

The Insolvency Act 1986

Administrators' progress report

Name of Company:
Alatas Engineering Limited

Company number:
04596039

In the:
High Court of Justice, Chancery Division,
Leeds District Registry

Court case number:
865 of 2016

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

I/We (a) Julian Nigel Richard Pitts of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street Leeds LS1 2HJ and Nicholas Edward Reed of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ

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

(b) Insert dates


from

to

(b) 27 September 2016

(b) 26 March 2017

Signed:


Joint Administrator

Dated:

11/5/17

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

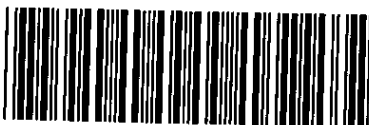
Begbies Traynor (Central) LLP

Fourth Floor, Toronto Square, Toronto Street, Leeds LS1 2HJ

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DX Number



A12 *A6699Q7S* 12/05/2017 #168
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

Julian Pitts and Nicholas Edward Reed were appointed joint administrators on 27 September 2016

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.

Alatas Engineering Limited (In Administration)

Progress report of the joint administrators

Period: 27 September 2016 to 26 March 2017

Important Notice

This progress report has been produced by the administrators solely to comply with their 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"	Alatas Engineering Limited (In Administration)
"the administration"	The appointment of administrators under Schedule B1 to the Insolvency Act 1986 on 27 September 2016
"the administrators" "we" "our" and "us"	Julian Pitts of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ and Nicholas Edward Reed of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency (England and Wales) Rules 2016 (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. STATUTORY INFORMATION

Name of Company	Alatas Engineering Limited
Trading name(s):	Alatas Engineering
Date of Incorporation:	20 November 2002
Company registered number:	04596039
Company registered office:	Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Names of the administrators:	Julian Pitts, a Licensed Insolvency Practitioner of Begbies Traynor
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(Central) LLP, Fourth Floor, Toronto Square, Toronto Street,
Leeds, LS1 2HJ
and
Nicholas Edward Reed, a Licensed Insolvency Practitioner of
Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square,
Toronto Street, Leeds, LS1 2HJ

Date of administrators' appointment: 27 September 2016

Court: High Court of Justice, Chancery Division, Leeds District Registry

Court Case Number: 865 of 2016

Person(s) making appointment / application: The Directors

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.

Extensions of the administration period: There have been no previous extensions to the administration period.

4. PROGRESS DURING THE PERIOD

Receipts and Payments

Attached at Appendix 1 is our abstract of receipts and payments for the period from 27 September 2016 to 26 March 2017.

Receipts

Sale of business and assets of the Company

The sale of the undertaking and certain of the assets of the business of the Company to Alatas UK Limited completed on 17 October 2016. The sale consideration was apportioned as follows:

<u>Category of Assets</u>	<u>Sum realised £</u>
The Equipment and Fixtures & Fittings	100,000
Leasehold Property	10,000
Stock & WIP	4,993
Motor Vehicles	15,000
Intercompany Debt	100,000
Rent Refund	13,000
Others	7
Total	243,000

The Equipment and Fixtures & Fittings

These include the owned plant and equipment, workshop tooling, office furniture and equipment (including IT equipment and sundry items), machinery and owned fixtures & fittings.

Leasehold Property

The Company's interest in the leasehold property at Unit B Olympic Park, Low Moor, Bradford, BD12 0LP, in particular the option to purchase at the end of 2017.

Stock & WIP

All stocks of consumables, stock in trade, raw materials, spare parts, operating supplies, partly finished goods and processed materials produced by the Company and the benefit of any work in progress that had not been invoiced by the Company.

Motor Vehicles

- Ford Ranger, registration AJ56 GNU (owned)
- Honda CRV, registration YC63 AZZ (HP)

Intercompany Debt

All sums due by the buyer to the Company. The total sum due by the buyer on completion was £152,486 however this amount was in dispute. We therefore took the commercial decision to accept £100,000 in full and final settlement of this debt as part of the sale, rather than taking the risk of entering into protracted negotiations and in all likelihood, costly and speculative legal action.

Rent Refund

A partial refund of the rent quarter previously paid in advance by the Company to 24 December 2016.

Others

These consist of the following assets, each apportioned at £1.

- Goodwill and Customer list
- HP Vehicle and Agreement
- Licence Premium
- Telephone Number and Fax Number
- Intellectual Property
- Forward Order Book
- Customer Contracts

Other realisations

In addition to the above sale consideration, we have also realised the following:

Sales

The sum of £32,278 net of VAT was made in sales during the period of trading whilst the Company was in Administration. Against this, we have to date collected the sum of £26,760.20.

Motor Vehicles

The net sum of £1,638 has been realised from the remaining vehicle after settlement of the outstanding finance. Further information in respect of this transaction can be found at Section 11.

Book Debts

The sum of £92,606 has been realised to date in respect of the residual book debts against a book debt ledger of £126,565.

Shares & Investments

The Company owned 833 Royal Bank of Scotland shares at the date of our appointment. These shares have since been sold during the period of this report which has realised the sum of £1,548.

Cash at Bank

The sum of £66,770 has been received in respect of credit balances held at the NatWest Bank and Bank of Scotland accounts.

Rates Refund

A rates refund of £3,743 has been received during the period of this report in respect of annual business rates paid in advance.

Miscellaneous Refunds

The sum of £377 has been received in respect of various refunds due to the Company.

Bank Interest

Bank interest in the sum of £68 has accrued on the balance of funds held during the period of this report.

Payments

Specific Bond

It is a statutory obligation that the duly appointed Insolvency Practitioners take out a bond in order to protect the interests of unsecured creditors in the potential realisations on a case. This is known as the bordereau premium and is detailed on the attached receipts and payments account, the sum of £240 has been paid in this respect.

Pre Appointment Fee

In accordance with the approval obtained by a resolution of creditors passed by correspondence, the sum of £11,583 has been drawn in respect of the pre-appointment costs. Further details of the pre-administration costs are detailed at Section 6 of this report.

Administrators' Fees

In addition, a further resolution of creditors was passed by correspondence in respect of the Joint Administrators fees. In accordance with the approval obtained, the sum of £40,000 has been drawn to date. Further information is provided at Section 7 of this report.

Travel & Mileage

Disbursements totalling £290 have been drawn in relation to travel and subsistence costs incurred by the administrators and their staff. Further details are included at Appendix 3.

Corporate Finance Fee

BTG Corporate Finance was engaged to assist with the marketing process of the business and they circulated the sales particulars to their database and various mailing lists. The sum of £750 has been paid in respect of their services.

Agents Fees & Disbursements

Eddisons Commercial Limited ("Eddisons") was instructed to value and assist with the marketing and subsequent sale of the Company's assets following our appointment. Eddisons were paid the sums of £10,000 and £36 for their fees and disbursements respectively. In addition, the sum of £1,375 was paid as a contribution to the costs of the landlord's agent, Knight Frank, for their assistance on property related matters as part of the sale.

Legal Fees & Disbursements

The sums of £20,000 and £3,197 have been paid to Clarion Solicitors in respect of legal fees in advising the Joint Administrators on all matters since their appointment and pre appointment legal fees respectively. In addition, the sum of £54 has been discharged in respect of their disbursements.

Purchases

£1,844.40 has been paid in relation to purchases made during the period of trading whilst in Administration. In addition, the sum of £82.84 has been discharged for essential telephone related services provided during the trading period.

Accountant Fees

Wilkinson and Partners have been paid the sum of £2,500 during the period of this report in respect of preparation of the statement of affairs.

Storage Costs

Restore plc has been paid the sum of £78 in respect of the storage of the Company's books and records which were collected following our appointment.

Statutory Advertising

We have paid the sum of £85 to Courts Advertising Limited in respect of the advertising costs incurred issuing the notice of the administrators' appointment and the notice of the resolutions by correspondence which were advertised in the London Gazette.

Insurance of Assets

It was necessary to insure the Company's assets for a short period of time before the sale to Alatas UK Limited took place. The sum of £1,016 has been paid to Aon UK Limited for the insurance cover provided.

Bank Charges

The sum of £50.86 has been paid in respect of bank charges.

Other Matters

Contingent claim

We are aware of an ongoing dispute between the directors and shareholders of the Company. We have been provided with a draft Petition and are advised that legal proceedings will be issued by one of the parties. While the Company has been named as a party to the proposed proceedings (in the ordinary course of such an application), we understand that no relief is being sought against the Company but rather it has a duty to provide disclosure. In light of this proposed claim, we have been put on notice by the solicitor acting for the intended Defendants that they will have a claim against the Company directly as a result. It is unclear at this stage how much this claim might amount to however it could be significant. We are advised by our solicitors that any such claim will rank as an unsecured claim against the Company.

In our Statement of Proposals dated 18 November 2016, we advised, based upon realisations at that time and estimated future realisations, that we were confident there would be sufficient funds available to pay unsecured creditors in full, plus statutory interest, with an anticipated return to shareholders.

Whilst we are still confident of a dividend to unsecured creditors, due to the information which has subsequently come to light, the quantum and timing of any dividend is presently unknown until the dispute is concluded and the outcome of the contingent claim is known. We therefore intend to place the company into Liquidation to facilitate a dividend to unsecured creditors and shareholders (if applicable), however, any distribution will only take place once the outcome of the dispute is known.

What work has been done in the period of this report, why was that work necessary and what has been the financial benefit (if any) to creditors?

Details of the types of work that generally fall into the headings mentioned below are available on our firm's website - <http://www.begbies-traynorgroup.com/work-details> Under the following headings we have explained the specific work that has been undertaken on this case. Not every piece of work has been described, but we have sought to give a proportionate overview which provides sufficient detail to allow creditors to understand what has been done, why it was necessary and what financial benefit (if any) the work has provided to creditors.

The costs incurred in relation to each heading are set out in the Time Costs Analysis which is attached at Appendix 2.

General case administration and planning

The Joint Administrators have formulated an appropriate strategy, monitored and reviewed such strategy including meetings with internal and external parties to agree the same. Further detailed work in this regard was required once we were made aware of the possibility of proceedings and the claim under the indemnity.

We are required to maintain records to demonstrate how the case is administered and to document the reasons for any decisions that materially affect the case. This includes regular updates with staff and regular case management and reviewing of progress. Time spent also includes complying with internal filing and information recording practices, including documenting strategy decisions and liaising with key stakeholders in respect of planning and strategy.

Compliance with the Insolvency Act, Rules and best practice

There are certain tasks which the joint administrators have a statutory obligation to undertake during the administration. We have notified the various bodies of our appointment, including creditors, and advertised our appointment in the London Gazette.

We have also prepared our Statement of Proposals, as we are obliged to do, to provide creditors with a detailed explanation of the reasons for the failure of the Company, the progress made during the administration to date

and the work which will be undertaken going forward in order to achieve the administration's objective. In addition, time has also been incurred during the period preparing this progress report.

Investigations

The Joint Administrators have a duty to investigate and report on matters connected with the Company's affairs leading up to the date of the Administration. Investigations have been undertaken and no actions have been identified which may lead to potential realisations.

Realisation of assets

The Joint Administrators have spent a significant amount of time negotiating and concluding the sale of the business and assets of the Company to Alatas UK Limited.

The Administrators and their staff liaised with Eddisons, BTG Corporate Finance and Clarion Solicitors to discuss the most appropriate course of action for the disposal of the Company's assets, along with negotiating the sale to Alatas UK Limited. In addition, time has been incurred relating to the collection of Administration sales, collection of debtors, realising the cash at bank and realising the shares owned by the Company.

Further time has been incurred monitoring and pursuing the book debts which were outstanding at the date of our appointment and collecting the post appointment sales. This has required the input of our solicitors.

Trading

Whilst undertaking all aspects of trading, our staff were required on site at all times to oversee matters and approve any decisions taken. Throughout the trading period we: worked with the Company's management to identify orders for completion; liaised with both customers and suppliers; kept employees apprised of the position; liaised with the Company's bankers; entered discussions with the landlord and other creditors; and liaised with our solicitors on a range of matters.

Dealing with all creditors' claims (including employees), correspondence and distributions

Following the Joint Administrators appointment, a number of enquiries were received from the creditors requesting further information in respect of the insolvency. Dealing with the correspondence and claims submitted is very time intensive and is necessary to keep creditors informed as matters progress.

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 and estimated future realisations we estimate an outcome for each class of the Company's creditors as follows:

Secured creditors

There are no known secured creditors.

Preferential creditors

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

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.

To the best of our knowledge and belief, there are no unsatisfied floating charges created or registered on or after 15 September 2003 and, consequently, there is no net property as defined in Section 176A(6) of the Act and, therefore, no prescribed part of net property is available for distribution to the unsecured creditors.

Unsecured creditors

As stated in Section 4, we have been put on notice of a contingent claim against the Company as part of legal proceedings between the directors / shareholders of the Company. The quantum and timing of this claim is unknown and therefore we are unable to pay a dividend to unsecured creditors until the outcome of the dispute is known. However, we intend to place the company into Liquidation pending the outcome of the dispute.

Effect of administration on limitation periods under the Limitation Act 1980

As we have previously confirmed, the Limitation Act 1980 continues to apply to all debts due from the Company. Case law indicates that where a company is in administration, time does not stop running for limitation purposes pursuant to the Limitation Act 1980. If you have any concerns in relation to your claim against the Company becoming time-barred during the course of the administration, we strongly recommend that you seek independent legal advice on the options available to you to prevent this.

6. PRE-ADMINISTRATION COSTS

On 5 December 2016 the following amounts in respect of unpaid pre-administration costs were approved by a resolution of creditors passed by correspondence:

Description	Name of recipient	Net amount £	VAT £	Gross amount £
Our fees in relation to the Work	Begbies Traynor	11,583.00	2,316.60	13,899.60
Our disbursements incurred	Begbies Traynor	6.50	1.30	7.80
Legal costs	Clarion Solicitors	3,196.50	639.30	3,835.80
Legal disbursements	Clarion Solicitors	50.00	10.00	60.00
TOTAL PRE-ADMINISTRATION COSTS		14,836.00	2,967.20	17,803.20

7. REMUNERATION & DISBURSEMENTS

Our remuneration has been fixed by a resolution of creditors passed by correspondence by reference to the time properly given by us and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters as set out in the fees estimate. We are also authorised to draw disbursements for services provided by our firm and/or entities within the Begbies Traynor group, 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 27 September 2016 to 26 March 2017 amount to £84,577 which represents 339 hours at an average rate of £249 per hour.

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

- ❑ Time Costs Analysis for the period 27 September 2016 to 26 March 2017
- ❑ Begbies Traynor (Central) LLP's charging policy

To 26 March 2017, we have drawn the total sum of £40,000 on account of our remuneration, against total time costs of £84,577 incurred since the date of our appointment.

Time Costs Analysis

Please note that the analysis provides details of the work undertaken by us and our staff following our appointment only.

We have exceeded the limit of our original fee estimate of £80,015. For the avoidance of any doubt, we have not drawn any remuneration in excess of the level approved. The reasons why the estimate has been exceeded are as follows:

- Ongoing collection of book debts and post appointment sales;
- Protracted correspondence with Bank of Scotland in order to realise the majority of the cash at bank;
- Liaising with the purchaser with regard to outstanding matters in respect of the sale agreement;
- Dealing with correspondence relating to the legal proceedings and contingent claim, considering the impact of the same and formulating the strategy in conjunction with our appointed solicitors. This has also required the instruction of legal Counsel ; and

These issues were not known to the Joint Administrators when preparing the fee estimate therefore further time has been incurred which was not forecast.

In light of the above, we are obliged to provide creditors with details of the additional work that we propose to undertake to conclude the administration along with details of the time and cost of that additional work. This information appears at Appendix 2.

We are seeking creditors' approval of our further estimate by way of a resolution by correspondence as we consider this to be the most cost effective means to do so. Please ensure that you return your completed 'Notice of conduct of business by correspondence' form by 12 noon on 16 May 2017. The documentation which we require creditors to complete and return has been sent separately.

Disbursements

To 26 March 2017, we have also drawn disbursements in the sum of £585.

Category 2 Disbursements

Details of the Category 2 disbursements and also disbursements that should be treated as Category 2 disbursements that have been drawn since the necessary approval was obtained in the total sum of £11,013 are as follows:

Other amounts paid or payable to the office holder's firm	
Type and purpose	Amount £
Travel & Subsistence	263.25
TOTAL	263.25

Disbursements treated as Category 2 disbursements

Other amounts paid or payable to any party in which the office holder or his firm or any ass has an interest	
Type	Amount £
Eddisons Commercial Limited	10,000.00
BTG Corporate Finance	750.00
TOTAL	10,750.00

A copy of 'A Creditors Guide to Administrators' Fees (E&W) 2015' which provides guidance on creditors' rights on how to approve and monitor an Administrator's remuneration and on how the remuneration is set can be obtained online at www.begbies-traynor.com/creditorsguides. Alternatively, if you require a hard copy of the Guide, please contact our office and we will arrange to send you a copy.

8. ADMINISTRATORS' EXPENSES

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

Expenses actually incurred compared to those that were anticipated

Creditors will recall that we estimated that the expenses of the administration would total £53,516. Unfortunately, we consider that, in addition to those already incurred, the expenses which we are likely to incur to the conclusion of the case will exceed our original estimate. The reasons why the estimate will be exceeded is due to the additional legal costs in both pursuing debts due to the Company and dealing with any legal proceedings, the contingent claim and liaising with our solicitors as to the implications to the Company. We have also incurred some additional agency fees.

9. ASSETS THAT REMAIN TO BE REALISED AND WORK THAT REMAINS TO BE DONE

The assets that remain to be realised are the outstanding pre-appointment debtors and post-appointment sales. In addition, there is an outstanding director's loan account due from one of the directors. These debts are continuing to be pursued.

As previously discussed, due to the contingent claim against the Company as a result of the dispute between the directors / shareholders, we are unable to make a distribution to the unsecured creditors at this time. It will therefore be necessary to place the Company into Liquidation whilst we await the outcome of the dispute. Following which, we then expect to be in a position to make a distribution to the unsecured creditors and shareholders (if applicable). The Company will be placed into Liquidation prior to the 12 month anniversary on 26 September 2017. Further details can be found at Section 10 of this report.

What work remains to be done, why is this necessary and what financial benefit (if any) will it provide to creditors?

General case administration and planning

As the administration progresses, updates will need to be made to the strategy dependant upon the outcome of the realisation of assets and the conclusion of the contingent claim. This will include meetings between members of staff to formulate a revised strategy going forward. As detailed above, we are also required to

maintain records to demonstrate how the case was administered and to document the reasons for any decisions that materially affect the case on an ongoing basis.

Compliance with the Insolvency Act, Rules and best practice

The Insolvency Act and Rules require that the joint administrators produce interim progress reports on a 6 monthly basis to provide an update to the creditors of the progression made during the administration.

In addition, a final progress will have to be produced once the administration has reached its conclusion. This will provide creditors with an overview of the administration, including all realisations, costs and the final outcome for creditors.

Should the administration need to be extended beyond its statutory term of 12 months, the administrators have a duty to seek an extension, firstly from the creditors and subsequently by Order of the Court.

Progress reports and the other statutory documentation detailed above must also be filed with the Registrar of Companies under the Insolvency Act. The joint administrators will also periodically monitor realisations and compare to the statutory bond level to ensure that sufficient cover is in place at all times in order to protect the interests of the company's creditors.

Realisation of assets

As detailed above, we will continue to pursue the outstanding debts due to the Company.

Dealing with all creditors' claims (including employees), correspondence and distributions

Due to the nature of the Company's business and the amounts outstanding to a number of creditors, a significant number of enquiries from the creditors will continue to be received requesting further information in respect of the insolvency.

Other matters which includes meetings, tax, litigation, pensions and travel

We have instructed the Company's former accountant, Wilkinson and Partners, to review and advise on pre and post appointment tax matters.

Further meetings are likely to take place with our instructed solicitors, Clarion, and accountants, Wilkinson and Partners.

How much will this further work cost?

The cost of this further work will be dependent upon the time required to pursue the collectable debts. However, based upon the information currently available, we estimate that this work will cost £20,456.00.

Expenses

Details of the expenses that we expect to incur in connection with the work that remains to be done referred to above are as set out in the estimate of anticipated expenses sent to creditors on 18 November 2016 which included all of the expenses that we anticipate that we will incur throughout the administration.

10. 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, Energy and Industrial Strategy on the conduct of the directors. We have complied with our duties in this respect.

Investigations completed

As explained in our Statement of Proposals, we have undertaken an assessment of the manner in which the business was conducted prior to the administration of the Company and potential recoveries for the estate in this respect. No transactions have been identified which may lead to realisations for the benefit of creditors.

Connected party transactions

In accordance with Statement of Insolvency Practice 13, we confirm that the following assets were sold to a director of the Company:

Date of sale	Asset sold and nature of transaction	Consideration paid	Name of Purchaser	Relationship with the Company
13 October 2016	Citroen C4	£4,800	Mr James Hopkinson	Director of the Company

Proposed exit route from administration

It is our intention to place the Company into Creditors' Voluntary Liquidation. Therefore, 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 83 of Schedule B1 to the Act whereby on the registration of a notice sent to the Registrar of Companies, our appointment as administrators shall cease to have effect and the Company will automatically be placed into creditors' voluntary liquidation

11. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 18.9 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 incurred during the period of this progress report.

Right to make an application to court

Pursuant to Rule 18.34 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 during the period of this progress report are excessive or, the basis fixed for our remuneration is inappropriate.

12. 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 be 'J N R Pitts', written over a horizontal line.

J N R Pitts
Joint Administrator

Dated: 25 April 2017

ACCOUNT OF RECEIPTS AND PAYMENTS

Period: 27 September 2016 to 26 March 2017

S of A £		£	£
	ASSET REALISATIONS		
80,000.00	Equipment, Fixtures & Fittings	100,000.00	
	Other Assets	7.00	
18,000.00	Motor Vehicles	16,638.41	
	Leasehold Property	10,000.00	
10,000.00	Stock & WIP	4,993.00	
160,234.00	Book Debts	192,606.05	
1,454.58	Shares & Investments	1,548.33	
66,718.17	Cash at Bank	66,770.24	
	Rent Refund	13,000.00	
	Rates Refund	3,743.24	
11,134.80	Director's Loan Account	NIL	
502.82	Cash in Hand	NIL	
	Bank Interest Gross	68.47	
	Sales	26,760.20	
	Miscellaneous Refund	376.50	
			436,511.44
	COST OF REALISATIONS		
	Specific Bond	240.00	
	Pre Appointment Fee	11,583.00	
	Administrators' Fees	40,000.00	
	Travel and Mileage	290.25	
	Corporate Finance Fee	750.00	
	Agents/Valuers Fees (1)	11,375.00	
	Pre Appointment Legal Fees	3,196.50	
	Legal Fees	20,000.00	
	Legal Disbursements	54.17	
	Agents Disbursements	36.00	
	Purchases	1,844.40	
	Telephone Charges	82.84	
	Accountant Fees	2,500.00	
	Storage Costs	77.50	
	Statutory Advertising	84.60	
	Insurance of Assets	1,016.37	
	Bank Charges	50.86	
			(93,181.49)

S of A £		£	£
	PREFERENTIAL CREDITORS		
(537.43)	Employees - Staff Overtime	NIL	
(2,570.36)	Pension Contributions	<u>NIL</u>	NIL
	UNSECURED CREDITORS		
(62,549.12)	Trade Creditors	NIL	
(140,816.00)	Employees - Redundancy & Notice Pay	NIL	
(408.07)	Company Credit Card	NIL	
(11,156.73)	HMRC (non VAT)	NIL	
(24,414.32)	HMRC (VAT)	NIL	
(207.48)	Hospital Fund	NIL	
(79,375.00)	Landlord - Lease	NIL	
(50,000.00)	Landlord - Dilapidations	<u>NIL</u>	NIL
	DISTRIBUTIONS		
(4,000.00)	Ordinary Shareholders	<u>NIL</u>	NIL
<u>(27,990.14)</u>			<u><u>343,329.95</u></u>
	REPRESENTED BY		
	Bank 1 Current		<u><u>343,329.95</u></u>

TIME COSTS AND DISBURSEMENTS

- a. Begbies Traynor (Central) LLP's charging policy;
- b. Time Costs Analysis for the period from 27 September 2016 to 26 March 2017; and
- c. Estimated increase to our approved fees estimate

Expenses which should be treated as Category 2 disbursements (approval required) – in addition to the two categories referred to above, best practice guidance indicates that where payments are to be 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.

Services provided by other entities within the Begbies Traynor group

The following items of expenditure which relate to services provided by entities within the Begbies Traynor group, of which the office holder's firm is a member, are also to be charged to the case (subject to approval):

Instruction of Eddisons Insurance Services Limited to provide insurance broking services and specifically open cover insurance for the insurable risks relating to the case. The cost of open cover insurance will vary during the course of the case depending upon the value of the assets and liability risks. The costs of insurance cover for quarter periods will be dependent upon prevailing insurance market conditions and the ongoing insurable risks on the case. Eddisons Insurance Services Limited is not paid from the assets of the estate for the services it provides. In accordance with standard insurance industry practice, Eddisons Insurance Services Limited will receive payment of commission for the services it provides directly from the open cover insurer. The commission is calculated as a percentage of the insurance premiums payable and such percentage will depend upon the class or classes of assets being insured.

(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:

Grade of staff	Charge-out rate (£ per hour) 1 May 2011 – until further notice
Partner	395
Director	345
Senior Manager	310
Manager	265
Assistant Manager	205
Senior Administrator	175
Administrator	135
Trainee Administrator	110
Support	60 -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.

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. It also applies where payments are to be made to parties other than the firm, but in relation to which the office holder, the firm or any associate has an interest. Best practice guidance² indicates 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 and 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 expenditure that are directly related to the case which include an element of shared or allocated cost and are based on a reasonable method of calculation, but which are not payable to an independent third party.

(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

Staff Grade	Consultant/Partner	Director	Sr. Mgr	Mgr	Asst Mgr	Sr Admin	Admin	Int Admin	Support	Total Hours	Time Cost £	Average Hourly rate £
General Case Administration and Planning		16.0	0.2				6.6			25.1	8,135.50	324.12
	Case planning			2.1								
	Administration			6.0			0.5	0.1	1.8	15.2	2,637.00	173.49
	Total for General Case Administration and Planning:	16.0	0.2	8.1			7.3	0.1	1.8	40.3	10,772.50	267.31
Compliance with the Insolvency Act, Rules and best practice		2.0		3.0			3.0	6.9	0.2	17.0	3,272.50	192.50
	Appointment											
	Banking and Bonding	0.9		3.4				3.9	6.7	14.9	2,520.00	169.13
	Case Closure											
	Statutory reporting and statement of affairs	3.4		21.2			20.2	1.0	0.4	46.2	10,675.00	231.06
	Total for Compliance with the Insolvency Act, Rules and best practice:	6.3		27.6			23.2	11.8	6.9	78.4	16,500.50	210.47
Investigations		0.5		0.7						1.2	363.00	319.17
	CCDA and Investigations											
	Total for Investigations:	0.5		0.7						1.2	363.00	319.17
Realisation of assets				35.2			29.6			64.3	14,366.00	223.76
	Debt collection											
	Property, business and asset sales	19.5		60.4			2.5	0.4	0.7	83.5	24,277.00	290.74
	Retention of Title/Third party assets											
	Total for Realisation of assets:	19.5		95.6			31.1	0.4	1.2	147.8	38,643.00	261.80
Trading		3.0		34.2						37.2	10,246.00	275.46
	Trading											
	Total for Trading:	3.0		34.2						37.2	10,246.00	275.46
Dealing with all creditors claims (including employees), correspondence and distributions				16.5								
	Secured											
	Others			16.5			6.1	4.3		26.9	6,020.50	223.81
	Creditors committee											
	Total for Dealing with all creditors claims (including employees), correspondence and distributions:			16.5			6.1	4.3		26.9	6,020.50	223.81
Other matters which includes meetings, tax, litigation, pensions and travel				4.5						4.5	1,192.50	265.00
	Meetings											
	Other											
	Tax	0.5		0.9				0.3		1.7	476.50	280.29
	Litigation			1.2						1.2	318.00	265.00
	Total for Other matters:	0.5		6.6				0.3		7.4	1,987.00	268.51
	Total hours by staff grade:	45.8	0.2	185.3			67.7	16.9	6.7	339.2		
	Total time cost by staff grade:	18,091.00	69.00	50,164.50			11,447.50	2,231.50	957.00		84,576.50	
	Average hourly rate £:	395.00	345.00	265.00	0.00		175.00	135.00	110.00			249.34
	Total fees drawn to date £:										40,000.00	

THE ADMINISTRATORS' ESTIMATE OF THE INCREASED FEES THAT THEY WILL INCUR

Further to the information set out in the report, the Administrators anticipate that in addition to their original fees estimate in the sum of £80,015 the following further fees will be incurred to conclusion of the administration. Our additional fees estimate for the administration is set out in this appendix. Please note that blended hourly rates have been used (as they were for the original estimate) which take account of the various levels of staff that are likely to undertake each area of work. These can be seen in the average hourly rate column. Details of the hourly rates that will be charged for each level of staff working on the case form part of this appendix.

The Administrators anticipate that the following specific work which was not envisaged at the outset of the administration (and which is included in the estimate above) will be undertaken:

- Further work relating to the collection of debts due to the Company;
- Liaising with the purchaser with regard to outstanding matters in respect of the sale agreement;
- Dealing with any legal proceedings and contingent claim;
- Liaising with professional advisers in relation to the above; and
- Statutory compliance in converting the Administration to Creditors Voluntary Liquidation

A more detailed explanation of the work that falls into the categories mentioned in the appendix can be obtained from our website at <http://www.begbies-traynorgroup.com/work-details>.

Dated: 25 April 2017

Staff Grade	Partner	Director	Snr Mgr	Mngr	Asst Mgr	Snr Admin	Admin	Jnr Admin	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	1.00			3.00		1.00				5.00	1,300.00	260.00
				5.00		3.00				8.00	1,850.00	231.25
	1.00			8.00		4.00				13.00	3,160.00	242.31
Compliance with the Insolvency Act, Rules and best practice												
	1.00			2.00		4.00				7.00	1,625.00	232.14
	2.00			12.00		8.00				22.00	5,370.00	244.08
Investigations	3.00			14.00		12.00				29.00	6,985.00	241.21
Realisation of assets												
	1.00			8.00		4.00				13.00	3,215.00	247.31
				4.00						4.00	1,060.00	265.00
Trading	1.00			12.00		4.00				17.00	4,275.00	251.47
Dealing with all creditors claims (including employees), correspondence and distributions												
	1.80			4.00		3.00				8.80	2,285.00	258.91
Other matters which includes meetings, tax, litigation, pensions and travel	1.80			4.00		3.00				8.80	2,285.00	258.91
	1.50			4.00						5.50	395.00	71.82
Other matters which includes meetings, tax, litigation, pensions and travel	1.00			2.00						5.00	565.00	113.00
	3.00			5.00			2.00			10.00	2,780.00	278.00
	8.60			11.00			4.00			23.60	3,740.00	158.44
	12.30			49.00		23.00	4.00			88.30		
Total time cost by staff grade:	4,858.60			12,985.00		4,025.00	540.00					
	395.00	345.00	175.00	265.00	100.00	175.00	135.00	110.00			20,455.00	231.66
Total fees drawn to date £:												

STATEMENT OF ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance (to be discharged) £
Expenses incurred with entities not within the Begbies Traynor Group				
Specific Bond	Marsh Limited	240.00	240.00	0.00
Legal Fees & Disbursements	Clarion Solicitors	36,179.50	20,054.17	16,125.33
Accountant Fees	Wilkinson and Partners	2,500.00	2,500.00	0.00
Agent's Fees	Knight Frank	11,375.00	11,375.00	0.00
Storage Costs	Restore plc	77.50	77.50	0.00
Insurance	Aon UK Limited	1,016.37	1,016.37	0.00
Expenses incurred with entities within the Begbies Traynor Group (<i>for further details see Begbies Traynor Charging Policy</i>)				
Agent's Fees & Disbursements	Eddisons Commercial Limited	10,036.00	10,036.00	0.00
Corporate Finance Fees	BTG Corporate Finance	750.00	750.00	0.00
Travel & Mileage	Begbies Traynor (Central) LLP	290.25	290.25	0.00