

**2.17B**

The Insolvency Act 1986

**Statement of administrator's proposals**

Name of Company

WEST END QUAY ESTATE MANAGEMENT  
LIMITED

Company number

04363126

In the

HIGH COURT OF JUSTICE, CHANCERY DIVISION  
(full name of court)

Court case number

1014 of 2015

We <sup>(a)</sup>(a) Insert full name(s)  
and address(es) of  
administratorsStephen Katz  
David Rubin & Partners  
26 - 28 Bedford Row  
London WC1R 4HEPaul Appleton  
David Rubin & Partners  
26 - 28 Bedford Row  
London WC1R 4HE

\*Delete as applicable attach a copy of \*my/our proposals in respect of the administration of the above company

Signed

Dated

24/3/2015

Joint / Administrators IP Nos 8681 | 8883

**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.

David Rubin & Partners  
26 - 28 Bedford Row  
London WC1R 4HETel 020 7400 7900  
DX Number 267DX Exchange London/Chancery  
Lane

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



\*A4407NNS\*

A15

26/03/2015

#178

COMPANIES HOUSE

**IN THE HIGH COURT OF JUSTICE**

**NO 1014 OF 2015**

**IN THE MATTER OF**

**WEST END QUAY ESTATE MANAGEMENT LIMITED - IN ADMINISTRATION**

**AND**

**THE INSOLVENCY ACT 1986**

**THE JOINT ADMINISTRATORS' REPORT AND  
STATEMENT OF FORMAL PROPOSALS  
AS REQUIRED BY PARAGRAPH 49 OF SCHEDULE B1  
OF THE INSOLVENCY ACT 1986**

## **WEST END QUAY ESTATE MANAGEMENT LIMITED – IN ADMINISTRATION**

### **JOINT ADMINISTRATORS' REPORT AND PROPOSALS - PARA 49**

#### **CONTENTS**

- 1 Introduction
- 2 Statutory information
- 3 Brief trading history and results
- 4 Background to the appointment of Administrators
- 5 Purpose of the Administration Order
- 6 Action taken by the Administrators
- 7 Conduct of the Administration
- 8 Receipts and Payments Account
- 9 Statement of Affairs
- 10 Creditors, Prescribed Part, and dividend prospects
- 11 Investigation by the Joint Administrators
- 12 Creditors' Meeting
- 13 Ending of Administration
- 14 Joint Administrators' Remuneration
- 15 EC Regulation on insolvency proceedings
- 16 Joint Administrators' Formal Proposals

#### **APPENDICES**

- 1 Statutory information
- 2 Joint Administrators' time costs and expenses
- 3 Joint Administrators' receipts and payments account
- 4 Joint Administrators' estimated Statement of Affairs
- 5 Schedule of funds held by Peverel at 30 June 2014
- 6 Schedule of funds held by Peverel for the commercial tenants as at 30 June 2014

# **WEST END QUAY ESTATE MANAGEMENT LIMITED – IN ADMINISTRATION**

## **STATEMENT OF FORMAL PROPOSALS AND REPORT OF THE JOINT ADMINISTRATORS AS REQUIRED BY PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986**

---

### **1. INTRODUCTION**

Paul Appleton and I, Stephen Katz, both of David Rubin & Partners, 26 - 28 Bedford Row, London, WC1R 4HE were appointed Joint Administrators of West End Quay Estate Management Limited ("the Company") on 9 February 2015. The appointment was made by the directors pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986.

The Joint Administrators act jointly and severally in the exercising of any and all functions exercisable by an administrator appointed under the provisions of Schedule B1 of the Insolvency Act 1986.

### **2. STATUTORY INFORMATION**

The Company's statutory information is set out in Appendix 1 of this report.

### **3. BRIEF TRADING HISTORY AND RESULTS**

3.1 The Company's principal activity was to facilitate the collection of service charges from residential and commercial tenants situated at The West End Quay development. The development was originally part of the Paddington Basin and comprises of three residential blocks housing 467 flats, 12 commercial units, common areas and a car park.

3.2 Extracts from the Company's Financial Statements are as detailed below:

	<b>Year ended 30-06-2014 (Statutory) £</b>	<b>Year ended 30-06-2013 (Statutory) £</b>	<b>Year ended 30-06-2012 (Statutory) £</b>
Income from Service Charge	329,220	412,911	406,469
Expenditure	(329,220)	(412,911)	(406,469)
Surplus	-	-	-
Members' Funds	3	3	3

3.3 The Company trades as a service charge company and therefore is not intended to trade at a profit.

#### **4. BACKGROUND TO THE APPOINTMENT OF ADMINISTRATORS**

##### The Company and the Service Charges

- 4 1 The Company is a shell estate management company which has no assets which would ever be available to its shareholders. It is, however, responsible for the provision of the services set out in the fifth schedule to the occupational leases which include amongst other things the repair and maintenance of the West End Quay Estate, and common parts, external decoration, maintenance and replacement of security systems, cultivation of garden areas, lighting the Estates, parts, etc. In return for the Company providing these services the tenants are obliged to pay a service charge. This charge (known as "The Estate Service Charge") is WEQEM's sole source of income.
- 4 2 The Company has currently delegated its obligations under the leases to Peverel OM Limited ("Peverel") to act as managing agent. Amongst other services, Peverel takes responsibility for collecting and holding the Estate Service Charge.
- 4 3 Peverel similarly acts as managing agent to the Block Management Companies which are primarily responsible for the management of the residential blocks themselves situated within the Estate. Peverel also collects and holds the separate service charges which are payable by the tenants to the Block Management Companies ("the Block Service Charge").

##### Background to the proceedings

- 4 4 On 5 September 2005 an Estate Management Deed ("EMD") was purportedly entered into between three companies with the names Paddington Basin Developments Limited, European Land & Property Limited and Paddington Basin Management Limited ("Paddington Companies") of the one part, and the Company of the other part.
- 4 5 At the time when the EMD was entered into the three shares in the Company were all held by West End Quay Limited ("WEQ") and the Company was under the control of WEQ's nominee directors. On 4 November 2005 the three shares were transferred by WEQ to the Block Management Companies.
- 4 6 The EMD provided for substantial monies to be paid by the Company to the Paddington Companies for 25 years. Until the changeover of control of the Company and for a very short period thereafter payments were made to the Paddington Companies totalling some £181,716.58.
- 4 7 From March 2006 no further payments were made to the Paddington Companies and the Company (under its then new management) challenged the validity of the EMD and sought the recovery of monies paid.
- 4 8 On 27 February 2008 the first of four actions involving the Company commenced in the Chancery Division of the High Court. In turn, three Chancery actions were commenced by the Paddington Companies against the Company seeking in excess of £15 million. The fourth Chancery action was commenced by the Company against the Paddington Companies seeking the return of the £181,716.58 referred to above.
- 4 9 At an early stage in the life of the Chancery actions an issue was raised by the Company as to whether the EMD was a Qualifying Long Term Agreement ("QLTA") for the purposes of the Landlord and Tenant Act 1985 as amended. The issue was resisted by the Paddington Companies. A trial of that issue took place on 15 April 2010 before Mr Justice Lewison who

determined that the EMD was a QLTA (thereby finding for the Company) The effect of this finding is that, in the absence of an order for dispensation (as to which see further below), the maximum liability of each residential tenant in relation to the EMD would be £100 per flat per annum

- 4 10 In parallel with the Chancery actions, various issues in relation to the service charges demanded by the Paddington Companies had been raised before the Leasehold Valuation Tribunal ("LVT") Prominent among those was the question as to whether the Company was entitled to recover from the residential tenants pursuant to the Residential Leases all or any monies that were alleged payable by the Company to the Paddington Companies pursuant to the EMD It was the position of the Company that it was not entitled to recover such monies unless the charges specifically related to work undertaken on the WEQ land Again the Paddington Companies opposed the issue contending that the monies were recoverable On 9 September 2010 the LVT decided against the Paddington Companies and found that the Residential Leases did not entitle the Company to recover the costs payable pursuant to the EMD, other than costs specifically relating to work done on the WEQ land
- 4 11 The Paddington Companies appealed the LVT decision On 18 July 2013 Her Honour Judge Walden-Smith handed down her written ruling dismissing the Paddington Companies' appeal Thereafter the Paddington Companies took various steps to undertake a second appeal to the Court of Appeal but were not successful in obtaining permission to bring such an appeal
- 4 12 Pending matters being dealt with by the LVT and the Upper Tribunal, all proceedings in the Chancery actions were stayed These stays expired on 26 April 2013 and the matter returned to Court for directions on 23 April 2014
- 4 13 The Chancery actions were listed for trial on certain issues of liability only scheduled to be heard on 16 April 2015 Recently, the Paddington Companies indicated an intention to apply to the court for permission to amend their case to include further arguments to justify their monetary demands These new claims have not as yet been addressed as permission from the court has not yet been obtained and the proceedings are currently stayed as a consequence of the Administration

#### Contingency reserve

- 4 14 Apart from the initial payments of £181,716 58, no payments were made in connection with the EMD from March 2006
- 4 15 It should be noted that the EMD on its face gave rise to an obligation to contribute (by way of Estate charges) to the Paddington Companies for a minimum period of 25 years (terminable earlier only on six months notice at the option of the Paddington Companies) The Paddington Companies served a notice of termination on 1 December 2010 This meant that any potential liability for the remaining 20 years (which would have been disputed in any event) was entirely avoided
- 4 16 In addition to the Block Companies and the Company maintaining sinking funds to meet unbudgeted expenditure, until 2009 the Company included within its service charge demands to tenants sums to cover the contingency of a liability under the EMD This was claimed by the directors to be a prudent measure to adopt until such time as the exposure of tenants was determined
- 4 17 This contingency reserve (as with all sinking funds collected under the service charges) were and continue to be held by Peverel, the managing agents, in various trust accounts These are commented on further below

- 4 18 On the basis that the EMD was a QLTA (as found by Mr Justice Lewison) and the fact that the tenants were not liable for any claims under the EMD which did not specifically relate to the WEQ Land (as found by the LVT and confirmed on appeal), the directors of the Company decided that it was no longer necessary to maintain a contingency reserve for the theoretical liability alleged by the Paddington Companies. As recorded in the service charge accounts, the litigation contingency was reserved and the funds set aside (around £697,000) was reallocated to the Block Management Companies and held by them as a contingency reserve for the benefit of the tenants of each block.
- 4 19 The total sums currently held in the Peverels account for the benefit of the tenants as at 30 June 2014 stands at around £2 060 million (see Appendix 5).
- 4 20 It was apparent that the Company could not fund the trial listed for April 2015 and as a result of the findings of the Court and the LVT could not use the funds which had been collected from the leaseholders. The Company does not believe that there is a liability due to the Paddington Basin companies. Combined with the debts due to the shareholder for monies already advanced to fund legal advice, it was concluded that the Company was insolvent.
- 4 21 The directors, therefore, sought the advice of specialist Insolvency solicitors, Rosenblatt. Based on the advice given, supported by Counsel, the directors concluded that it was in the interests of the Company and the tenants to place the Company into the protective regime of an Administration.
- 4 22 The Company directors approached David Rubin & Partners to consider the acceptance of the appointment and following an initial review of the position and the advice given, Stephen Katz and Paul Appleton were appointed Joint Administrators on 9 February 2015. The Administration is registered in the High Court of Justice, Chancery Division under Court Number 1014 of 2015.

## **5. PURPOSE OF THE ADMINISTRATION ORDER**

- 5 1 Paragraph 3(1) of Schedule B1 of the Insolvency Act 1986 states that Administrators must perform their functions with the objective of
- (a) rescuing the company as a going concern, or
  - (b) 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
  - (c) realising property in order to make a distribution to one or more secured or preferential creditors.
- 5 2 In line with advice received from Counsel prior to the Administration appointment, the Joint Administrators seek to achieve objective (a), rescuing the Company as a going concern.
- 5 3 The intention of the Administration was to give an immediate stay of all actions under the terms of the statutory moratorium. The Joint Administrators' intention is to explore the possibility of a settlement with the Paddington Companies. Further details are provided below regarding these sums. In the event that a settlement is agreed then the Company may be deemed to have no creditors, other than the shareholder and legal advisers, who may be prepared to postpone their claims in order to restore the Company to solvency. The Company can then be returned to the control of the directors, and the Company can continue to fulfil its obligations to the tenants.

- 5 4 In the event that the above is not possible, then a formal winding up of the Company is likely and a Liquidator is likely to take steps to disclaim the leases, causing considerable disruption and inconvenience to the tenants
- 5 5 It is uncertain as to whether objective B could be achieved as it is currently not entirely clear who the Company's creditors are or whether there are assets capable of being realised
- 5 6 Objective C cannot be achieved as there are no charge holders or no preferential creditors

## **6. ACTION TAKEN BY THE ADMINISTRATORS**

### **Correspondence and Meetings with Paddington Companies**

- 6 1 Following the appointment of the Joint Administrators on 9 February 2015, the Joint Administrators primary concern was to ensure that the Paddington Companies were immediately aware of the Administration and the effect of the statutory moratorium, being that all legal proceedings were automatically stayed
- 6 2 In the period immediately following appointment, Hamlins LLP ("Hamlins") acting for the Paddington Companies, initially requested that the Joint Administrators lift the stay in order to allow the trial to proceed as scheduled in April 2015. Hamlins asserted that due to the substantial work carried out in respect of the trial, then the trial should be allowed to continue and that in the event that it did not, that substantial prejudice would be caused to their clients
- 6 3 The Joint Administrators carefully considered this request and carried out further investigations into the affairs of the Company and the ongoing litigation. Advice was also sought from Rosenblatt and Counsel and it was decided that it was in the best interests of the Company's creditors as a whole (including the contingent creditor of the Paddington Companies), that the stay should remain in place. Hamlins were notified of this decision on 20 February 2015
- 6 4 Hamlins indicated again that their client may wish for an application to be made to the Court in order for the stay to be lifted. However, it was agreed that a without prejudice meeting should be held between all relevant parties in order to discuss the matter further
- 6 5 Following a review of substantial information supplied by Hamlins, a without prejudice meeting was arranged and held on 10 March 2015, at the offices of Rosenblatt (see Paragraph 8.2.3 below), the solicitors now acting for the Joint Administrators
- 6 6 The aim of the meeting was to provide a without prejudice forum for both parties. The total claim of the Paddington Companies is claimed to be in excess of £1.2m and Hamlins requested information about funds held in respect of collected service charges. This information, as provisionally prepared, was provided to Hamlins at that meeting as requested
- 6 7 The Joint Administrators have not been party to information regarding the actual claimed expenditure on the land in the control of the Company, which is understood to comprise primarily security and cleaning costs. The Company's position is that any expenditure to be reimbursed to the Paddington Companies should be based on the amount actually spent. Evidence of actual expenditure and the requirement for this has been requested, however this has not yet been received. Once received, the Joint Administrators will review this information
- 6 8 Following the meeting, Hamlins have confirmed that, at present, their client will not be making an application to the Court to attempt to lift the stay on proceedings. Hamlins continue to

maintain that the monies held by the managing agents are for the benefit of their client and were collected as such (see Paragraph 6 10 below)

- 6 9 Hamlins have also advised that they may make an application for dispensation (as referred to above), in which the statutory limits on contribution to the common land costs would be disapplied. The Joint Administrators have indicated that whilst they see no benefit in joining those proceedings from a cost perspective, they are, in principal, unlikely to refuse leave to bring such an application, as it may assist in determining what sums may be due to the Paddington Companies, if any. It is likely that the individual tenants would become respondents to any such application if made.

#### **Reconciliation of Funds Held**

- 6 10 By way of background, the Company utilises the services of Peverel, an agent who specialise in the collection of service charges and allocate them into the relevant accounts. The Joint Administrators had the task on appointment, of reconciling the funds which are held in Peverels' accounts.
- 6 11 Peverel were requested to provide an up to date reconciliation of funds held on behalf of the Company and has done so as follows. It should be noted that the amounts are fully reconciled at the year end, the last of which is 30 June 2014. The current balances are very much a "moving target" due to timing differences in the payment of service charges by each tenant, payment of funds from the accounts for current and ongoing expenditure and movements of funds between the Company and the block management companies.

	<b>30-Jun-14</b>
	<b>£</b>
Residential Tenants	1,823,547.00
Commercial Tenants	233,637.80
Car Park	2,721.26
	<hr/>
	<b><u>2,059,906.06</u></b>

- 6 12 A schedule detailing the breakdown of the provisions made is attached at Appendix 5 as at 30 June 2014.
- 6 13 A further schedule providing an analysis of funds held by Peverel in connection with the commercial tenants is attached at Appendix 6.
- 6 14 As at 31 January 2015, the funds held totalled £1,967,331.28.

#### **Ascertaining which monies are potentially held on Trust**

- 6 15 Hamlins have, as part of the various proceedings, sought to assert that monies held in the Peverel client accounts are held on trust for their clients. As a consequence of this, the Joint Administrators have sought specialist advice. The Joint Administrators' position is summarised in Paragraph 6 16-6 23 below.

**6 16 Residential Tenants**

All monies held which have been received from residential tenants are subject to Section 42 of the Landlord and Tenant Act 1987. The Company is therefore holding c£1 823m on trust for the residential tenants. These sums held can only be used for the purpose as to which they were intended, which in this case would be for settling costs properly payable under the service charge.

- 6 17 As mentioned earlier, the statutory cap for each residential tenant in respect of sums claimed under the EMD is £100 per annum. This would give a total liability of £233,500 against which the sum of £157,214 79 (Appendix 5) has already been paid, leaving a theoretical balance of £76,285 21. It is the Company's position that the services actually provided are of lesser value than the sums already paid and therefore that there is no claim in this regard.

**6 18 Commercial Tenants**

There are a number of commercial tenants, who pay service charge to the Company. These commercial tenants do not fall under Section 42 of the Landlord and Tenant Act 1987.

- 6 19 The funds held in reserve and paid by the Commercial Tenants do not fall into a specific trust formed by the terms of the leases.

- 6 20 However, in relation to funds held in 2009, in connection with the reserve to pay the EMD service charge, these funds represent surplus service charge funds that should have been accounted for against future service charge liabilities and therefore to the extent that they have been released, they form part of the general funds of the Company. As per the schedule at Appendix 5, these funds total £94,228 15.

- 6 21 In relation to the funds held in the sinking fund, these are held for a specific purpose and therefore are held on constructive trust for the tenants.

- 6 22 The commercial tenants collectively are responsible for 13.5% of the expenditure incurred on the common parts. The Paddington Companies are claiming the sum of £1,392,122 51 in total based on apportionment of charges by reference to land area. This would equate to a liability on the part of the commercial tenants in the sum of £187,936 54 against which the sum of £24,501 79 has been paid (Appendix 5).

- 6 23 The Company's position is that the commercial tenants are only responsible for their agreed proportion (13.5%) of any actual expenditure in excess of the sums already paid and therefore that there is no claim in this regard.

**Ongoing Estate Management**

- 6 24 In connection with all funds held for the common parts of the estate, instructions have been given by Peverel to:

- 1) Continue to manage the estate and collect service charges under the direction of the Joint Administrators.
- 2) Account to the Joint Administrators for all income and expenditure.
- 3) Seek specific authorisation from the Joint Administrators for any expenditure considered to be outside the normal day to day management expenditure.
- 4) Segregate the Company's funds from those of the block management companies.

5) Hold the funds to the Joint Administrators' order

- 6 25 The Joint Administrators have been advised by Peverel that the funds are held on a 100 day notice account and that these instructions will be followed as soon as the notice period expires – estimated to be in June 2015

#### **Counter Claim against Paddington Companies**

- 6 26 As stated in Paragraph 4 5, the Company had initially sought to recover the c£181k already paid to the Paddington Companies as the Company believes that these monies should not have been paid over at all. The Joint Administrators are still in the early stages of their investigations in respect of this
- 6 27 Furthermore, the Company claims that the validity of the EMD itself is in doubt. This would be of paramount importance to the proceedings and the Joint Administrators have a duty to properly investigate whether the EMD was correctly entered into. Again, this remains in the early stages and the Joint Administrators expect to be able to comment further on this in due course
- 6 28 Additionally, the Company has a claim against the Paddington Companies in connection with costs of the previous proceedings on account of which £60,000 has been received. The formal assessment or agreement of these costs remains outstanding. It is believed that the Company's claim is in region of £90,000, leaving a balance of circa £30,000

#### **7. CONDUCT OF THE ADMINISTRATION**

- 7 1 As required by Schedule B1 to the Insolvency Act 1986, we have filed notice of our appointment with the Registrar of Companies, served formal notice on the Company and advertised our appointment in the London Gazette
- 7 2 We were required as soon as reasonably practicable after our appointment to write to all creditors of the Company, notifying them of our appointment. We obtained details of the Company's creditors from the Director and on 18 February 2015 we sent formal notice to all known creditors and all tenants notifying them of our appointment as Administrators

In addition to the work of developing the strategy for the Administration including liaising with the Directors, evaluating the business and overseeing the trading of the business as explained above, the Joint Administrators and their staff have undertaken the following tasks -

- a) Opening a designated bank account,
- b) Applying for Joint Administrators' bonds, as required by the Insolvency Practitioners Regulations 2005,
- c) Substantial written correspondence with Hamlins,
- d) Meeting with the directors and Peverel,
- e) Site visits to review land,
- f) Reconciliation of funds held by Peverel
- g) Meeting with Hamlins and the Paddington Companies to discuss the Administration

- h) Review of previous litigation documents,
- i) Meetings with solicitors and Counsel to ascertain asset and trust positions and other related issues,
- j) Preparation of proposals
- k) Written correspondence with leaseholders, and answering telephone calls,

## **8. RECEIPTS AND PAYMENTS ACCOUNT**

A copy of the Joint Administrators' receipts and payments account for the period from 9 February 2015 to 24 March 2015 is attached at Appendix 3. I would comment on the account as follows -

### **8.1 RECEIPTS**

#### **8.1.1 Cash Held on Appointment**

The sum of £42,000 was paid to the Joint Administrators from City Trust Limited towards fees incurred in the pre appointment period and for those for the Administration itself. A further sum of £10,000 was received from the same source on 24 February 2015.

### **8.2 PAYMENTS**

#### **8.2.1 Pre appointment Fees**

The sum of £10,000 plus VAT has been paid on account, details of which are provided in Appendix 2 below.

#### **Other Costs**

In accordance with R2 47(dc), we provide details of other expenses incurred which have not yet been paid.

#### **8.2.3 Legal Fees**

Rosenblatt have billed the Joint Administrators the sum of £6,450 plus disbursements and VAT totaling £7,982.72, which is currently outstanding for payment.

Additionally, Rosenblatt have incurred £7,577 plus VAT in respect of their time and advice in relation to the ongoing litigation and various legal issues arising during the Administration period, as well as providing instructions to Counsel and summarising Counsel's advice to the Joint Administrators.

Rosenblatt's disbursements are £10,277.70 plus VAT, which primarily represents the outstanding time of the specialist Insolvency Counsel.

Rosenblatt has a specialist Insolvency department and they were chosen on that basis after taking into account the size and complexity of the legal issues. Rosenblatt charge their fees on a time costs basis and they have provided me with an analysis of the time they have spent to date in respect of the bill raised.

Rosenblatt had, as noted earlier, provided advice for the directors on the solvency of the Company and the proposed Administration and therefore had substantial prior working knowledge of the case and they confirmed that they were able to act for the Joint Administrators

We are advised that Rosenblatt were paid the sum of £13,800 prior to the appointment to defray their costs and those of Counsel

#### **8.2.3 Statutory advertising**

This represents the costs for the publishing of statutory advertising in newspapers and the London Gazette in respect of the Joint Administrators' appointment. These are as yet, not quantified.

#### **8.2.4 Companies House Searches**

A total of £8 has been incurred in respect of searches and information requested from Companies House. This has yet to be recharged to the case.

### **9 STATEMENT OF AFFAIRS**

The Directors were requested to prepare a Statement of Affairs pursuant to Paragraph 47 of the Schedule. The Directors have requested assistance from the Joint Administrators to prepare the Statement of Affairs, however, this has not yet been finalised as the Joint Administrators had to seek Counsel's advice in respect of the sums held available for the Administration. This opinion has only been received in the last few days and the only natural director is out of the country and therefore are not able to sign the Statement. The Statement is therefore a draft estimate based on figures established by the Joint Administrators.

The creditors' claims shown are based on the Company's stated position (in respect of the Paddington Companies although this amount may change dependent on future negotiations) and the Company's management accounts (in respect of the amount due to the Block Management Companies for legal fees advanced).

### **10. CREDITORS, PRESCRIBED PART AND DIVIDEND PROSPECTS**

#### **10.1 Secured Creditors**

There are no secured creditors.

#### **10.2 Preferential Creditors**

There are no Preferential Creditors.

#### **10.3 Prescribed Part**

Pursuant to section 176A of the Insolvency Act 1986 where a floating charge is created after 14 September 2003 a prescribed part of the Company's net property shall be made available to unsecured non-preferential creditors.

As there are no floating charges registered against the Company, this section does not apply.

#### **10.4 Non-Preferential Unsecured Creditors**

As per the Joint Administrators' estimated Statement of Affairs, the Company's creditors total £761,010.15

As the Company disputes the claim from the Paddington Companies in its entirety, this amount has been added as a nominal amount from each of the Paddington Companies

It is believed that the Paddington Companies are claiming under the EMD the sum of £1,698,954.17

An amount of £660,054 has been included which relates to legal costs paid by WestRes Limited in respect of funding legal action in respect of the various actions brought by the Paddington Companies in excess of those paid directly by the Company and detailed in the service charge accounts totalling circa £690,000

#### **10.5 Dividend Prospects**

It is too early at this stage to provide a meaningful estimate of the likely level of distributions to the unsecured non-preferential creditors

### **11. INVESTIGATION BY THE JOINT ADMINISTRATORS**

The Joint Administrators will investigate and, if appropriate, pursue any claims that the Company may have under the Companies Acts 1985 and 2006 or the Insolvency Act 1986. The Joint Administrators are required, within six months of their appointment, to submit a return on the conduct of all persons who have acted as either Directors or shadow directors of the Company during the period of three years ending on the date of the Joint Administrators' appointment. To facilitate the preparation of that return and our enquiries into the Company's affairs, the Joint Administrators have already invited creditors to provide them with information on any matters of concern to the creditors.

### **12. CREDITORS' MEETING**

An initial creditors' meeting is being convened and will be held at 10.30am on 9 April 2015 at David Rubin & Partners, 26-28 Bedford Row, London, WC1R 4HE to consider the Joint Administrators' proposals and decide whether a creditors' committee should be formed. Having regard to the geographic location of the majority of the Company's creditors, the offices of David Rubin and Partners has been chosen as the most appropriate venue, to comply with the requirements of the Insolvency Act 1986.

Formal notice of the meeting, Form 2.20B has been sent to you by post. Please note that you will be bound by our proposals if they are approved at the creditors' meeting by the requisite majority of creditors. It is therefore important that you read this document carefully. You may put forward any modifications that you wish to see incorporated into the proposals and make your views known on whether they should be accepted.

### **13. ENDING OF ADMINISTRATION**

The options available to the Joint Administrators for the exit from the Administration are as follows:

- Compulsory Winding Up

- Creditors' Voluntary Liquidation
- Company Voluntary Arrangement
- Return of control to the Director
- Dissolution of Company (i.e. striking off the Companies House register)

The Joint Administrators recommend that the Company should move from Administration to Return of control to the Director as detailed earlier on in this report. This is however, dependent on a positive outcome of negotiations with the Paddington Companies.

In the event that a positive outcome is not achieved, the Company will likely be wound up by the Court.

#### **14. JOINT ADMINISTRATORS' REMUNERATION**

In accordance with Rule 2.106 of the Insolvency Rules 1986 (as amended) it is proposed that the basis upon which the Joint Administrators' remuneration should be fixed is by reference to the time properly given by them and their staff in attending to matters arising in the Administration.

We have now reviewed our time costs both for the period prior to our appointment and for the period in Administration from 9 February 2015 to 24 March 2015. A detailed report of our time costs and the chargeout rates applicable to this case is attached at Appendix 2.

#### **15. EC REGULATION ON INSOLVENCY PROCEEDINGS**

It is considered that the EC regulation applies and that these proceedings are main proceedings as defined in Article 3 of the EC Regulation as the Company was incorporated in England and the centre of main interest of the Company is in England and Wales within the United Kingdom.


#### **16. JOINT ADMINISTRATORS' FORMAL PROPOSALS**

The Joint Administrators hereby make the following proposals in accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986, for the achievement of the purpose of the Administration and creditors are asked to consider and cast their votes thereon or put forward any modifications they wish using the proxy sent by post, a further copy of which may be downloaded from our website.

- i) The Joint Administrators will continue to manage the Company's affairs in accordance with the statutory purpose until such time as the Administration ceases to have effect.
- ii) A creditors' committee may be formed if the creditors' meeting resolves to do so provided that three or more creditors are willing to serve on it. If the administration moves to creditors' voluntary liquidation, any creditors' committee which is in existence immediately before the Company ceases to be in administration shall continue in existence after that time as if appointed as a liquidation committee under Section 101. If a committee is formed, the Administrators and the Joint Liquidators (when appointed), will consult with it from time to time on the conduct of the administration and liquidation proceedings. Where it is considered appropriate, the committee's sanction will be sought to proposed action instead of convening a meeting of all the creditors.
- iii) Should a creditors' committee be formed and the Joint Administrators consider that an extension beyond an administration's statutory duration of one year would be

advantageous, the Joint Administrators will consult with the committee prior to taking the necessary steps. If a creditors' committee is not appointed, the Joint Administrators shall either apply to the court or seek a resolution of the appropriate classes of creditors for the consent to an extension.

- iv) That the basis of the Joint Administrators fees will be fixed and their Category 2 disbursements will be agreed by the creditors' committee. If no creditors committee is formed, it is proposed that under Rule 2.106(2)(b) of the Insolvency Rules 1986, the remuneration of the Joint Administrators be fixed by reference to the time given by the Joint Administrators and the various grades of their staff according to their firm's usual charge out rates in attending to matters arising in the administration and that the Joint Administrators be authorised to draw category 2 disbursements in accordance with their firm's published tariff and they be entitled to draw sums on account of their remuneration and disbursements as and when funds permit.
- v) That without prejudice to the provisions of Paragraphs 59 to 72 of Schedule B1 of the Insolvency Act 1986, the Joint Administrators may carry out all other acts that they consider to be incidental to the proposals above to assist in their achievement of the overriding purpose of the Administration.
- vi) The Joint Administrators take whatever other actions they deem appropriate in the interest of creditors. This includes placing the Company into liquidation if it appears that this would be in the best interests of the general body of creditors. In these circumstances it is proposed that the Joint Administrators shall become the Joint Liquidators and any act required or authorised under any enactment to be done by the Joint Liquidators may be done by either or both persons from time to time holding office. Creditors are advised that, pursuant to Paragraph 83(7)(a) and Rule 2.117(A)(2), they may appoint different persons as the proposed Joint Liquidators provided the nomination is made after the receipt of these proposals and before these proposals are approved.
- vii) That the Joint Administrators liability, in respect of any action of theirs as Joint Administrators, be discharged in accordance with Paragraph 98 of Schedule B1, immediately upon the appointment ceasing to have effect.

 *David Rubin & Partners*  
**STEPHEN KATZ - JOINT ADMINISTRATOR**

DATE. *24/3/2015*

## WEST END QUAY ESTATE MANAGEMENT LIMITED

### STATUTORY INFORMATION

<b>Date of incorporation:</b>	30 January 2002
<b>Registered number</b>	<b>04363126</b>
<b>Registered Office:</b>	26-28 Bedford Row London WC1R 4HE
<b>Trading Address:</b>	<b>610 Westcliffe Apartments 1 South Wharf Road London W2 1JB</b>
<b>Authorised Share Capital:</b>	3 ordinary shares of £1 each
<b>Issued Share Capital:</b>	3 ordinary shares of £1 each fully paid
<b>Directors:</b>	Mr Dennis Mosselson 1205 Balmoral Apartments, 2 Praed Street, London, W2 1JN  West End Quay Property Management Limited c/o Paragon Partners Churchill House, 137-139 Brent Street, London, NW4 4DJ  Westres Limited 610 Westcliffe Apartments 1 South Wharf Road, London. W2 1JB
<b>Secretary</b>	Mr Dennis Mosselson 1205 Balmoral Apartments, 2 Praed Street, London, W2 1JN

<b>Shareholders:</b>	<u>Name</u>	<u>No of Shares</u>
	WEQ (Block A) Management Limited (04363137) 610 Westcliffe Apartments, 1 South Wharf Road. London, W2 1JB	1
	WEQ (Block B) Management Limited (04363137) 610 Westcliffe Apartments, 1 South Wharf Road. London, W2 1JB	1
	WEQ (Block C) Management Limited (04363137) 610 Westcliffe Apartments, 1 South Wharf Road, London, W2 1JB	1

## JOINT ADMINISTRATORS' TIME COSTS AND EXPENSES

### **Pre-Appointment Costs: Statement under Rule 2.33(2B) of the Insolvency Rules 1986**

Unpaid pre-appointment costs as an expense of the administration is -

- (i) subject to approval under Rule 2.67A, and
- (ii) not part of the proposals subject to approval under paragraph 53

By a letter of engagement between David Rubin & Partners and the Company, dated 29 January 2015, the Company agreed to pay for our time costs for assistance and advice on a prospective Administration of the Company

### **Pre-Appointment Time Costs**

The time costs we incurred between our first being consulted and the date of our appointment were £11,010 50 plus VAT for a total of 32 42 hours. This represents an average hourly charge out rate of £336 71 per hour. Prior to our appointment, we were advanced a sum of £42,000 plus VAT and we have billed the amount of £10,000 plus VAT on account. We therefore have outstanding pre-Administration time costs of £1,010 50 plus VAT. An analysis of the time spent is provided at Appendix 2A.

### **Overview**

Our firm, David Rubin & Partners, was first consulted in the first week of January 2015 as the Company, on advice from solicitors and Counsel, concluded that the Company was insolvent.

Since our appointment as Joint Administrators on 9 February 2015, the Joint Administrators have spent a substantial amount of time ascertaining the position, details of which are provided in the proposals and also below.

### **Issues impacting on the level of costs**

Whilst realisations to date have been minimal and monies held have been provided by a third party, the Joint Administrators have spent a substantial amount of time on the following:

- Lengthy written correspondence and meeting with Hamlins,
- Meetings with directors and Peveral to ascertain position, discuss litigation, and accounts and funds,
- Essential review of litigation documents,
- Obtaining specialist Counsel's opinion on a number of matters

### **Pre-appointment expenses**

Rosenblatt provided legal advice in the period leading up to the Administration and their costs for this work have been paid directly to them.

## **Seeking Approval for Payments**

In accordance with rule 2.67A of the Insolvency Rules 1986 (as amended), we shall be seeking the approval of the Creditors Committee, if one is appointed, to our drawing the unpaid balance of our pre-appointment time costs and the disbursement of the pre-appointment expenses as reported at 8.2.1 of this Report and in this Appendix. If no Committee is appointed, we will seek the approval of the creditors at the meeting.

## **Post-appointment**

The time costs we have incurred from the date of our appointment to 12 March 2015 amount to £27,459.50 plus VAT for a total of 85.48 hours. This represents an average hourly charge out rate of £320.04 per hour. We have not drawn any fees on account and this entire sum is outstanding. An analysis of the time spent is provided at Appendix 2A.

## **Staff allocation and the use of subcontractors**

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The constitution of the case team will usually consist of a Partner, Manager, Senior Administrator and two Administrators. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and additional staff may be allocated to meet the demands of the case.

## **Chargeout rates**

In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), the current hourly chargeout rates applicable to this appointment, exclusive of VAT which are charged in units of 6 minutes, are as follows -

	£
Senior / Managing Partners	450
Partners/Office holders	300 - 395
Managers / Senior Managers	250 - 295
Senior Administrators	180 - 220
Administrators	130 - 160
Cashiers and Assistants	120 - 160
Supports	110 - 120

Chargeout rates are normally reviewed annually in November, when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance.

## **Case overview**

The strategy employed allowed us to staff this assignment with a maximum of 1 manager, 2 senior administrators and 1 junior staff, plus cashiering assistance as required. We consider that for an assignment of this scale and complexity, that strategy has saved considerable time costs that might otherwise have been incurred.

## **Issues affecting costs**

As detailed above, resolution of the litigation proceedings involved substantial work in ascertaining the legal position and meeting with various parties.

Due to the crucial nature of these meetings, a high level of partner and senior manager involvement was required with this part of the assignment.

To view an explanatory note concerning Administrators' remuneration approved by the Joint Insolvency Committee, please visit the Publications folder on our website [www.drpartners.com/cases](http://www.drpartners.com/cases), using the following log-on details:

USERNAME w897 wes@sharesrvr.com

PASSWORD sew798W\*

Alternatively, please contact this office to arrange for a copy to be sent to you.

## **Statement of Affairs**

Pursuant to Rule 4.62 of the Insolvency Act 1986, the costs of assisting the directors with the preparation of the Statement of Affairs will be paid separately as an expense of the Administration. These are yet to be ascertained.

## **Policy as regards disbursements:**

### **Direct expenses ("Category 1 disbursements")**

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case, will be charged to the estate at cost with no uplift. These include but are not limited to such items as case advertising, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case.

### **Indirect expenses ("Category 2 disbursements")**

It is normal practice to also charge the following indirect disbursements ("Category 2 disbursements" as defined by SIP 9) to the case, where appropriate:

#### **Postage and stationery: circulars to creditors**

Headed paper	25p per sheet	Envelopes	25p each
Photocopying	6p per sheet	Postage	Actual cost

**Meeting Costs:** Use of Meeting Room is charged at £150 per session.

### **Storage and Archiving**

We use a commercial archiving company for storage facilities for companies' records and papers. This is recharged to the estate at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of maintaining the archiving database and retrieval of documents. We also use our own personnel and vehicle for collection of books and records for which we charge £30 per hour.

**Mileage** incurred as a result of any necessary travelling is charged to the estate at the Inland Revenue approved rate, currently 45p per mile.

## WEST END QUAY ESTATE MANAGEMENT LIMITED - IN ADMINISTRATION

JOINT ADMINISTRATORS' PRE-APPOINTMENT TIME COSTS FOR THE PERIOD 9 JANUARY 2015 TO 8 FEBRUARY 2015							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
<b>Administration, Strategy and Planning</b>							
IPS set up & maintenance	00 00	00 00	00 18	00 00	00 18	66 00	220 00
Case planning strategy & control	23 30	03 36	06 12	00 00	33 18	11,268 50	338 39
Accounting & Cashiering	00 00	00 00	00 00	01 06	01 06	176 00	160 00
<b>Total hours and costs</b>	<b>23 30</b>	<b>03 36</b>	<b>06 30</b>	<b>01 06</b>	<b>34 42</b>	<b>11,510 50</b>	<b>331 71</b>

JOINT ADMINISTRATORS' TIME COSTS FOR THE PERIOD 9 FEBRUARY 2015 TO 12 MARCH 2015							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
<b>Statutory compliance, admin and planning</b>							
Statutory filings, circulars notices, etc	00 00	03 18	14 06	00 00	17 24	3,158 00	181 49
Case planning, strategy & control	00 00	07 36	00 12	00 00	07 48	1,936 00	248 21
Accounting & Cashiering	00 00	00 00	00 30	01 00	01 30	270 00	180 00
Case reviews & Diary maintenance	01 30	01 30	00 00	00 00	03 00	967 50	322 50
<b>Investigations</b>							
CDDA preparation & reporting	00 00	00 00	00 12	00 00	00 12	36 00	180 00
<b>Realisation of assets</b>							
Freehold & leasehold properties	00 00	01 06	00 00	00 00	01 06	275 00	250 00
Tangible assets	17 54	01 12	00 00	00 00	19 06	7 370 50	385 89
<b>Creditors</b>							
Unsec'd Creditors correspondence & claims	32 06	01 42	01 54	00 00	35 42	13,446 50	376 65
<b>Total hours and costs</b>	<b>51 30</b>	<b>16 24</b>	<b>16 54</b>	<b>01 00</b>	<b>85 48</b>	<b>27 459 50</b>	<b>320 04</b>

**WEST END QUAY ESTATE MANAGEMENT LIMITED - IN ADMINISTRATION****ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT****FROM 9 FEBRUARY 2015 TO 24 MARCH 2015**

	<b><u>Estimated</u></b> <b><u>to realise</u></b> £	<b><u>Period End</u></b> <b><u>24/03/2015</u></b> £	<b><u>Total</u></b> £
<b><u>Balance brough forward</u></b>			
<b><u>Receipts</u></b>			
Cash held on appointmnet	<u>52,000 00</u>	52,000 00	52,000 00
		<u>52,000 00</u>	<u>52,000 00</u>
<b><u>Payments</u></b>			
Pre Appointment Fees		10,000 00	10,000 00
VAT Irrecoverable		<u>2,000 00</u>	<u>2,000 00</u>
		<u>12,000 00</u>	<u>12,000 00</u>
<b><u>Receipts less Payments</u></b>		<u>40,000 00</u>	<u>40,000 00</u>
<b><u>Represented by:-</u></b>			
Balance at bank			<u>40,000 00</u>
			<u>40,000 00</u>

West End Quay Estate Management Limited  
Statement Of Affairs as at 9 February 2015

A - Summary of Assets

Assets	Book Value £	Estimated to Realise £
<b>Assets subject to fixed charge:</b>		
<b>Assets subject to floating charge</b>		
<b>Uncharged assets:</b>		
Surplus from Commercial Tenants	94,228 15	94,228 15
Claim against Paddington Companies		Uncertain
<b>Estimated total assets available for preferential creditors</b>		<b>94,228 15</b>

Signature \_\_\_\_\_ Date \_\_\_\_\_

West End Quay Estate Management Limited  
Statement Of Affairs as at 9 February 2015

**A1 - Summary of Liabilities**

	Estimated to Realise £
<b>Estimated total assets available for preferential creditors (Carried from Page A)</b>	94,228 15
<b>Liabilities</b>	
Preferential Creditors -	
	<u>NIL</u>
<b>Estimated deficiency/surplus as regards preferential creditors</b>	94,228 15
Debts secured by floating charge pre 15 September 2003	
Other Pre 15 September 2003 Floating Charge Creditors	<u>NIL</u>
	94,228 15
Estimated prescribed part of net property where applicable (to carry forward)	<u>NIL</u>
<b>Estimated total assets available for floating charge holders</b>	94,228 15
Debts secured by floating charges post 15 September 2003	
	<u>NIL</u>
<b>Estimated deficiency/surplus of assets after floating charges</b>	94,228 15
Estimated prescribed part of net property where applicable (brought down)	<u>NIL</u>
<b>Total assets available to unsecured creditors</b>	94,228 15
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	
Westres Limited	660,054 00
Commercial Tenants	94,228 15
Barker Gillette LLP	6,725 00
Paddington Basin Developments Limited	1 00
European Land & Property Limited	1 00
Paddington Basin Management Limited	1 00
	<u>761,010 15</u>
<b>Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F C's post 14 September 2003)</b>	(666,782 00)
<b>Estimated deficiency/surplus as regards creditors</b>	(666,782 00)
Issued and called up capital	
	<u>NIL</u>
<b>Estimated total deficiency/surplus as regards members</b>	<u>(666,782 00)</u>

Signature \_\_\_\_\_ Date \_\_\_\_\_

## Analysis of estate common parts service charge reserves and provisions as at 30 June 2014

	PBML Residential £	PBML Commercial £	Car Park £	Sinking Residential £	Sinking Commercial £	Car Park £	Total Residential £	Total Commercial £	Car Park £	
Brought forward				10 830 69	110 38	14,624 12	10 830 69	110 38	14,624 12	
Year ended 30 June										
2005	-	-	-	9 631 86	273 59	12 814 37	9 631 86	273 59	12,814 37	
2006	226,506 85	35 318 53	-	340 656 00	300 46	14,246 11	567,162 85	35 618 99	14 246 11	
2007	264 907 56	41 343 95	-	33,542 84	359 17	9,194 56	298,450 40	41 703 12	9 194 56	
2008	269 558 49	42 067 46	-	55,732 33	486 62	12,872 95	325 290 82	42 554 08	12 872 95	
2009	(603 758 11)	(94 228 15)	-	603,758 11	94,228 15	-		-	-	
2009				313,855 37	52,246 72	11 485 95	313,855 37	52 246 72	11 485 95	
2010	-	-	-	311,999 83	55,173 75	-	311,999 83	55 173 75	-	
2011	-	-	-	218,024 01	34,639 76	10,902 90	218 024 01	34 639 76	10 902 90	
2012	-	-	-	(116 243 80)	(4,313 35)	(8,305 41)	(116 243 80)	(4 313 35)	(8 305 41)	
2013	-	-	-	12,898 37	1 078 33	(72 200 95)	12 898 37	1 078 33	(72 200 95)	
2014	-	-	-	28,861 39	(945 77)	(2 913 34)	28 861 39	(945 77)	(2 913 34)	
	157,214 79	24,501 79	-	1,823,547 00	233 637 81	2 721 26	1 980 761 79	258 139 60	2 721 26	2 241,622 65
PBML Sums paid	(157,214 79)	(24,501 79)	-	-	-	-	(157 214 79)	(24,501 79)	-	(181,716 58)
	-	-	-	1,823 547 00	233,637 81	2,721 26	1 823 547 00	233 637 81	2 721 26	2 059 906 07

## WEQEM Commercial Tenants Funds as at 30 June 2014

Units	Name	Percentage (%)	PBML Provision	PBML Paid	Balance	Sinking Fund	Total Balance
			£	£	£	£	£
1		23.97%	28,459.57	(5,873.08)	22,586.49	33,503.34	56,089.83
2		5.56%	6,601.38	(1,362.30)	5,239.09	7,771.32	13,010.41
3		3.37%	4,001.20	(825.71)	3,175.49	4,710.31	7,885.80
4/5	Superdrug	12.55%	14,900.61	(3,074.97)	11,825.63	17,541.38	29,367.01
6	Post Office	7.13%	8,465.44	(1,746.98)	6,718.47	9,913.85	16,632.32
7		1.38%	1,638.47	(338.12)	1,300.35	1,918.81	3,219.16
8		2.81%	3,336.31	(688.50)	2,647.81	3,907.14	6,554.95
9/10A		13.05%	15,494.26	(3,197.48)	12,296.77	18,145.27	30,442.04
10B		6.52%	7,741.19	(1,597.52)	6,143.68	9,069.21	15,212.89
11		3.26%	3,870.60	(798.76)	3,071.84	4,534.60	7,606.44
11A		1.96%	2,327.11	(480.24)	1,846.87	2,726.33	4,573.20
12		9.26%	10,994.39	(2,268.87)	8,725.53	12,903.83	21,629.36
13		9.18%	10,899.41	(2,249.26)	8,650.14	12,764.26	21,414.40
<b>Total</b>		<b>100.00%</b>	<b>118,729.94</b>	<b>(24,501.79)</b>	<b>94,228.15</b>	<b>139,409.66</b>	<b>233,637.81</b>
<b>Check totals</b>			<b>118,729.94</b>	<b>(24,501.79)</b>	<b>94,228.15</b>	<b>139,409.66</b>	<b>233,637.81</b>