

The Insolvency Act 1986

**Administrator's progress report**

Name of Company  
IS Management Receivables 2014 Ltd  
(formerly itmsoil Management Limited) (in  
administration)

Company number  
05508386

In the  
Royal Courts of Justice, Chancery Division  
[full name of court]

Court case number  
307 of 2014

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

We (a) Kirstie Jane Provan and Mark Robert Fry, both of Begbies Traynor (Central) LLP, 32 Cornhill,  
London, EC3V 3BT

Administrators of the above company attach a progress report for the period

from 21 January 2014 to 20 July 2014

(b) Insert dates

(b) 21 January 2014

(b) 20 July 2014

Signed

  
Joint Administrator

Dated

16 AUGUST 2014

**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	
32 Cornhill, London, EC3V 3BT	
	Tel Number 020 7398 3800
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A09 16/08/2014 #311  
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

SATURDAY

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

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**IS Management Receivables 2014 Ltd  
(formerly itmsoil Management Limited)  
(in administration)**

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Progress report pursuant to Rule 2.47 of the  
Insolvency Rules 1986

Period: 21 January 2014 to 20 July 2014

## **Important Notice**

**This progress report has been produced to comply with the Administrators' 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"	IS Management Receivables 2014 Ltd (formerly itmsoil Management Limited) (in administration)
"the administration"	The appointment of Administrators under Schedule B1 to the Insolvency Act 1986 on 21 January 2014
"the Administrators" "we" "our" and "us"	Kirstie Jane Provan and Mark Robert Fry, both of Begbies Traynor (Central) LLP, Cornhill, London, EC3V 3BT
"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

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## 2 COMPANY INFORMATION

Trading name(s)	itmsoil Management Limited
Date of Incorporation	14 July 2005
Company registered number	05508386
Company registered office	32 Cornhill, London, EC3V 3BT

## 3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Date of Administrators' appointment	21 January 2014
Date of Administrators' resignation	Not applicable
Court	Royal Courts of Justice
Court Case Number	307 of 2014
Person making appointment / application	JPPC Services Limited
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

### BACKGROUND TO THE ADMINISTRATION

For ease of reference, some of the background information previously provided in the Administrators' Statement of Proposals dated 13 February 2014 ("the Proposals") sent to all creditors is provided below.

### The reasons for the Company's insolvency

The Company forms part of a wider group of companies, which includes the companies listed below, and which is known as the itmsoil Group.

- IS Services Receivables 2014 Ltd (formerly known as itmsoil Services Limited) (in administration) ("Services")

- IS Instruments Receivables 2014 Ltd (formerly known as itmsoil Instruments Limited) (in administration) ("**Instruments**")
- IS Property Receivables 2014 Ltd (formerly known as itmsoil Property Limited) (in administration) ("**Property**")
- IS Group Receivables 2014 Ltd (formerly known as itmsoil Group Limited) (in administration) ("**Groupco**")  
(collectively termed "**the Companies**")

The itmsoil Group was involved with the design, manufacture and installation of specialist geo-technical and structural monitoring instrumentation, within the construction industry. Its principal place of business was in Uckfield, East Sussex with operations also located in Bad Bentham in Lower Saxony, Germany, France, Asia, Australia and the USA.

Each of the Companies undertook a different role within the itmsoil Group, which can be summarised as follows:

- The Company undertook management services for the itmsoil Group, and had 35 employees,
- Services undertook the supply and installation of geo-technical testing and monitoring equipment for civil engineering projects, and had 44 employees,
- Instruments was involved in the manufacture of geo-technical instruments for the civil engineering and mining industries, and had 42 employees,
- Groupco was the parent company of the Company, Services, Instruments and Property (amongst other companies within the itmsoil Group), and
- Property's principal activity was holding the itmsoil Group's freehold premises in Uckfield.

The principle income streams of the itmsoil Group were generated from large scale engineering projects, which included contracted works on the Crossrail project in London ("**the Crossrail Contract**") and the redevelopment and upgrade of Victoria Station in London ("**the VSU Contract**").

#### **Cash Flow Difficulties**

The Companies began to experience financial difficulties during 2013 predominantly as a consequence of contractual disputes within Services and the subsequent withholding of revenues in respect of the Crossrail and VSU Contracts, which significantly contributed towards a cash flow crisis across the itmsoil Group.

Over a period of almost two years, the main contractors in respect of the VSU Contract were withholding up to 50% of the invoice value claimed each month and by October 2013 Services had accrued c£1.7m of disputed revenues in this regard. Alongside this, there were disputes in respect of the Crossrail Contract, leading to Services accruing c£2m in respect of disputed revenues with Crossrail. The Crossrail Contract was terminated by Crossrail in December 2013.

On 17 October 2013, given the position in respect of the withheld recoveries, BTG Financial Consulting LLP ("**BTGFC**") (a division of the Begbies Traynor Group plc) were engaged under a joint duty of care by the Company and its bankers, Barclays Bank PLC ("**Barclays**"), to carry out a cash flow and viability review of the itmsoil Group.

There was c£4.3m being withheld in respect of the Crossrail Contract and the VSU Contract, which related to works already undertaken on those projects. Since October 2013 this resulted in -

- Severe cash flow pressures on the cash flows of the Company and the itmsoil Group,
- Insufficient working capital within the itmsoil Group as regards general ongoing trading,
- No working capital available to allow investment in Instruments, which had been performing significantly under budget,
- Arrears accruing to H M Revenue & Customs ("**HMRC**") across the itmsoil Group in respect of VAT, PAYE and corporation tax, and
- Unsustainable creditor pressure from other trade creditors across the itmsoil Group.

Essentially, creditors across the itmsoil Group were being stretched whilst a resolution was sought in respect of the contractual funds being withheld. The total balance due by the Company to HMRC in respect of VAT, PAYE and corporation tax is £931k.

#### **Accelerated Sale Process**

As a result of the cash pressure and financial difficulties being faced, in November 2013 BTGFC were engaged by the itmsoil Group to conduct an accelerated merger and acquisition ("AMA") process in respect of the business and assets of the Companies, with a view to achieving a sale of all or part of the itmsoil Group.

During the AMA process a number of parties expressed an interest and offers were submitted by two parties, further detail on the AMA process was provided in the Proposals. The first offer received was not pursued or progressed as the directors and shareholders did not consider that the offer delivered best value for all stakeholders. The second offer received was from an American trade purchaser, which was for the purchase of certain business and assets within the itmsoil Group. The Administrators understand that negotiations had been entered into with this party during a prior sales process around June 2013, but did not progress at that time. The Directors of the itmsoil Group took the decision to proceed with the offer from the American party during the AMA process as they considered it to deliver the best outcome for stakeholders and creditors within the itmsoil Group. During this process Notices of Intention to Appoint Administrators were filed, as there was an expectation that the sales would be made following the appointment of administrators to the Companies.

Following the granting of an exclusivity period to the American party to carry out further due diligence, negotiations were aborted in early December 2013 as certain key terms could not be agreed. There were no other live offers in respect of any sale of the business and assets of the Companies at this point.

#### **New Working Capital Facilities**

On 5 December 2013, a new working capital facility was agreed with a new funder JPPC Services Ltd ("JPPC") who, as part of the new facilities, took an assignment of the Companies' existing debt and security arrangements which were in place with Barclays. In addition to the immediate repayment of Barclays' overdraft facility of £600k, JPPC injected additional working capital funding in excess of £400k to the itmsoil Group to enable continued trading. At this stage the Administrators understand that Services was expecting to receive funds imminently in respect of a portion of the revenues being withheld from the VSU Contract. Due to the distressed position of the itmsoil Group at this stage, JPPC introduced a turnaround specialist in order to fully review the financial and operational positions and to look at restructuring options.

#### **Winding-up Petitions**

During the above review, the Companies continued to experience severe creditor pressure, which culminated in the presentation of winding-up petitions being filed by two separate creditors as follows -

- the first on 6 January 2014 by Minstrell Recruitment Limited against Services in respect of an amount of £122,584.80 plus interest, and
- the second on 7 January 2014 by Arden Commercial Finance Limited against Groupco in respect of an amount of £8,428.14 plus interest.

In addition to the above, on 6 January 2014 HMRC served demands as detailed below in respect of outstanding amounts due, threatening the presentation of winding-up petitions in the event that payment in full was not made by 13 January 2014. Each of the Companies was part of a VAT Group, and was jointly and severally liable for VAT amounts due and accordingly it was likely that any action taken by HMRC would be taken concurrently against each of the Companies.

#### **Amount demanded by HMRC**

The Company	£427,523.02
Groupco	£573,702.78
Instruments	£510,472.23
Property	£427,523.02

Whilst demand was not served by HMRC on Services, the Administrators understand that arrears in respect of Services were in the region of £615,000 at this time.

The itmsoil Group was not in a position to enable payments to be made in respect of the HMRC arrears, and at this stage there were also additional trade creditors who had threatened to take action against one or more of the Companies in relation to outstanding payments

It was clear at this stage that, despite new funding facilities being in place, the financial position of the Companies was untenable, and the Companies were unable to meet their liabilities as and when they fell due rendering them insolvent on a cash flow basis

#### **Application to Court for the Appointment of Administrators**

In the light of the above, an application to Court was made by JPPC in accordance with the provisions of Paragraph 12 of Schedule B1 to the Insolvency Act 1986 for the appointment of Kirstie Jane Provan and Mark Robert Fry of Begbies Traynor (Central) LLP ("the Firm") as Administrators of the Companies. The application was filed on 14 January 2014 with a hearing date set for 21 January 2014. At the hearing, administration orders were made, with effect from 12.15pm, placing the Companies into administration and appointing Kirstie Jane Provan and Mark Robert Fry as Administrators.

#### **PROGRESS OF THE ADMINISTRATION TO DATE**

##### **Pre-packaged sale of the business and assets**

During the period between the filing of the application detailed above and the making of the administration orders, the proposed Administrators sought to negotiate and agree a sale of the business and assets of the Companies in order to maximise the position for stakeholders of the Companies. The proposed purchaser was connected to the party who had initially expressed an interest and made the first offer during the AMA process.

The business and assets of the Company were subsequently sold as a going concern to Soil Instruments Ltd (formerly known as Highfield Glen Ltd) ("HGL") for an amount of £5,014. The sale was part of a wider transaction encompassing the sale of the business and assets of Instruments and Management to HGL and the sale of the business and assets of Services to itmsoil Monitoring Ltd (formerly known as Trinity Fisher Limited) ("TFL"). The effective date of the sale is 21 January 2014. Details of the transaction and the assets sold are provided below.

TFL and HGL were granted a licence for the period 21 January 2014 to 7 July 2014 ("the Licence") to occupy the Company's former trading premises at Bell Lane, Uckfield ("the Premises"). The Licence was subsequently extended from 8 July 2014 to 20 July 2014 and thereafter, a new short form lease has been put in place between Property and TFL and HGL for the period of 21 July 2014 to 20 September 2014.

##### **The reasons for the pre-packaged sale**

It was apparent following a review of the business and assets of the Company, that a pre-packaged sale as a going concern would enhance the realisations for the benefit of the creditors as a whole. Such a sale would enable continuity of trade and would also provide continuity in respect of progressing the claims which sit in Services in respect of the Crossrail and VSU Contracts.

The continuity of trading is anticipated to enhance the prospect of achieving increased realisations in respect of trade debtors than would otherwise be received in a winding up, which will in turn improve the level of return seen by unsecured creditors. A liquidation or close-down scenario could have resulted in substantially lower realisations from debtor collections by virtue of counter-claims and set off. In all likelihood, a cessation of the Company's business would likely result in a materially lower return to unsecured creditors as opposed to the pre-packaged sale.

Creditors of the Company have already been provided with information on the pre-packaged sale of the Company's business and assets by letter dated 24 January 2014. Further details of the sale and the work undertaken in the period prior to the appointment of the Administrators and the extent of the Administrators' involvement in this period were provided in the Proposals.

##### **Sale consideration**

All consideration in respect of the business and assets of the Company was paid on completion. The consideration received for the assets sold to HGL split between those assets subject to the Fixed and Floating



charges (assets specifically pledged and assets not specifically pledged) is detailed in the table below, together with supporting notes where relevant

Asset	Total consideration Paid by HGL for assets of the Company (£)	Notes
<b>ASSETS SPECIFICALLY PLEDGED</b>		
Information Technology & Goodwill	5,001	1
Intellectual Property Rights	1	
<b>ASSETS NOT SPECIFICALLY PLEDGED</b>		
Books and Records	1	
Assumed Contracts	1	
Email addresses	1	
Benefit of Insurance Claims	1	
Professional Licences	1	
Tax Losses	1	
Debts	1	
Associated Companies	3	2
Intercompany Debts	1	3
Prepayments	1	
<b>Total</b>	<b>£5,014</b>	

## **NOTES**

### **Assets specifically pledged**

#### **1 Information Technology & Goodwill**

HGL has acquired the Company's information and technology and goodwill

### **Assets not specifically pledged**

#### **2 Associated Companies**

The Company's books and records show amounts owing from associated companies (itmsoil Pty, itmsoil Europe (SAS), itmsoil USA and itmsoil Asia), with a total book value of £583k. The debts owed to the Company by these associated companies have been assigned to HGL for an amount of £3, because they have no material realisable value.

#### **3 Intercompany Debts**

The Company's books and records show amounts owing from intercompany debtors, with a total book value of £14,309m. This includes amounts owing to the Company from Groupco, Instruments, Property and other companies within the itmsoil Group.

Based upon current estimates, there is no likelihood of a distribution to unsecured creditors in the administrations of Instruments, Property and Groupco, and therefore the intercompany debts due to the Company have no realisable value.

As part of the sale of the Company's business and certain assets to HGL, the amount owed to the Company by interfels GmbH, which has a book value of £192k, was assigned to HGL for an amount of £1 because it has no material realisable value.

## **ABSTRACT OF RECEIPTS & PAYMENTS ACCOUNT**

Attached at **Appendix 1** is the Administrators' abstract of receipts and payments account from the commencement of administration, 21 January 2014 to 20 July 2014 ("**the Account**"), incorporating an estimated outcome statement for creditors. The Administrators' comments on the items appearing in the Account are detailed below, split as follows

- 'Assets Specifically Pledged', which are wholly subject to the prior claims of the secured creditor JPPC, under the fixed charge element of its security, and
- 'Assets Not Specifically Pledged', which are subject to floating charges in favour of JPPC but which are subject to the prior claims of any preferential creditors, and in part, the unsecured creditors by virtue of the prescribed part provisions (see **Section 5** below)

The Company is registered for VAT purposes and, where relevant, amounts are stated net of VAT. The estimated outcome to creditors is dealt with in more detail at **Section 5**

## **RECEIPTS – ASSETS SPECIFICALLY PLEDGED**

### **Information Technology and Goodwill**

An amount of £5,001 has been received from HGL in respect of the consideration paid for the benefit of Company's information technology and goodwill

### **Intellectual Property Rights**

An amount of £1 has been received from HGL in respect of the consideration paid for the benefit of the Company's intellectual property rights

## **PAYMENTS – ASSETS SPECIFICALLY PLEDGED**

### **Counsel Fees – Application to Court**

An amount of £400 has been paid in respect of Counsel's fees relating to the application to Court for the administration order. Further detail in this regard is provided at **Section 6** below

### **Administrators' Pre-administration Fees**

An amount of £1,565 has been paid to the Firm in respect of the Administrators' pre-administration costs, in accordance with a resolution obtained pursuant to Rule 2.67A of the Rules, from the secured creditor, JPPC. Further information in this regard is provided at **Section 6** below

### **Agents' Fees**

An amount of £500 has been paid to independent professional valuation agents, Winterhill Largo PLC ("**Winterhill**"), who were instructed prior to the Administrators' appointment to carry out a valuation of the Company's plant, equipment, furniture, computer equipment and stocks

### **Agents' Disbursements**

An amount of £14 has been paid to Winterhill in respect of their disbursements comprising mileage

### **Statutory Advertising**

An amount of £34 has been paid to Courts Advertising Limited for the cost of advertising a notice in the London Gazette in respect of the Administrators' appointment

### **Distribution to Secured Creditor**

An amount of £2,000 has been paid to JPPC as a distribution on account of asset realisations subject to its fixed charge security

## **RECEIPTS – ASSETS NOT SPECIFICALLY PLEDGED**

### **Books and Records**

An amount of £1 has been received from HGL in respect of the consideration paid for the benefit of the Company's books and records

### **Assumed Contracts**

An amount of £1 has been received from HGL in respect of the consideration paid for the benefit of the right to take on the benefit of, and subsequently perform at its own cost and risk, to the extent that they are able, any/all of the contracts of the Company

### **Email Addresses**

An amount of £1 has been received from HGL in respect of the consideration paid for the benefit of the Company's email addresses

### **Benefit of Insurance Claims**

An amount of £1 has been received from HGL in respect of the consideration paid for the benefit of all existing and potential claims of the Company as at appointment, under insurance policies which relate to its business

### **Professional Licences**

An amount of £1 has been received from HGL in respect of the consideration paid for the benefit of the Company's professional licences

### **Tax Losses**

An amount of £1 has been received from HGL in respect of the consideration paid for the benefit of the Company's trading losses as may be available to be transferred from the Company to HGL. It is not considered that there is any material value to the administration in respect of this asset

### **Intercompany Debts**

An amount of £1 has been received from HGL in respect of the consideration paid for the benefit of the Company's intercompany debt owed by interfels GmbH

### **Associated Companies**

An amount of £3 has been received from HGL in respect of the consideration paid for the benefit of the Company's intercompany debts owed by itmsoil Pty, itmsoil Europe (SAS), itmsoil USA and itmsoil Asia

### **Other Debts**

An amount of £1 has been received from HGL in respect of the consideration paid for the benefit of all trade and other debts and amounts owing to the Company, with the exception of the Intercompany Debts

### **Prepayments**

An amount of £1 has been received from HGL in respect of the consideration paid for the benefit of monies paid by the Company in advance to the relevant contracting parties pursuant to the Assumed Contracts

### **Third Party Funds – Employee Salaries**

An amount of £47,453 was advanced by JPPC to the Company to pay employees' salaries for the period 1 January 2014 to 20 January 2014. This amount was immediately paid over to HGL, who assumed all of the employees' contracts as part of the sale, to enable it to pay the pre-appointment arrears and balance due in respect of the salaries for the whole of January 2014 (see below)

It was agreed as part of the sale, that the funds advanced by JPPC in this regard are repayable as an expense of the administration, in respect of which the Company and Services are jointly and severally liable. There are insufficient funds in this Company's estate to enable repayment to be made to JPPC. The amount of £47,453 has therefore been repaid to JPPC from the estate of Services

#### **Bank Interest Gross**

Bank interest gross earned on deposits held in the administration floating charge bank account during the period of the Account, amounted to £1

#### **PAYMENTS - ASSETS NOT SPECIFICALLY PLEDGED**

##### **Repayment of advance from JPPC – Employee Salaries**

As detailed above, an amount of £47,453 has been paid to HGL for onward payment to employees in respect of their outstanding pre-appointment arrears of salaries for the period 1 January 2014 to 20 January 2014

## **5. ESTIMATED OUTCOME FOR CREDITORS**

Details of the sums owed to each class of the Company's creditors as at the date of appointment were provided in the Proposals and also in the Directors' Statement of Affairs dated 21 May 2014 and are as follows -

#### **Secured creditor**

The following security was granted by the Company -

- **Barclays** - Guarantee and debenture created on 28 February 2013 and registered on 8 March 2013, comprising a fixed and floating charge over all property and assets. This security was assigned by Barclays to JPPC on 5 December 2013 as is referred to earlier in this report, and
- **JPPC** – Debenture conferring fixed and floating charges created on 10 December 2013 and registered on 14 December 2013, over all property and assets

As detailed in **Section 4**, a new working capital facility was agreed with JPPC who, as part of the new facilities, took an assignment of the Companies' existing debt and security arrangements which were in place with Barclays, in accordance with a Deed of Assignment of Debt and Security dated 5 December 2013. This assigned the amount outstanding per the Companies' overdraft facility with Barclays as at this date, £600,000, together with Barclays' above debenture, to JPPC.

In addition, there is a Deed of Priority in place between Barclays and JPPC dated 5 December 2013 ("the Deed"). In summary, pursuant to the Deed, JPPC has priority over Barclays to the fixed and floating charge assets of the Companies, with the exception of Property, which is the only company in the itmsol Group in respect of which Barclays has retained security over assets. JPPC has cross guarantees across all of the Companies.

The Companies' total combined indebtedness to JPPC as at 18 June 2014 amounted to £1.158m, on which interest and charges continue to accrue unless and until the debt is repaid in full.

Immediately following the Administrators' appointment, solicitors TLT confirmed the validity of the appointment of the Administrators, and the validity and enforceability of JPPC's fixed charges.

Over the period of the Account, an amount of £2,000 has been repaid to JPPC by the Company in respect of a distribution on account of realisations subject to its fixed charge security. Based upon current estimates, there will be no surplus funds in the estate to enable any further distributions to be made by the Company to JPPC. On present information, it is anticipated that there will be a small shortfall to JPPC taking account of the estimated aggregate fixed and floating charge realisations across all of the Companies.

#### **Preferential creditors**

Preferential creditors comprise claims from former employees for arrears of wages up to £800 and accrued holiday pay. To the extent that an employee's contractual arrears of wages are not covered by the statutory limit of £800, the remainder of the claim would rank as an unsecured claim against the Company. The Redundancy Payments Office ("RPO") processes employee payments for arrears of wages, holiday pay, statutory redundancy pay and statutory notice pay. Where the RPO has advanced funds in respect of employee preferential claims, it will have a subrogated claim for these sums in the administration.

The Company had no employees and accordingly, there are no known preferential claims

#### **Unsecured creditors**

Unsecured creditors comprise mainly trade suppliers, which according to the Directors' Statement of Affairs total c£15 919m. Based upon realisations to date and estimated future realisations, and after accounting for the costs of the Administration, there will be insufficient funds available to enable a dividend to be paid to the unsecured creditors.

#### **Unsecured creditors - Prescribed Part for unsecured creditors pursuant to Section 176A of the Act**

Section 176A of the Act provides that, where the company has created a floating charge on or after 15 September 2003, the administrator must make a prescribed part of the Company's net property available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured debts.

After accounting for the costs and expenses of the administration there is no net property available and accordingly, no prescribed part funds available to unsecured creditors.

#### **VAT Bad Debt Relief**

Creditors should note that they may be eligible for VAT bad debt relief in respect of their outstanding claims, six months after the relevant invoice date or payment date if later, provided the debt is written off in their books. Creditors should seek tax advice from their own professional advisers.

## **6. PRE-ADMINISTRATION COSTS**

On 24 February 2014 the following amounts in respect of unpaid pre-administration costs were approved by the secured creditor in accordance with Rule 2.67A of the Rules and the amounts paid to date are detailed overleaf -

<b>Details of recipient</b>	<b>Description of services provided</b>	<b>£Amount</b>
Administrators' pre-appointment fees – the Firm	<ul style="list-style-type: none"><li>• Leading negotiations with JPPC, their advisors and TLT in respect of the sale of the Company's business and assets,</li><li>• Reviewing the Company's financial information to gain a complete understanding of the Company's asset and financial position for the purposes of assessing the sale,</li><li>• Negotiating the sale agreement documents with TLT and JPPC,</li><li>• Attending site to collate information necessary for the administration,</li><li>• Liaising with Barclays and JPPC throughout the sale negotiations,</li><li>• Assisting with management of creditor pressure,</li><li>• Dealing with all the pre-appointment statutory formalities,</li><li>• Liaising throughout with JPPC and TLT in the preparation of the application to Court for the purpose of the administration, including the preparation of a detailed Estimated Outcome Statement and attendance at the hearing at Court, and</li><li>• Disbursements comprising subsistence, postage and travel costs</li></ul>	£6,331 and disbursements of £5 both plus VAT. Of these amounts, £1,565 plus VAT has been paid in respect of the Administrators' pre-appointment fees.

Pre-administration and post-administration legal expenses - TLT	<ul style="list-style-type: none"> <li>• Preparing statutory appointment documents and filing the relevant notices at Court,</li> <li>• Drafting the sale and purchase agreements, preparation of the appendices to the agreements, conducting internal meetings regarding the agreements, amending and finalising the agreements,</li> <li>• Preparing report on the validity of the security granted by the Company, and</li> <li>• Administration, searches and photocopying</li> </ul>	£2,000 plus VAT, calculated at Barclays' prevailing discounted panel hourly rates. These costs have not been paid.
Agents' pre-administration expenses - Winterhill	<ul style="list-style-type: none"> <li>• Prepare valuation of the Company's business assets, and</li> <li>• Disbursements comprising mileage</li> </ul>	£500 and disbursements of £14, both plus VAT - paid in full

#### Costs of the Application as Granted by the Court

Pursuant to Rule 2 12(3) of the Rules, where the Court makes an administration order, the costs of the applicant, and of any person whose costs are allowed by the Court, are payable as an expense of the administration. These costs granted by the Court and detailed below, are separate and in addition to the 'pre-administration costs' detailed above.

Description of Expense	£Amount exc. VAT
TLT's costs for preparing the application for the appointment of the Administrators, evidence preparation and attendance at the Court hearing	1,000
Counsel's fees (Matthew Smith)	400
Counsel's fees (Mark Watson-Gandy)	400
<b>Total</b>	<b>£1,800</b>

These costs relate solely to work carried out by TLT and Counsels, Matthew Smith of Maitland Chambers and Mark Watson-Gandy of Thirteen Old Square Chambers. To date, only Counsel's fees of £400 have been paid out of these costs of £1,800 plus VAT.

## 7. REMUNERATION AND DISBURSEMENTS

The Administrators' remuneration has been fixed by the secured creditor on 24 February 2014 in accordance with Rule 2 106(5A) of the Rules, by reference to the time properly given by the Administrators and the various grades of their staff calculated at the prevailing hourly charge out rates of the Firm in attending to matters arising in the administration. The Administrators are also authorised to draw disbursements, including disbursements for services provided by the Firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with the 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.

The Administrators' time costs for the period from 21 January 2014 to 20 July 2014 amount to £22,740 which represents 99 hours at an average rate of £231 per hour.

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

- ☐ The Firm's policy for re-charging disbursements,
- ☐ The Firm's charge-out rates,
- ☐ Narrative summary of time costs incurred, and
- ☐ Table of time spent and charge-out value for the period 21 January 2014 to 20 July 2014

To 20 July 2014, the Administrators have invoiced an amount of £2,000 on account of their remuneration, which has been paid in part and the balance will be settled in due course. The Administrators have not drawn any sums in respect of their total disbursements of £243 incurred over the period of the Account (see **Appendix 3**).

During the period of the Account, the Administrators have invoiced an amount of £2,000 on account of their remuneration of which £1,565 has been paid in part-payment on account. The Administrators have been unable to draw any further amount on account, because there are insufficient realisations in the estate to do so. Subject to any realisations from the recovery of the debts due from the former Directors (see Section 9 below), the Administrators will be obliged to write-off all or a substantial part of their time costs as irrecoverable.

There have been no Category 2 disbursements. A copy of 'A Creditors Guide to Administrators' Fees (E&W) 2011' 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](http://www.begbies-traynor.com/creditorsguides). Alternatively, if you require a hard copy of the Guide, please contact the Administrators' office and they 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**.

## 9. ASSETS THAT REMAIN TO BE REALISED

### EXCLUDED ASSETS FROM SALE TO HGL - TO BE REALISED IN THE ADMINISTRATION

There are amounts owed by three of the former Directors of the Companies which are currently being pursued. The disclosure of any substantive detail in this report of the amounts and the steps being taken to collect these debts could be prejudicial to their recovery and accordingly, cannot be reported to creditors at this juncture. Further information as regards any recoveries, to extent it can be disclosed will be included in the next progress report.

## 10. OTHER RELEVANT INFORMATION

### Directors' Conduct

As explained in the Proposals, the Administrators have a statutory duty to investigate the conduct of the Directors and any person they consider to be or have been a shadow or de facto Director during the period of three years before the date of their appointment, in relation to their management of the affairs of the Company and the causes of its failure. The Administrators are obliged to submit confidential reports to the Department for Business, Innovation and Skills. The Administrators have complied with their duties in this respect.

### Investigations carried out to date

The Administrators have undertaken an initial assessment of possible actions in relation to the manner in which the business was conducted prior to the administration of the Company and potential recoveries for the estate in this respect. After certain preliminary inquiries, on present information and at this juncture, there do not appear to be any material potential claims against any party which would be worth pursuing for the benefit of the estate generally.

The Administrators are required by best practice guidance to make enquiries of creditors as to whether they wish to raise any concerns regarding the way in which the Company's business was conducted prior to the

commencement of the administration, or wish to bring to the Administrators' attention any potential recoveries for the estate. If you would like to bring any such issues to the Administrators' attention please do so in writing to the address detailed at Section 1 of this report. This request for information is standard practice and does not imply any criticism or cause of action against any person concerned in the management of the Company's affairs.

#### **Connected party transactions**

The Administrators have not been made aware of any sales of the Company's assets to connected parties. As detailed in the information provided at Section 4, the purchaser of the business and certain assets of the Company, HGL, is a newly formed limited company. The Administrators understand that the acquisition of the business and certain assets of the Company by HGL has been financed ultimately by RCapital, which is connected to JPPC, one of the Company's secured creditors.

#### **Proposed exit route from administration**

On present information the Administrators consider that, after accounting for the costs and expenses of the administration, there will be no surplus funds available to enable a distribution to be made to unsecured creditors. Consequently, as soon as they are satisfied that they have fully discharged their duties as Administrators and that the purpose of the administration has been fully achieved, they 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 them to the Registrar of Companies, their 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.

## **11. CREDITORS' RIGHTS**

#### **Right to request further information**

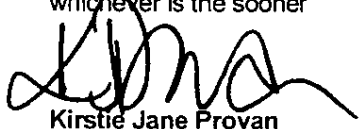
Pursuant to Rule 2.48A of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors, including that creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the Court) may request in writing that the Administrators provide further information about their 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 the Administrators' remuneration is inappropriate.

## **12. CONCLUSION**

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



Kirstie Jane Provan  
Joint Administrator

Dated 15 AUGUST 2014



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# ACCOUNT OF RECEIPTS AND PAYMENTS

Period 21 January 2014 to 20 July 2014

**IS Management Receivables 2014 Ltd (formerly itmsoil Management Limited)**  
**(In Administration)**  
**Joint Administrators' Abstract of Receipts & Payments**  
**To 20/07/2014**

S of A £	£	£
<b>SECURED ASSETS</b>		
Information Technology & Goodwill	5,001 00	
Intellectual Property Rights	1 00	
Bank Interest	0 28	
		5,002 28
<b>COSTS OF REALISATION</b>		
Administrators' Pre-administration Fee	1,564 94	
Agents/Valuers' Fees	500 00	
Agents' Disbursements	13 66	
Legal Fees & Expenses (Appl to Court)	400 00	
Statutory Advertising	33 84	
		(2,512 44)
<b>SECURED CREDITORS</b>		
Chargeholder - JPPC Services Limited	2,000 00	
		(2,000 00)
<b>ASSET REALISATIONS</b>		
Books and Records	1 00	
Assumed Contracts	1 00	
Email Addresses	1 00	
Benefit of Insurance Claims	1 00	
Professional Licences	1 00	
Tax Losses	1 00	
Intercompany Debtors	1 00	
Associated Companies	3 00	
Other Debtors	1 00	
Prepayments	1 00	
Third Party Funds	47,452 66	
Bank Interest Gross	1 18	
		47,465 84
<b>COST OF REALISATIONS</b>		
Transfer of Third Party Funds	47,452 66	
		(47,452 66)
		<b>503.02</b>
<b>REPRESENTED BY</b>		
Vat Receivable		312 99
Bank 1 Current		87 30
Bank 2 Current		102 73
		<b>503 02</b>

Kirstie Jane Provan  
Joint Administrator

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## TIME COSTS AND DISBURSEMENTS

- a The Firm's policy for re-charging expenses/disbursements,
- b The Firm's charge-out rates,
- c Narrative summary of time costs incurred, and
- d Table of time spent and charge-out value for the period from 21 January 2014 to 20 July 2014

## **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 guidance<sup>1</sup> 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 guidance<sup>2</sup> 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 £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,

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

<sup>2</sup> *Ibid* 1

(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 London office as at the date of this report are as follows

<b>Grade of staff</b>	<b>Standard 1 May 2011 – until further notice London</b>
Partner	495
Director	395
Senior Manager	365
Manager	315
Assistant Manager	270
Senior Administrator	235
Administrator	185
Trainee Administrator	160
Support	160

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	IS Management Receivables 2014 Ltd (formerly itmsoil Management Limited) (in administration)
CASE TYPE	ADMINISTRATION
OFFICE HOLDERS	Kirstie Jane Provan and Mark Robert Fry
DATE OF APPOINTMENT	21 January 2014

### 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

To date, the case has not been unduly complex. However a considerable amount of time has been spent immediately following the appointment of the Administrators in dealing with the sale of the Company's business and assets, which took place on 23 January 2014, effective from 21 January 2014.

#### 1.3 Exceptional responsibilities

Thus far in the administration, there have been no exceptional responsibilities.

#### 1.4 The office holders' effectiveness

The Administrators' strategy was to achieve a sale of the whole, or substantially the whole, of the Company's business and assets as is in situ. A sale was completed shortly after the Administrators' appointment, effective from 21 January 2014.

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

The nature and value of the assets being dealt with the Administrators are the following -

ASSETS SPECIFICALLY PLEDGED	£Amount
Information Technology & Goodwill	5,001
Intellectual Property Rights	1
ASSETS NOT SPECIFICALLY PLEDGED	
Intercompany Debts	1
Books and Records	1
Assumed Contracts	1
Other Debts	1
Prepayments	1
Professional Licences	1
Associated Companies	1
Benefit of Insurance Claims	3
Email addresses	1
Tax Losses	1
Amounts due from Directors	uncertain

#### 1.6 Anticipated return to creditors

The anticipated return to all creditors is summarised as follows -

##### Secured creditor

The Companies' total combined indebtedness to JPPC as at 18 June 2014 amounted to £1.158m, on which interest and charges continues to accrue unless and until the debt is repaid in full. Over the period of the Account, an amount of £2,000 has been paid to JPPC in respect of

a distribution on account of asset realisations subject to its fixed charge security. Based upon current estimates, there will be no surplus funds in the estate to enable any further distributions to be made by the Company to JPPC. On present information, it is anticipated that there will be a small shortfall to JPPC taking account of the estimated aggregate fixed and floating charge realisations across all of the Companies.

#### **Preferential Creditors**

The Company had no employees and accordingly, there are no known preferential claims.

#### **Unsecured creditors**

Unsecured creditors comprise mainly trade suppliers, which according to the Directors' Statement of Affairs total c. £15.919m. Based upon realisations to date and estimated future realisations, and after accounting for the costs of the Administration, 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 21 January 2014 and 20 July 2014 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.

#### **1.8 The views of the creditors**

The Administrators have reported substantively on the progress of the administration to all creditors. There have been no adverse views expressed by creditors in respect of the Administrators' dealings in the course of the administration to date.

#### **1.9 Approval of fees**

The Administrators' remuneration has been fixed by the secured creditor on 24 February 2014 in accordance with Rule 2.106(5A) of the Rules, by reference to the time properly given by the Administrators and the various grades of their staff calculated at the prevailing hourly charge out rates of the Firm in attending to matters arising in the administration.

#### **1.10 Approval of Expenses and Disbursements**

The Administrators are authorised to draw disbursements, including disbursements for services provided by the Firm (defined as Category 2 disbursements in Statement of Insolvency Practice 9) in accordance with the 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. The relevant resolution was approved by the secured creditor on 24 February 2014.

#### **1.11 Other professionals employed & their costs**

##### **Solicitors – TLT**

TLT's time costs incurred to date are £2,000 calculated at Barclays' prevailing discounted panel hourly rates plus VAT and relate to the preparation of the sale and purchase agreements, drafting the appointment documents, and filing the appointment of the relevant notices at Court. The costs have not yet been paid.

##### **Agents - Winterhill**

Independent professional valuation agents, Winterhill, were instructed prior to the Administrators' appointment to value the Company's business assets, and have been paid an amount of £500 and disbursements of £14, both plus VAT, for their costs incurred in this regard.

#### **1.12 Staffing and management**

Appropriately experienced staff have undertaken the various tasks arising prior to the administration to ensure matters are properly dealt with at the least cost to the administration estate. It is the policy of the Firm that all grades of staff charge time which solely relates to the case.

## **2 SUMMARY OF WORK CARRIED OUT SINCE APPOINTMENT**

During the period of the Account, the following work (although not an exhaustive list) has been carried out -

- Ensuring compliance with all statutory obligations in the administration, including filings at Companies House and bonding,
- Dealing with all necessary statutory matters,
- Dealing with all payments, receipts and banking in the administration,
- Preparing VAT returns,
- Dealing with enquiries from creditors,
- Preparing detailed updates to the secured creditor,
- Preparing detailed Proposals to creditors in accordance with Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 2.33 of the Insolvency Rules 1986,
- Conducted internal meetings to discuss case strategy and progress,
- Completing a first interim distribution to the secured creditor,
- Administering all insurance requirements over the Company's assets over the period from the date of administration, to the date of sale,
- Extensive correspondence with TLT regarding the sales contract for the Company's business and assets,
- Dealing with ROT creditors' claims,
- Dealing with all post sale completion matters,
- Dealing with enquiries from former employees,
- Corresponding with HGL regarding the licence to occupy the Company's former premises and agreeing relevant documentation to extend the licence period and also put in place a short term new lease, and
- Preparing a detailed progress report, in accordance with Rule 2.47 of the Rules



[illegible]

## STATEMENT OF ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	£Amount incurred	£Amount discharged	£Balance (to be discharged)
Administrators' Statutory Bond	Insolvency Risk Services Limited	18 00	NIL	18 00
Postage	Royal Mail	224 67	NIL	224 67
Statutory Advertising	Courts Advertising Limited	34 00	34 00	NIL
Legal Fees & disbursements	TLT	2,400 00	NIL	2,400 00
Agents' Fees	Winterhill	514 00	514 00	NIL
	<b>TOTAL</b>	<b>3,190 67</b>	<b>548 00</b>	<b>2,642 67</b>

The above are all Category 1 disbursements There have been no Category 2 disbursements