

The Insolvency Act 1986

Administrator's progress report

Name of Company
Action First Recruitment Limited

Company number
04514882

In the
High Court of Justice, Newcastle upon
Tyne District Registry

[full name of court]

Court case number
1005 of 2012

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

I / We (a) Julian N R Pitts of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds, LS1 2JZ and
David F Wilson of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds, LS1 2JZ

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

from


to

(b) Insert dates

(b) 1 October 2012

(b) 31 March 2013

Signed


Joint Administrator

Dated

25/04/13

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

Begbies Traynor (Central) LLP

9th Floor, Bond Court, Leeds, LS1 2JZ

Tel Number 0113 244 0044

Fax Number 0113 244 5820

DX Number

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



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09/05/2013

#100

COMPANIES HOUSE

THURSDAY

The affairs, business and property of the Company are being managed by the joint administrators, who act as the Company's agents and without personal liability

Action First Recruitment Limited (In Administration)

Progress report pursuant to Rule 2.47 of the Insolvency Rules 1986

Period: 1 October 2012 to 31 March 2013

Important Notice

This progress report has been produced to comply with our statutory duty to report to creditors on the progress of the administration. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	Action First Recruitment Limited (In Administration)
"the administration"	The appointment of administrators under Schedule B1 to the Insolvency Act 1986 on 1 October 2012
"the administrators" "we" "our" and "us"	Julian N R Pitts of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds, LS1 2JZ and David F Wilson of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds, LS1 2JZ
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency Rules 1986 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act), and (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Insolvency Act 1986

2. COMPANY INFORMATION

Date of Incorporation	20 August 2002
Company registered number	04514882
Company registered office	9th Floor, Bond Court, Leeds, LS1 2JZ

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Date of administrators' appointment	1 October 2012
Date of administrators' resignation	Not applicable
Court	High Court of Justice, Newcastle upon Tyne District Registry
Court Case Number	1005 of 2012
Person(s) making appointment / application	Directors of the Company
Acts of the administrators	The administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
EC Regulation on Insolvency Proceedings	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000) applies to these proceedings which are main proceedings' within the meaning of Article 3 of the Regulation.

4. PROGRESS DURING THE PERIOD

Attached at Appendix 1 is our abstract of receipts and payments for the period from 1 October 2012 to 31 March 2013.

Sale of the Business

As previously mentioned in our SIP16 report to creditors the business was sold via a pre – packaged sale under asset sale agreement dated 1 October 2012.

RECEIPTS

Book Debts

The sum of £534,489.74 has been received following the pre – packaged sale in respect of outstanding book debts. No further realisations are expected from this source.

Goodwill

As per the sale agreement it was agreed that the purchaser will pay £698,996 for the Company's Goodwill. We have realised this asset in full.

Intellectual property

As stated in the sale agreement, the Company's intellectual property was priced at £4. We have realised this asset in full.

Computer Systems, Furniture & Equipment

As per the sale agreement we have received a sum of £1,000 in respect of Computer systems and furniture, and equipment. This asset was realised in full.

PAYMENTS**Skipton Business Finance**

£522,489.74 has been paid to the secured creditor, Skipton Business Finance Limited, following the pre-packaged sale.

Cross Guarantee Claim

Reward Capital LLP ("Reward Capital") holds a debenture over the Company's assets under the terms of a cross guarantee for the IPeople Limited facility. The debenture was created on 29 December 2011 and registered on 30 December 2011. This amounts to approximately £800,000.

It was agreed in the sale agreement that £700,000 will be paid to Reward Capital Bank account as soon as reasonable practicable. We have paid Reward Capital a sum of £700,000 in respect of their guarantee.

Statutory Advertising

It is our statutory duty to advertise details of the appointment in the London Gazette and any local papers as joint administrators feel necessary. We used our advertising agents, Courts Advertising Limited, and paid them £76.50 plus vat for their services.

Statement of Affairs Fee

Montpellier Professional (Leeds) Limited received the sum of £500 for their assistance provided in preparing the Company's statement of affairs.

BALANCE

The current balance in hand is £11,423.50 and it will be used for defraying our time costs and final costs of the administration.

5. ESTIMATED OUTCOME FOR CREDITORS

Details of the sums owed to each class of the Company's creditors were provided in our statement of proposals.

On the basis of realisations to date we estimate an outcome for each class of the Company's creditors as follows:

Secured creditor

As mentioned above Skipton Business Finance have been paid £522,489.74 under their fixed charge security and Reward Capital have been paid £700,000 in respect of their cross guarantee for the IPeople Limited facility.

Preferential creditors

As a result of the sale of the business and assets and the employees of the Company transferring to the purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006, there are no known preferential claims.

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Details of how the prescribed part for unsecured creditors is calculated were provided in our statement of proposals

We have not made a distribution of the prescribed part as the estimate of the Company's net property is less than the minimum prescribed by the Insolvency Act 1986 (Prescribed Part) Order 2003 and we consider, in accordance with Section 176A(3)(b) of the Act, that the costs of making a distribution of the prescribed part to unsecured creditors would be disproportionate to the benefits

Unsecured creditors

Based upon realisations to date and estimated future realisations there will be insufficient funds available to enable a dividend to be paid to the unsecured creditors

6. PRE-ADMINISTRATION COSTS

In the period before the Company entered administration, we carried out work consisting of the following

- Reviewing the solvency of the Company,
- Considering whether the Company could be traded in Administration,
- Finding a purchaser prior to Administration as the costs and risks of trading in an Administration were not viable, and
- Dealing with the sale of the Company's business and assets and dealing with the formalities of placing the Company into Administration

For these reasons we consider that the Work has furthered the achievement of the objective of administration being pursued, 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)

The Pre-administration costs are as follows

Our total time costs are in the total sum of £15,028 50 plus VAT The Pre-administration costs detailed above are unpaid

REMUNERATION & DISBURSEMENTS

Our remuneration has been fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration and we are authorised to draw disbursements, including disbursements for services provided by our firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with our firm's policy, details of which accompanied the Statement of Proposals for achieving the purpose of administration and which are attached at Appendix 2 of this report

Our time costs for the period from 1 October 2012 to 31 March 2013 amount to £5,693 which represents 43 50 hours at an average rate of £130 87 per hour

The following further information in relation to our time costs and disbursements is set out at Appendix 2

- ☐ Narrative summary of time costs incurred
- ☐ Table of time spent and charge-out value for the period from 1 October 2012 to 31 March 2013
- ☐ Begbies Traynor (Central) LLP's policy for re-charging disbursements
- ☐ Begbies Traynor (Central) LLP's charge-out rates

No fees drawn to date

Details of the Category 2 disbursements and also disbursements that should be treated as Category 2 disbursements are provided in the narrative summary of time costs incurred which is at Appendix 2

In addition to the table of time spent by us and our staff in attending to matters arising in the administration for the period covered by this progress report, a cumulative table of time spent and charge out value for the period from 1 October 2012 to 31 March 2013 and a description of the work undertaken since our appointment (contained in the narrative summary of time costs incurred) are also attached at Appendix 2

7. ADMINISTRATORS' EXPENSES

A statement of the expenses incurred during the period of this progress report is attached at Appendix 3

8. OTHER RELEVANT INFORMATION

Report on Directors conduct

As detailed in our statement of proposals, we have a duty to submit a report to the Department for Business, Innovation and Skills on the conduct of the directors. We have complied with our duties in this respect

Proposed exit route from administration

On present information we consider that the Company will have insufficient property to enable a distribution to be made to unsecured creditors. Consequently, as soon as we are satisfied that we have fully discharged our duties as administrators and that the purpose of the administration has been fully achieved, we propose to implement the provisions of Paragraph 84 of Schedule B1 to the Act. Under these provisions, on the registration of a notice sent by us to the Registrar of Companies, our appointment as administrators ceases to have effect, and at the end of three months the Company will automatically be dissolved

Where an administrator sends such a notice of dissolution to the Registrar of Companies, he must also file a copy of the notice with the court and send a copy to each creditor of the Company, and on application by any interested party the court may suspend or disapply the automatic dissolution of the Company

9. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 2.48A of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors, including that creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the court) may request in writing that we provide further information about our remuneration or expenses (other than pre-administration costs) which have been detailed in this progress report

Right to make an application to court

Pursuant to Rule 2.109 of the Rules, any secured creditor or an unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor (or any unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the court) may, within 8 weeks of receipt of this progress report, make an application to court on the grounds that the remuneration charged or the expenses incurred as set out in this progress report are excessive or, the basis fixed for our remuneration is inappropriate

10. CONCLUSION

We will report again in approximately six months time or at the conclusion of the administration, whichever is the sooner

A handwritten signature in black ink, appearing to read 'J N R Pitts', with a stylized, cursive-like flourish at the end.

J N R Pitts
Joint Administrator

Action First Recruitment Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments
To 31/03/2013

S of A £	£	£
SECURED ASSETS		
Goodwill	698,996 00	
Intellectual Property	4 00	
Book Debts	534,489 74	
		1,233,489 74
SECURED CREDITORS		
Skipton Business Finance	522,489 74	
Cross guarantee Claim	700,000 00	
		(1,222,489 74)
ASSET REALISATIONS		
Furniture & Equipment	1,000 00	
		1,000 00
COST OF REALISATIONS		
Statement of Affairs Fee	500 00	
Statutory Advertising	76 50	
		(576 50)
		<u>11,423 50</u>
REPRESENTED BY		
Bank 1 Current		11,423 50
		<u>11,423 50</u>

TIME COSTS AND DISBURSEMENTS

- a Begbies Traynor (Central) LLP's policy for re-charging expenses/disbursements,
- b Begbies Traynor (Central) LLP's charge-out rates,
- c Narrative summary of time costs incurred
- d Table of time spent and charge-out value for the period from 1 October 2012 to 31 March 2013

BEGBIES TRAYNOR CHARGING POLICY

INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance¹ requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm and also where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest. Best practice guidance² requires that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed below.

EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

Best practice guidance classifies expenses into two broad categories.

- *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case usually referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- *Category 2 disbursements (approval required)* - items of incidental expenditure directly incurred on the case which include an element of shared or allocated cost and which are based on a reasonable method of calculation.

(A) The following items of expenditure are charged to the case (subject to approval)

- Internal meeting room usage for the purpose of statutory meetings of creditors is charged at the rate of £100 (London £150) per meeting.
- Car mileage is charged at the rate of 45 pence per mile.
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates.

¹ Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales

² *ibid* 1

- Displaying properties for sale on the 'Accelerated Property Sales from Begbies Traynor' section of the Begbies Traynor website is charged at the rate of £75 00 per property,

In addition to the 2 categories referred to above, best practice guidance indicates that where payments are made to outside parties in which the office holder or his firm or any associate has an interest these should be treated as Category 2 disbursements

The following items of expenditure which relate to services provided by an entity within the Begbies Traynor Group are to be charged to the case (subject to approval)

Asset Appraisal and Disposal services are provided by BTG Asset Consulting, a division of BTG Consulting LLP, which is part of Begbies Traynor Group plc. Asset Appraisal and Disposal costs are charged at £125 per hour and are reclaimed from asset realisations of the company

- (B) The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*

- Telephone and facsimile
- Printing and photocopying
- Stationery

BEGBIES TRAYNOR CHARGE-OUT RATES

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the Leeds office as at the date of this report are as follows

	Charge-out Rate (£ per hour)
Partner	395
Director	345
Senior Manager	310
Manager	265
Assistant Manager	205
Senior Administrator	175
Administrator	135
Trainee Administrator	110
Support	110

Time spent by support staff such as secretarial, administrative and cashiering staff is charged directly to cases. It is not carried as an overhead.

Time is recorded in 6 minute units

SUMMARY OF OFFICE HOLDERS' TIME COSTS

CASE NAME	Action First Recruitment Limited
CASE TYPE	ADMINISTRATION
OFFICE HOLDERS	Julian N R Pitts and David F Wilson
DATE OF APPOINTMENT	1 October 2012

1 CASE OVERVIEW

- 1.1 This overview and the time costs analysis attached is intended to provide sufficient information to enable the body responsible for the approval of the office holders' fees to consider the level of those fees in the context of the case

1.2 **Complexity of the case**

This case involved pre – packaged sale negotiations with the purchaser of the business. Some of the aspects of the case were quite complex such as detailed knowledge of the recruitment business. It was important to understand this industry in order to be able to hold discussions of the sale of the business.

1.3 **Exceptional responsibilities**

The Joint Administrators do not have any exceptional responsibilities.

1.4 **The office holders' effectiveness**

The initial strategy was to sell a business via a pre – packaged sale. The reasons behind it were to preserve the business and to ensure continuation of service to clients, avoid disruptions to existing clients and the business and preserve the Goodwill for creditors.

The pre – pack sale was successful and as a result the business was saved and employees retained their jobs.

1.5 **Nature and value of property dealt with by the office holders'**

The assets sold comprised of the Goodwill, the Intellectual Property, the Work in Progress, the Debts, the Supply Contracts, the Commercial Records and the Computer Systems.

1.6 **Anticipated return to creditors**

Based upon realisations to date and estimated future realisations there will be insufficient funds available to enable a dividend to be paid to the unsecured creditors.

1.7 **Time costs analysis**

An analysis of time costs incurred between 1 October 2012 and 31 March 2013 prepared in accordance with Statement of Insolvency Practice 9 is attached showing the number of hours spent by each grade of staff on the different types of work involved in the case, and giving the average hourly rate charged for each work type.

The time costs analysis provides details of work undertaken by the office holders and their staff following their appointment only.

In addition to the post appointment time costs detailed in the time costs analysis, pursuant to rule 2.67(1)(c) of the Insolvency Rules 1986, the office holders' consider that the sum of £15,028.50 plus VAT is also properly recoverable in relation to work undertaken prior to their appointment consisting of determining whether it was reasonably likely that the purpose of administration would be achieved and completing the required statements of the proposed administrators. The sum is calculated as follows:

	Partner(s)	Director(s)	Support & Cashiering	Total Hours	Time Cost	Average Hourly Rate
Hourly Rate	£395	£345	£110			
Pre-appointment Time	2.0	39.90	4.30	46.20	£15,028.50	£325.29

1.8 The views of the creditors

All creditors were notified of our appointment and the details of the pre – packaged sale were sent out to creditors in our letter and SIP16 report dated 8 October 2012.

1.9 Other professionals employed & their costs

Ward Hadaway Solicitors were instructed to assist in the preparation of the sale agreement. Their remuneration is charged on a time cost basis.

2 EXPLANATION OF OFFICE HOLDERS' CHARGING AND DISBURSEMENT RECOVERY POLICIES

2.1 Begbies Traynor (Central) LLP's policy for charging fees and expenses incurred by office holders is attached at Appendix 2.

2.2 The rates charged by the various grades of staff who may work on a case are attached at Appendix 2.

Time and Expenses Report - Summary

80AC046.PRE | PRE - Action First Recruitment Limited A | From 01/01/2000 To 22/11/2012

	Action Code	Partner	Director	Senior Manager	Manager	Senior Case Administrator	Case Administrator	Support & Cashiering	Other	Total Hours	Total Cost	Avg Rate
Case strategy and planning	1PLAN	0.0000	1.50	0.00	0.00	0.00	0.00	0.00	0.00	1.50	517.50	345.00
Administration	1ADMIN	0.0000	0.00	0.00	0.00	0.00	0.00	4.30	0.00	4.30	473.00	110.00
Statutory reports and returns	1STAT	0.0000	4.30	0.00	0.00	0.00	0.00	0.00	0.00	4.30	1,483.50	345.00
Meetings	1MEET	0.0000	3.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	1,035.00	345.00
Pre-appointment work	1PRE	2.0000	31.10	0.00	0.00	0.00	0.00	0.00	0.00	33.10	11,519.50	348.02
Total Hours		2.00	39.90	0.00	0.00	0.00	0.00	4.30	0.00	46.20		
Total Cost		790.00	13,765.50	0.00	0.00	0.00	0.00	473.00	0.00		15,028.50	
									Employee / Disb Costs			0.00
									Disb Fees Drawn			0.00
									Time Fees Drawn			0.00
									Outstanding Costs		15,028.50	

STATEMENT OF ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance (to be discharged) £
Statement of Affairs Fee	Montpelier (Professional) Leeds Limited	500 00	500 00	0 00
Statutory advertising	Courts Advertising Limited	76 50	76 50	0 00
Bond	Marsh Limited	20 00	20 00	0 00