

The Insolvency Act 1986

Administrator's progress report**2.24B**

Name of Company
Phoqus Pharmaceuticals PLC

Company number
04402178

In the High Court of Justice, Chancery Division,
Companies Court

Court case number
6079 of 2008

[full name of court]

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

I / We (a) David John Dunckley and Andrew Lawrence Hosking

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

from

to

(b) Insert dates

(b) 23 July 2008

(b) 22 January 2009

Signed

Joint / Administrator(s)

Dated

12/2/2009

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



A19

18/02/2009

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COMPANIES HOUSE

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

WEDNESDAY

PHOQUS PHARMACEUTICALS (UK) LIMITED - IN ADMINISTRATION

SIP 9 WIP ANALYSIS FOR THE PERIOD FROM 17 AUGUST 2008 TO 16 JANUARY 2009		Partner		Manager		Senior		Admin/Support		Total		Average	
		Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hourly Rate	
Administration and Planning		51.83	27,292.00	57.26	19,109.00	16.75	2,325.00	138.95	17,752.00	264.79	66,478.00		251
Investigations		0.00	0.00	5.50	1,734.00	0.00	0.00	13.20	2,098.00	18.70	3,832.00		205
Realisation of Assets		0.00	0.00	63.78	20,102.00	0.00	0.00	30.30	4,291.00	94.08	24,393.00		259
Creditors		0.00	0.00	43.31	13,713.00	0.00	0.00	110.30	16,243.00	153.61	29,956.00		195
Trading		0.00	0.00	0.00	0.00	0.00	0.00	3.00	411.00	3.00	411.00		137
Grand Total		51.83	27,292.00	169.85	54,658.00	16.75	2,325.00	295.75	40,795.00	534.18	125,070.00		234

Administration & Planning

Includes; case planning; statutory returns; maintenance of bank accounts and estate records; matters relating to tax; general correspondence; legal advice; meetings; employee matters

Investigations

Includes; Statutory duty of investigation into company's affairs under Statement of Insolvency Practice (SIP2)

Realisation of Assets

Includes; dealing with the sale of the business and the assets of the Company; dealing with Solicitors; collecting book debts.

Creditors

Includes; correspondence with preferential and unsecured creditors; pensions and employees

Trading

Includes; time on site; dealing with matters arising relating to ordering and the supply of goods; completion of WIP; supervision of staff

PHOQUS PHARMACEUTICALS PLC - IN ADMINISTRATION

SIP 9 WIP ANALYSIS FOR THE PERIOD FROM 23 AUGUST 2008 TO 22 JANUARY 2009	Partner		Manager		Senior		Admin/Support		Total		Average Hourly Rate
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£	
Administration and Planning	4.50	2,160.00	4.00	1,396.00	2.50	500.00	19.70	3,149.00	30.70	7,205.00	235
Investigations	0.00	0.00	0.50	158.00	0.00	0.00	9.30	1,570.00	9.80	1,728.00	176
Realisation of Assets	0.00	0.00	0.00	0.00	0.00	0.00	2.20	266.00	2.20	266.00	121
Creditors	0.00	0.00	0.65	205.00	0.00	0.00	6.10	1,020.00	6.75	1,225.00	181
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
Grand Total	4.50	2,160.00	5.15	1,759.00	2.50	500.00	37.30	6,005.00	49.45	10,424.00	211

Administration & Planning

Includes; case planning; statutory returns; maintenance of bank accounts and estate records; matters relating to tax; general correspondence; legal advice; meetings; employee matters

Investigations

Includes; Statutory duty of investigation into company's affairs under Statement of Insolvency Practice (SIP2)

Realisation of Assets

Includes; dealing with the sale of the business and the assets of the Company; dealing with Solicitors; collecting book debts

Creditors

Includes; correspondence with preferential and unsecured creditors; pensions and employees

Trading

Includes; time on site; dealing with matters arising relating to ordering and the supply of goods; completion of WIP; supervision of staff



Grant Thornton

Our Ref DJD/EEM/P21041/R21041/PF7

TO THE CREDITORS

11 February 2009



COMPANIES HOUSE

Grant Thornton UK LLP
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London EC2P 2YU

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Dear Sirs

**PHOQUS PHARMACEUTICALS (UK) LIMITED (PPL)
PHOQUS PHARMACEUTICALS PLC (PPP)
BOTH IN ADMINISTRATION**

1 INTRODUCTION

- 1.1 Following the appointment of myself, Martin Ellis and Andrew Hosking as administrators of PPL on 17 July 2008 and myself and Andrew Hosking as administrators of PPP on 23 July 2008, I now report on the progress of the administrations to date.
- 1.2 In accordance with paragraph 100(2) of Schedule B1 to the Insolvency Act 1986 the functions of the administrators are to be exercised by any or all of them.
- 1.3 I attach the following Appendices to this report:

Appendix I	Joint administrators receipts and payments account for the period 17 July 2008 to 16 January 2009 for PPL
Appendix II	Joint administrators receipts and payments account for the period 23 July 2008 to 22 January 2009 for PPP
Appendix III	Form 2.24B, notice of administrators' progress report for PPL
Appendix IV	Form 2.24B, notice of administrators' progress report for PPP
Appendix V	Joint administrators' time costs for PPL
Appendix VI	Joint administrators' time costs for PPP

Chartered Accountants

Member firm within Grant Thornton International Ltd

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Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

Appendix VII Form 2.34B, notice of move from administration to
Creditors' Voluntary Liquidation for PPL

Appendix VIII Form 2.34B, notice of move from administration to
Creditors' Voluntary Liquidation for PPP

2 **STATUTORY INFORMATION**

2.1 The companies statutory details are as follows:

	PPL	PPP
Registered Number	03486675	04402178
Date of incorporation	29 December 1997	22 March 2002
Former registered office and trading address	10 Kings Hill Avenue Kings Hill West Malling Kent ME19 4PQ	10 Kings Hill Avenue Kings Hill West Malling Kent ME19 4PQ
Directors	Richard Mason Peter Johnson Edwin Moses David Leathers	Richard Mason Peter Johnson Anthony Payle Mustapha Bakali Jerry Benjamin David Leathers John Cashman
Secretary	Suzanne Smith	Suzanne Smith

2.2 The administrations constitute "main proceedings" under the EC Regulation on Insolvency Proceedings.

3 **PROGRESS OF THE ADMINISTRATIONS**

- 3.1 Creditors will be aware from my proposals dated 27 August 2008 that following my appointment I contacted a number of third parties to establish whether there was any interest in acquiring the business and assets of PPL. It quickly became apparent that attempts to sell the company in the months prior to my appointment had been exhausted and due to the specialist nature of PPL's business, it was not viable to continue trading with a view to securing a sale of the business on a going concern basis.
- 3.2 In view of the above, the vast majority of the company's employees were made redundant shortly after my appointment. Following completion of various outstanding issues, the few remaining employees were also made redundant on 25 July 2008.

- 3.3 Whilst it was not possible to achieve a sale of the business on a going concern basis, in the months following my appointment I entered into discussions with a number of parties who had expressed an interest in acquiring the laboratory facility at the company premises in West Malling. This would ultimately have led to us seeking consent from the landlord to assign the relevant leases to a third party and may have resulted in the release of the company's rent deposits for the benefit of the administration estate.
- 3.4 Whilst it was hoped that we could progress to completion with one particular party, they were unable to secure the necessary funding and withdrew from negotiations. Unfortunately, this means it is highly unlikely any monies will be recovered from the rent deposits held, due to the anticipated level of dilapidations likely to be served by the landlord.
- 3.5 In view of the above, the only likely recovery for the benefit of the creditors will be from the sale of the company's owned equipment and fixtures and fittings. In this regard I instructed a firm of agents, King Sturge, to undertake a sale by tender at the company premises. Viewing took place on 15 and 16 January 2009 and the closing date for offers was 20 January 2009. King Sturge is now invoicing the various purchasers, following which the net proceeds will be paid to the administration estate. The acquired equipment and fixtures and fittings have been removed from the premises and we are liaising with the landlord to seek a surrender of the leases.
- 3.6 The only other realisable assets of PPL was cash held in the bank account, which at the date of my appointment totalled £2,056,000. This was paid across to the administration bank account at the end of July 2008. In addition, I have sold the intellectual property (IP) rights relating to the company's lead product, Chronocort, and funds relating to this transaction have also been received. I am also in the process of selling the remaining IP to an interested party.
- 3.7 Minimal assets were available in respect of PPP, as evidenced by the receipts and payments account at Appendix II.

4 CREDITORS

Secured Creditors

- 4.1 Both PPL and PPP granted debentures dated 2 April 2007 in favour of Oxford Finance Corporation (OFC), giving fixed and floating charges over the companies assets.
- 4.2 At the date of my appointment, over £2m was due from PPL to OFC. PPP had guaranteed all of PPL's indebtedness to OFC. Following receipt of the cash at bank as detailed above, I made an initial distribution to OFC, as secured creditor, of £1.3m in August 2008. A further payment of £10,000 was made to OFC following the sale of the Chronocort IP. Due to the timing of this transaction, it is not reflected in the attached receipts and payments account at Appendix I.

Preferential Creditors

- 4.3 At the time of my appointment, all employees were owed monies in respect outstanding salaries for July. With the consent of the floating charge holder, OFC, all employees were paid their salary to the date of redundancy. As these funds would have been available to OFC pursuant to its floating charge, it had a subrogated preferential claim in the administration, limited to £800 per employee.
- 4.4 Employees submitted their claims to the National Insurance Fund, Redundancy Payments Office (RPO) in respect of monies due to them for holiday pay, notice pay and redundancy.
- 4.5 I have received preferential claims for PPL totalling £45,326, which have been paid in full. This figure includes the subrogated claim of OFC.
- 4.6 PPP had only one employee whose preferential claim would have been paid in full once PPP received a dividend payment from PPL, as an unsecured creditor. As it was merely a matter of timing, I have settled this individual's preferential claim from funds available in PPL and this will be taken into account when making a distribution from PPL to PPP.

Unsecured Creditors

- 4.7 In accordance with section 176A of the Insolvency Act 1986, as the floating charge post-dates 15 September 2003, a prescribed part is to be carved out of the floating charge assets and made available to the unsecured creditors of the companies. The prescribed part calculation is applied to the net property available and is calculated at 50% of the first £10,000 net realisations and 20% of all further net realisations, up to a maximum prescribed part of £600,000.
- 4.8 Until the net proceeds have been received in relation to the sale of PPL's physical assets, I am not in a position to comment on the quantum of the prescribed part distribution.
- 4.9 Creditors will recall from my proposals that PPP is the largest creditor of PPL. In 2008 PPP provided PPL with a letter purporting to subordinate the debt between the companies. The effect of this letter would be that PPP would defer its claim in PPL's administration, which would effectively benefit the other unsecured creditors of PPL as they would receive an improved dividend.
- 4.10 Legal advice was sought relating to matter and the opinion was that the letter of subordination was not enforceable. Therefore, PPP remains the largest creditor of PPL and any distribution to the remaining creditors of PPL is expected to be minimal.

5 OBJECTIVE OF THE ADMINISTRATION / EXIT ROUTE

- 5.1 The joint administrators will continue to pursue the objective of achieving a better result for the companies creditors as a whole than would be likely if the companies were wound up.

- 5.2 Creditors will recall that the administrations will end by the companies going into Creditors Voluntary Liquidation (CVL). In this regard, I enclose form 2.34B at Appendix VII and VIII giving notice of the move from administration to CVL in respect of both PPL and PPP.

6 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 6.1 Creditors will recall from my proposals that as I made a declaration under paragraph 52(1)(b), Schedule B1, of the Insolvency Act 1986, the joint administrators remuneration is to be fixed by the approval of:
- i each secured creditors of the company, and
 - ii preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withholds approval.
- 6.2 I have sought and received approval from these creditors. The joint administrators remuneration is to be calculated according to the time properly given by the administrators and their staff in attending to matters arising in the administrations.
- 6.3 In accordance with Statement of Insolvency Practice 9, I attach at Appendices V and VI a summary of my time costs to date by grade of staff and type of work. These show total time costs since appointment of £125,070 for PPL and £10,424 for PPP. In addition, disbursements of £1,760.75 have been incurred in respect of PPL and £98.00 in respect of PPP.
- 6.4 Payment of the administrators' remuneration and disbursements are to be met from funds held in the administrations in priority to the claims of creditors. It is my intention to draw total time costs of £95,000 and £10,000 in respect of PPL and PPP respectively. Please note I will not draw time costs in respect of PPP until it has received an initial distribution from PPL.
- 6.5 Set out below are details of the current charge out rates of the various grades of staff.

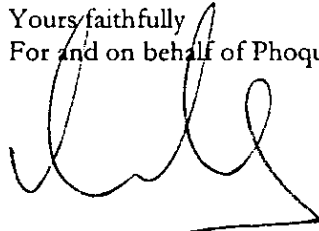
Grade	£/Hour
Partner	480
Director	400
Senior Manager	365
Manager	315
Assistant Manager	260
Senior Administrator	215 - 235
Administrator	130 - 180
Support Staff	120 - 140

- 6.6 Background information regarding the fees of administrators can be found at <http://www.insolvency-practitioners.org.uk> (navigate via 'Technical' to 'Creditors Guides to Fees'). Alternatively, I can supply you with this information by post on request.

Should you have any queries regarding the content of this report, please do not hesitate to contact Ellen McRoberts on 020 7865 2277.

Yours faithfully

For and on behalf of Phoqus Pharmaceuticals (UK) Limited & Phoqus Pharmaceuticals PLC

A handwritten signature in black ink, appearing to be 'David Dunckley', written over the typed name.

David Dunckley
Joint Administrator

The affairs, of Phoqus Pharmaceuticals (UK) Limited are being managed by David Dunckley, Andrew Hosking and Martin Ellis, appointed joint administrators on 17 July 2008

The affairs, of Phoqus Pharmaceuticals PLC Limited are being managed by David Dunckley and Andrew Hosking, appointed joint administrators on 23 July 2008

T 020 7865 2277
F 020 7184 4303

Phoqus Pharmaceuticals (UK) Limited
(In Administration)

Joint Administrators' Abstract Of Receipts And Payments
To 16 January 2009

	Fixed Charge £	Floating Charge £	Total £
RECEIPTS			
Intellectual Property	10,000.00		10,000.00
Plant & Machinery		100.00	100.00
VAT Refund		38,585.92	38,585.92
Insurance Refund		190.14	190.14
Cash at Bank		2,056,000.00	2,056,000.00
Bank/ISA InterestGross		8,557.71	8,557.71
Misc Refunds		647.52	647.52
Vat Receivable		185.43	185.43
	10,000.00	2,104,266.72	2,114,266.72
PAYMENTS			
Telephone		59.57	59.57
Insurance		2,476.35	2,476.35
Cleaning Expenses		897.68	897.68
Postages		49.80	49.80
PAYE/NI		29,766.15	29,766.15
Net Wages		48,316.88	48,316.88
Professional Fees		2,000.00	2,000.00
Statutory Advertising		178.19	178.19
Bank Charges		52.02	52.02
Preferential Creditors (All)		51,944.32	51,944.32
Floating Charge Creditor		1,300,000.00	1,300,000.00
Trade Creditors		3,258.28	3,258.28
Vat Control Account		485.28	485.28
	0.00	1,439,484.52	1,439,484.52
Balances in Hand	10,000.00	664,782.20	674,782.20
	10,000.00	2,104,266.72	2,114,266.72

Phoqus Pharmaceuticals PLC
(In Administration)

Joint Administrators' Abstract Of Receipts And Payments
To 22 January 2009

	Fixed Charge £	Floating Charge £	Total £
RECEIPTS			
VAT Refund		1,437.58	1,437.58
Cash at Bank		355.55	355.55
Bank/ISA InterestGross		26.23	26.23
Misc Refunds		4,177.50	4,177.50
	0.00	5,996.86	5,996.86
PAYMENTS			
Statutory Advertising		159.08	159.08
Bank Charges		8.18	8.18
Vat Control Account		26.02	26.02
	0.00	193.28	193.28
Balances in Hand	0.00	5,803.58	5,803.58
	0.00	5,996.86	5,996.86