigation work will be required but if following the conclusion of our initial investigations we consider that further investigation work is then required to pursue assets of the Company, we will provide creditors with an update on our fees estimate in due course
- 1 13 Below is our fees estimate for the Administration. The work the Joint Administrators anticipate undertaking in relation to this estimate has been outlined above. It is an estimate for the entire Administration. If we consider this estimate will be exceeded, we will advise creditors and seek approval for our revised fees estimate as appropriate
- 1 14 As previously advised the Joint Administrators are seeking to fix the basis of their remuneration by reference to the time properly spent by the Joint Administrators and their staff in dealing with all matters arising in the Administration, an estimate of this time is included below

Asset Realisations

- 1 15 On 19 October 2016, a sale of the Company's assets was completed in the sum of £37,500. A sum of £7,500 was received by TLT in respect to an initial contribution in this regard followed by deferred consideration of six payments of £5,000 to be received on the 25th of each month until this amount is repaid in May 2017. It is understood that the Joint Administrators will continue to monitor the receipt of this deferred consideration
- 1 16 In addition, SBF hold the benefit of a fixed charge resulting from book debt receipts, it is understood that the sum of £194,839 remains outstanding to SBF in respect to this ledger as at 26 October 2016. Furthermore, a 20% write down has been applied to this value for the sake of bad debts and it is understood that SBF are yet to apply termination fees and charges

BRIGHT ENGINEERING (NORTH WEST) LTD – IN ADMINISTRATION

to this balance. The Joint Administrators will liaise regularly with SBF to obtain updates on collection of the outstanding ledger. Furthermore, the Joint Administrators may be required to provide SBF with Company records to assist with the collection. Should there be a ledger to reassign to the Company after SBF have been repaid, the Joint Administrators will undertake a collection exercise.

General Administration

- 1.17 This relates to time spent liaising with GWA regarding the valuation and sale of the Company's assets, reviewing and circulating the Joint Administrators' Statement on Pre-Packaged Sale and the Proposals to all creditors, etc. Also to include, liaising with HMRC regarding outstanding VAT and PAYE/NIC issues, dealing with the reviewing and dealing with correspondence, maintaining the working file and system records, etc.

	Hours							Total Hours	Total Cost £	Average Cost £
	Partner	Director	Manager	Senior Administrator	Administrator	Junior Administrator	Cashier			
Administration (Inc statutory compliance & reporting)	10.00	-	15.00	5.00	25.00	-	20.00	75.00	14,550.00	194.00
Realisation of Assets	6.00	-	4.00	2.00	3.00	-	-	15.00	4,060.00	270.67
Creditors (claims & distributions)	3.00	-	5.00	2.00	4.00	-	-	14.00	3,335.00	238.21
Investigations	10.00	-	9.00	6.00	8.00	-	-	33.00	8,280.00	250.91
Trading (where applicable)	-	-	-	-	-	-	-	-	-	-
Case Specific Matters (where applicable)	-	-	-	-	-	-	-	-	-	-
Total Hours	29.00	-	33.00	15.00	40.00	-	20.00	137.00	30,225.00	220.62
Current Chargeout Rates	375.00	300.00	250.00	180.00	150.00	100.00	120.00			

2 Expenses

- 2.1 Overleaf is a table which outlines the expenses that we consider at this stage will be, or are likely to be, incurred in dealing with the Company's affairs. We will provide an update to creditors in our future progress reports.

BRIGHT ENGINEERING (NORTH WEST) LTD – IN ADMINISTRATION

Expense	Provider	Basis of Fee Arrangement	Cost to Date
Statutory advertising	Courts Advertising Limited	Set Fee – £169 plus VAT	Nil
Administrator's bond	AUA Insolvency Risk Services	Risk Based Premium – £70 plus VAT	Nil
Document storage	Re-store Plc	Estimated – £100 plus VAT	Nil

3 Staff Allocation and the Use of Sub-Contractors

- 3 1 The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case
- 3 2 The constitution of the case team will usually consist of a Partner, a Manager, and an Administrator or Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. Where the basis of the Joint Administrators' remuneration is being proposed on a time cost basis, details of our current charge-out rates can be found overleaf
- 3 3 We are not proposing to utilise the services of any sub-contractors in this case

4 Joint Administrators' Disbursements

- 4 1 Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case. Any Category 1 disbursements we anticipate being incurred in this case are included in the table of expenses above
- 4 2 Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage
- 4 3 We would confirm that this firm does not seek to charge any Category 2 disbursements

BRIGHT ENGINEERING (NORTH WEST) LTD – IN ADMINISTRATION

5 Charge-out Rates

- 5.1 A schedule of Cowgill Holloway Business Recovery LLP's charge-out rates for this assignment effective from 1 March 2012 is detailed below. Please note this firm records its time in minimum units of 6 minutes.

Staff Grade	(per hour)
Partner	375
Consultant	300
Director	300
Manager	250
Senior Administrator	180
Administrator	150
Cashier / Support Staff	120
Junior Administrator	100

Estimated Outcome Statement as at 26 October 2016

	Notes	Administration £
Assets Subject to Fixed Charge		
Book Debts	1	155,871
Less Skipton Business Finance Limited	2	(176,761)
Deficit c/d		(20,890)
Assets Subject to Floating Charge		
Funds Held by Solicitors Re Sale	3	7,500
Deferred Consideration	3	30,000
		37,500
Less Estimated costs of Administration	4	(37,500)
Estimated funds available for Preferential Creditors		Nil
Less Estimated Preferential Creditors	5	Nil
Net Property		Nil
Prescribed Part calculation c/d	6	N/A
Estimated Surplus / (Deficiency) to floating charge creditor		Nil
Less Debts secured by floating charge b/d		(20,890)
Deficiency to floating charge creditor c/d		(20,890)
Add back Prescribed Part	6	N/A
Estimated surplus/(shortfall) to unsecured creditors		(20,890)
Less Unsecured Creditors		
Trade & Expense creditors	7	(125,181)
HMRC - VAT - Estimated	8	(130,000)
HMRC - PAYE - Estimated	8	(118,000)
Total Unsecured Creditors		(373,181)
Less Deficit to Skipton Business Finance b/d		(20,890)
Estimated (Shortfall) to Creditors		(394,071)

Notes

- 1 The Company has an outstanding book debt ledger with Skipton Business Finance Limited, as at 26 October 2016, the sum of £194,839 remains outstanding in respect to this book debt ledger, however, a writedown of 20% has been applied in this regard
- 2 Figure provided by Skipton Business Finance Limited as at 26 October 2016
- 3 This is based on the pre-packaged sale to BEPP and the scheduled deferred payments
- 4 Estimate See below
- 5 As the Company's employees have been transferred to BEPP, claims of this nature are not anticipated
- 6 The Company has no net floating charge property. As such there is no requirement for the Joint Administrators to create a fund out of the Company's net floating charge property for the benefit of unsecured creditors as it is below the prescribed minimum of £10,000
- 7 Taken from the Company books and records
- 8 Estimate provided by the Directors

Costs of Realisation

	£
Pre Appointment Costs	(12,250)
Office Holders Fees (Estimate) - capped at level of available funds as estimated time spent on this assignment is greater than this	(24,750)
Disbursements (Estimate)	(500)
	(37,500)

Appendix G

Joint Administrators' Statement on Pre-Packaged Sale

Bright Engineering (North West) Ltd – In Administration (“the Company”)

Overview

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

Prior to the appointment of an Administrator, an Insolvency Practitioner may act in an advisory capacity to the Company. During this time the Insolvency Practitioner’s role is not to advise the Directors personally or any parties connected with any eventual purchaser of the Company’s business or assets. It is also possible that a different Insolvency Practitioner may be the eventual Administrator and not the Insolvency Practitioner who provided the advice to the Company before any formal appointment was made.

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

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

In this case, the Joint Administrators have pursued the third objective of realising property in order to make a distribution to one or more secured or preferential creditors of the Company, and considers that the pre-packaged sale enables the statutory purpose of Administration to be achieved via a distribution to the Company’s secured creditor under its fixed charge.

Set out below is further information containing a summary of the circumstances relevant to the pre-packaged sale of the Company’s business and assets to Bright Engineering (Precision Products) Ltd (Formerly Pendle Rentals Limited) (“BEPP”) in accordance with the provisions of Statement of Insolvency Practice 16 (“SIP16”).

Background

The Company was incorporated on 26 May 1999 by former Directors, Stephen Coates and John Hanson in the name of Bright Spark Precision Engineering Ltd, before changing its name to Bright Engineering (North West) Ltd in May 2014.

The Company provided machined components to a variety of different precision engineering sectors to include aerospace, power generation, defence, scientific and motorsport throughout the North West.

In May 2014, the current directors, Jon Hoyle and Nigel Jenkins acquired the business. At this time, funding was provided by way of invoicing finance, asset finance and personal monies provided by way of directors’ loan accounts.

The Company traded from a leasehold premises in Nelson, Lancashire and it is understood that this lease has four years remaining with no break clauses. The Company employed 22 permanent members of staff to include the directors and their length of service ranges from three months to 25 years.

Over the last two years, the Company has encountered a general reduction in sales due to the general downturn in this sector. Although the Company has historically recorded good gross profit margins, it has been unable to reduce overheads in line with the recent fall in turnover, and the cost of labour and materials is out of proportion for the level of turnover being attained. As a result, the profit margin has reduced and the Company has recorded net losses for the year ended September 2015 and for the subsequent period ended August 2016.

As losses have been made and cash flow has become a problem, the Company has been unable to maintain its current liabilities, specifically to HM Revenue & Customs ("HMRC"). In July 2016, the Company entered into two separate Time to Pay Arrangements ("TTPA") with HMRC in relation to arrears of VAT and PAYE totalling approximately £197,000. The TTPA was for a combined weekly payment of £9,000. In addition to this TTPA, HMRC approached the Company in respect to post TTPA liabilities of approximately £51,000 that the Company was unable to maintain and, as a result, the Company was under increasing pressure from HMRC in this respect.

In an attempt to ease cash flow pressure, the directors have injected personal funds of approximately £75,000 which reduced creditor pressure in the short-term, however, creditor pressure continued and several threats of legal proceedings were made.

As a result of the Company's continued cash flow difficulties the directors sought financial advice from the Company accountant and following these discussions, the accountant advised the directors to liaise with CHBR to obtain insolvency advice.

The directors met with CHBR on 27 September 2016. At this meeting and following a review of the Company's management information, it became apparent that the Company was irrecoverably insolvent and could not continue to trade in its current form. At this stage, the directors confirmed that they were unable to inject any further funds to support the Company.

Various options were discussed with the directors, including Creditors' Voluntary Liquidation ("CVL") and Administration, however, it was considered that CVL was not appropriate as in Liquidation, the value of the Company's intangible assets would be eroded and any interruption in trade would jeopardise the collectability of the book debt ledger. Furthermore, CVL would result in redundancy for all staff and increase creditor claims of both a preferential and non-preferential, unsecured nature. Accordingly, Administration was deemed the correct strategy.

On receipt of some initial advice, the Company formally engaged CHBR on 12 October 2016. As it was understood that a formal insolvency process was required and that realisations via Administration were anticipated to be significantly greater than in Liquidation, Administration was deemed the correct strategy. Accordingly, form 2 8B, Notice of Intention to Appoint an Administrator ("NOI"), was filed in court as it was understood that the Company was under significant pressure from HMRC and winding up proceedings were imminent. By filing Form 2 8B, the Company was protected from its creditors for ten business days, via an interim moratorium. On 14 October 2016, Form 2 8B was served upon SBF as it held a Qualifying Floating Charge. Furthermore, CHBR served a formal report on SBF outlining the proposed strategy.

Following a meeting with the directors, CHBR had instructed GWA Auctioneers and Valuers ("GWA") to attend the Company's trading premises to conduct an inventory and valuation and an initial assessment of the Company's assets and report to CHBR upon the same

GWA attended the Company's trading premises and at this stage, GWA were made aware of interest from a newly incorporated company of which the Company's directors, Jon Hoyle and Nigel Jenkins also acted as directors, along with the Company's former director, Geoffrey Hall.

GWA advised that it considered that a sale of the Company's assets 'in situ' would be essential in order to maximise realisations and reduce costs as GWA advised that the costs associated with decommissioning machinery, uplifting and transporting the Company's plant and machinery would be significant. Furthermore, GWA advised that continuity of trade, via a business sale would be essential to protect the book debt ledger as it was understood that any break in trade would enable clients to potentially issue counter claims and dispute amounts due to the Company as a result from non-performance relating to existing assignments

GWA received a formal offer from the Company directors, via a newly incorporated company, for the business and assets of the Company which was in the sum of £37,500 plus VAT. GWA advised that the offer was at an acceptable level, especially when taking into account that it provided continuity and therefore protection of the book debt ledger and that it also included a transfer of the Company's 22 employees, however, despite this and in accordance with Statement of Insolvency Practice No 16 ("SIP 16"), CHBR undertook a short term marketing campaign to ascertain if there was any further interest in the business

Subsequently, no further offers were received and GWA advised that the offer received from BEPP should be proceeded with as it provided continuity to preserve the value of the book debt ledger, maximised assets realisations in comparison to Liquidation and also ensured continuity of employment for the Company's workforce, therefore, reducing creditors' claims in the Administration

On 19 October 2016, following confirmation from SBF that it had no objection to the proposed Administrators' appointment, the directors filed Form 2 9B, Notice of Appointment of an Administrator in court. As such, Jason Mark Elliott and Craig Johns of CHBR were appointed Joint Administrators of the Company

On 19 October 2016, the assets of the Company were purchased by BEPP for the sum of £37,500

Initial Introduction

The Joint Administrators were introduced to the Company by its accountant, Beever and Struthers, who had recently met with the Company to discuss its financial position. Following this, Beever and Struthers recommended that Cowgill Holloway Business Recovery LLP ("CHBR") undertake a review of the financial position and discuss the options for the business. The Joint Administrators do not believe that there is any significant personal or professional relationship between the Company or its directors and CHBR and carried out the appropriate conflict review prior to accepting the appointment

Following a meeting between the directors and CHBR, at which the financial position of the Company was discussed and available options considered, it was resolved that the Company was insolvent and could not continue to trade in its current form. As a result, on 12 October 2016, the directors formally instructed Jason Mark Elliott and Craig Johns of CHBR to provide such advice and the appropriate steps were then taken to place the Company into Administration

Jason Mark Elliott and Craig Johns considered carefully the five fundamental principles contained within the Insolvency Practitioners Association Code of Ethics for members and Statement of Insolvency Practice 1 and concluded that no threats to the same existed and that they were able to take the appointment as Joint Administrators

We would confirm that we were formally engaged by the Company on 12 October 2016

Pre Appointment Considerations

Following instruction, and having reviewed the financial position, it was apparent to Jason Mark Elliott and Craig Johns that the Company was irrecoverably insolvent. In July 2016, the Company had entered into two TTPA's with HMRC in relation to arrears of VAT and PAYE of circa £197,000. The TTPA was for a combined weekly payment of £9,000 and the Company could no longer maintain this due to significant cash flow problems. As such, the Company was under increasing pressure from HMRC and further recovery action was understood to be imminent.

After reviewing the position, Jason Mark Elliott and Craig Johns considered that the Company required a formal insolvency procedure. The following courses of Administration and Liquidation were considered, as it was understood that a Company Voluntary Arrangement ("CVA") would not be supported by HMRC, who are the Company's largest creditor and therefore the required creditor approval for a CVA would not be obtained.

Administration seemed most appropriate as it enhanced asset realisations, maintained continuity of employment and protected the book debt ledger via the continuity gained from a pre-packaged sale immediately after an Administrator's appointment.

Furthermore, interest from a connected company was received which, David Sunderland of GWA Auctioneers and Valuers ("GWA") advised was at an acceptable level. This further supported the view that Administration was more appropriate than Liquidation.

Other Alternative Courses of Action

Continued Trade both With or Outside of a Formal Company Voluntary Arrangement

Due to increasing pressure from HMRC and a failed TTPA, the Company was unable to trade outside of a formal arrangement. A CVA was not considered to be a viable option as following a review of the Company's management information, it was apparent that the Company had very little in the form of working capital and would be unable to meet a set monthly payment in addition to its obligatory financial commitments. Furthermore, it was understood that due to falling into arrears with payments in respect to its VAT and PAYE liabilities and the recently failed TTPA, HMRC were beginning enforcement action and the threat of winding up action against the Company was understood to be imminent. HMRC were therefore unlikely to support a CVA proposal and as HMRC were the Company's largest creditor, the prospects of a CVA being approved were unfavourable.

Distressed Sale of the Business and Assets as a Going Concern by Management

This was not considered appropriate due to the threat of winding up proceedings from HMRC as a result of the failed TTPA which would have likely resulted in a compulsory liquidation and significantly reduced asset realisations. As a result, it was understood that the Company did not have sufficient time to market and effect a sale in this manner.

Furthermore, no third party was known to be interested in this course of action outside of a formal insolvency procedure

Sale of Assets by the Joint Administrators after a Period of Marketing to Third Parties

Prior to the Joint Administrators' appointment, CHBR placed the business opportunity on its website and also circulated a marketing flier to the partners of Cowgill Holloway LLP ("CH") This marketing resulted in no interest, other than from the existing management

Accordingly, and when taking into account the cost of running a protracted marketing campaign, GWA advised that no further marketing was likely to generate any interest and it would only serve to increase costs and therefore reduce the net asset realisations which would be detrimental to creditors Furthermore, GWA advised that a quick sale was imperative to protect the book debt ledger via continuity of supply to customers as a break in trading may result in counter claims for non-fulfilment As such, continued marketing following appointment was not considered appropriate

Liquidation and Subsequent Forced Sale of the Company's Assets

Following the offer from BEPP, this process was not considered to be appropriate as the offer made was on an 'in-situ' basis and exceeded what would be achieved should the assets be sold on a forced sale basis when taking into account the significant costs of uplift and sale via auction which were expected to reduce net sales consideration In addition to this, the business sale has maintained continuity of supply which has preserved the value of the goodwill, which would have been expected to be totally eroded in Liquidation and provides continuity for the Company employees which have been transferred to the purchaser BEPP, which therefore reduced the level of preferential and unsecured employee claims in the Administration

A pre-packaged sale of the assets in Administration would ensure significantly greater realisations for the benefit of the Company's creditors

Trading the Business

The Company had no working capital available to fund a period of trading and the existing management confirmed that they were unable to provide additional funds with the Company in its current financial position CHBR had reviewed the position and understood that the further funding required was not available In addition, it was understood that it was not appropriate for SBF to provide any further funding

Furthermore, following a brief period of marketing by CHBR prior to the Joint Administrators' appointment, it was apparent that no additional offers to purchase the business and assets of the Company were forthcoming

The above, combined with the other operating costs being well in excess of anticipated realisations meant that it was in no way viable to continue to trade the business during Administration

Comparative Outcome

The Joint Administrators are satisfied that the sale of the Company's assets under the terms of the pre-packaged sale has resulted in the best outcome reasonably obtainable for creditors in the circumstances The following table

provides a comparative outcome with a sale of the Company's assets in Liquidation or through a restricted marketing period post Administration as against the outcome obtained via the pre-packaged sale

Details of Assets	Sale in Liquidation/Under Restricted Marketing Conditions £	Pre-Packaged Sale in Administration £
Plant & Machinery	30,000	27,500
Office Furniture & Equipment	3,500	3,500
Stock and Work in Progress	3,500	3,500
Motor Vehicle	2,000	2,000
Goodwill	Nil	1,000
Total	39,000	37,500

Please note that GWA have advised that the costs associated with decommissioning, uplifting and selling the plant and machinery in a Liquidation scenario would be approximately £10,000 and therefore, GWA advised that on this basis the offer received from BEPP represented a better result for creditors

The following charges are registered against the Company

Charge in Favour of	Type of Charge	Date of Creation	Date of Registration
Skipton Business Finance Limited	Fixed and Floating Charge	1 May 2014	1 May 2014

Marketing of the Business and Assets

Marketing a business is an important element in ensuring that the best available consideration is obtained for it in the interests of the Company's creditors as a whole. The Joint Administrators advised the Company prior to their appointment, that any marketing should conform to the marketing essentials set out in SIP16 which includes the following key considerations

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

On 12 October 2016 and immediately after instruction, CHBR advertised the Company for sale on its website and circulated details of the business opportunity to all Partners of CH

GWA advised that a significant marketing campaign would not have resulted in any additional offers as the majority of the Company's assets were encumbered via lease agreements that would be a deterrent to any other potential purchaser. Furthermore, the offer from BEPP was subject to immediate completion and BEPP advised that it was prepared to withdraw the offer should any unnecessary delay be incurred. In addition, the anticipated TUPE liability

was understood to be significant due to the length of service of the Company's employees and, GWA advised that this would also deter any prospective purchaser

Other than the offer from BEPP, no other expressions of interest were generated from this source
Following receipt of the offer from BEPP, in light of the lack of any additional interest or offers and as there was an inherent risk of BEPP's offer being withdrawn, GWA positively recommended the offer for acceptance

Valuation of the Business and Assets

As detailed earlier in this report, GWA were instructed by the Joint Administrators to value the business and assets of the Company. GWA are an independent valuation agent and have confirmed their independence from CHBR and the Company

GWA employ members of staff who are members of the Royal Institute of Chartered Surveyors and they possess knowledge of the particular market for these assets and the skills and the understanding necessary to undertake the valuation competently. In addition, GWA have confirmed that it possesses the requisite professional indemnity insurance to provide the advice and services required

Valuations were obtained from GWA on an open market value 'in-situ' and 'ex-situ'. These are as follows

Details of Assets	Sale (Administration/Under Restricted Marketing Conditions) £	Sale Ex Situ (Liquidation) £
Plant & Machinery	45,000	30,000
Office Furniture & Equipment	4,500	3,500
Stock and Work in Progress	5,000	3,500
Motor Vehicle	3,000	2,000
Goodwill	Nil	Nil
Total	57,500	39,000

The bases of the valuations are what would likely be achieved in an Administration and Liquidation scenario, if the pre-packaged sale to BEPP was not completed. All known assets were valued and are detailed above

GWA did not believe that there was any value attributed to goodwill unless it was purchased by a connected party

GWA advised that although the sale to BEPP represented a lower realisation when compared to the estimated valuation of an 'in-situ' sale detailed above, it is considered that the net benefit caused by the transfer in all staff, thus reducing employee claims, and the significantly reduced costs of not marketing the Company after an Administrator's appointment, which would in turn jeopardise the book debt ledger, ensured that the sale represented the best outcome for creditors, especially as no other interested parties were identified

Details of the Assets Sold and the Nature of the Transaction

Purchaser and Related Parties

The assets of the Company have been purchased by BEPP, an associated company by way of common directors and shareholders, Jon Hoyle and Nigel Jenkins and former director, Geoffrey Hall on 19 October 2016. The purchaser bought whatever right, title and interest the Joint Administrators held in these assets.

Assets

BEPP have purchased the following assets:

- Plant & Machinery,
- Office Furniture and Equipment,
- Stock and Work in Progress,
- Motor Vehicle,
- Goodwill

Sale Consideration

The sales consideration is in the sum of £37,500, there is no VAT payable as it is a going concern sale. The sum of £7,500 was paid by BEPP on 19 October 2016, this sum is currently being held in TLT Solicitors' client account pending transfer to the case account once opened.

The deferred consideration shall be paid by BEPP as follows:

- £5,000 on or before 4pm on 25 November 2016,
- £5,000 on or before 4pm on 25 January 2017,
- £5,000 on or before 4pm on 25 February 2017,
- £5,000 on or before 4pm on 25 March 2017,
- £5,000 on or before 4pm on 25 April 2017;
- £5,000 on or before 4pm on 25 May 2017

If any of these payments are missed, then the entire balance will immediately become due.

The directors of BEPP have provided personal guarantees as security in relation to the deferred consideration. Please note that the sale is not part of a wider transaction and there are no buy back agreements contained within the sale contract.

Connected Party Transactions

Where there are connections between an insolvent company and the purchasing entity, the purchaser meets the definition of a 'connected party' and following recommendations made to The Department for Business, Innovation & Skills about pre-packaged sales to connected parties, it was felt that some of the concerns expressed about such transactions in the context of insolvency, may be overcome by having an independent party review the proposed

sale and offer an opinion on the appropriateness of the grounds for the sale. This may provide reassurance to creditors that an independent person has considered the reasonableness of the proposed transaction

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

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

The purchasers were made aware of their ability to approach the Pool and the potential for enhanced stakeholder confidence from the connected party approaching the Pool and preparing a viability statement for the purchasing entity.

In this case, the Pool has not been approached by the connected party.

Viability Statement

A viability review can be drawn up by a connected party wishing to make a pre-packaged purchase. The review should cover the greater of 12 months or the period over which any consideration is to be deferred in order to demonstrate how the purchasing entity will survive for this period from the date of the proposed purchase.

We can confirm that no such statement has been prepared by the purchaser in this case.