

The Insolvency Act 1986

2.23B**Notice of result of meeting of Creditors**

Name of Company Pearl Fittings Limited	Company number 05697591
In the High Court of Justice, Chancery Division, Companies Court, London (full name of court)	Court case number 9442 of 2007

I/We (a)
Carlton Malcolm Siddle
Deloitte & Touche LLP
1 City Square
Leeds
LS1 2AL

Neville Barry Kahn
Deloitte & Touche LLP
Athene Place
66 Shoe Lane
London
EC4A 3BQ

hereby report that a meeting of the creditors of the above company was not held per Paragraph 52 (1)(b) The Insolvency Act 1986

and

*1 Proposals were approved on 21 February 2008

THURSDAY



AQAUYXSR

A53

06/03/2008

124

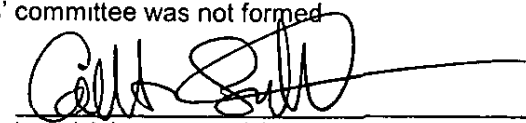
COMPANIES HOUSE

Form 2.23B continued

The revised date for automatic end to administration is 14 December 2008

A creditors' committee was not formed

Signed



Joint / Administrator(s)

Dated

05/03/08

A copy of the *original proposals is attached for those who did not receive such documents prior to the meeting

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

Carlton Malcolm Siddle
Deloitte & Touche LLP
1 City Square
Leeds
LS1 2AL

DX Number DX 10064

0113 2921519
DX Exchange

Companies House receipt date barcode

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

Pearl Fittings Limited	Case No. 9442 of 2007
Europower Limited	Case No. 1503 of 2007
Europower Hydraulics Limited	Case No. 1466 of 2007
Europower Direct Limited	Case No. 1467 of 2007
All Saints (Property) Limited	Case No. 1513 of 2007

- All In Administration ("the Companies")

**ADMINISTRATORS' STATEMENT OF PROPOSALS PURSUANT TO
PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986**

4 FEBRUARY 2008

This report has been prepared for the sole purpose of updating creditors pursuant to the Insolvency Act 1986. 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 advising them, or by any other person for any purpose whatsoever.

The Administrators act as agents of the Companies only and without personal liability.

**C M Siddle and N B Kahn
Deloitte & Touche LLP
1 City Square
Leeds
LS1 2AL**

Deloitte

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ABBREVIATIONS

For the purpose of this report the following abbreviations shall be used:

"5 th 3 rd "	Fifth Third Bankcorp
"Act"	Insolvency Act 1986 (as amended)
"All Saints"	All Saints (Property) Limited
"Burdale"	Burdale Financial Limited
"CF Advisory"	Corporate Finance Advisory
"COGS"	Cost of Goods Sold
"Deloitte"	Deloitte & Touche LLP
"DTI"	Department of Trade & Industry
"Direct Limited"	Europower Direct Limited
"Directors", "Management"	Directors of the Companies
"EBIT"	Earnings Before Interest and Tax
"Endless"	Endless (No. 3) LLP
"EP Limited"	Europower Limited
"Fortis"	Fortis Commercial Finance France
"GP"	Gross Profit
"Hydraulics"	Europower Hydraulics Limited
"IM"	Information Memorandum
"Landsbanki"	Landsbanki Islands hf
"M&A"	Merger & Acquisition
"m"	Million
"Pearl"	Pearl Fittings Limited
"PPF"	Pension Protection Fund
"RS"	Deloitte Reorganisation Services
"Rules"	The Insolvency Rules 1986
"Preferred Offer"	The offer received from EP Acquisitionco Limited, EP Holdco Limited and Copper II IPR Limited for trade and assets of certain companies and shares of Europower CR s r o, Europower Hydraulics SA, Europower Africa (Pty) Limited and Europower Holdings Inc
"Sun"	Sun Capital Partners IV LLC
"the Administrators"	Refers to the Administrators, C M Siddle and N B Kahn and staff
"the Companies", "the Group", "the Business"	Pearl Fittings Limited and certain of its subsidiaries prior to 14 December 2007, namely, Europower Limited, Europower Hydraulics Limited, Europower Direct Limited and All Saints (Property) Limited
"tPR"	The Pension Regulator

1. BACKGROUND

1.1 Introduction

This report is prepared pursuant to Paragraph 49 of Schedule B1 of the Act. The purpose of the report is to provide creditors with details of the Administrators' proposals to achieve the purpose of the Administration order. Much of the background information has been provided from various sources within the Group and it has not been verified by the Administrators.

Carlton Siddle and Neville Kahn of Deloitte were appointed Joint Administrators of the Companies by the High Court on 14 December 2007.

As there are insufficient funds for a distribution to the unsecured creditors other than by virtue of Section 176(2)(a) of the Act, and in accordance with paragraph 52(1)(b) of Schedule B1 of the Act, the Administrators will not be convening a creditors' meeting, unless required to do so. In the event no request (in the prescribed manner) is received within 12 days of issue of this statement, the proposals will be deemed approved unless a creditor or a combination of creditors, whose debts amount to at least 10% of the total debts of an individual company, request the Administrators to convene a meeting.

If the Administrators receive such a request they will notify all other creditors and they will hold a meeting within 28 days of receipt of the request.

The following information is included in this report:

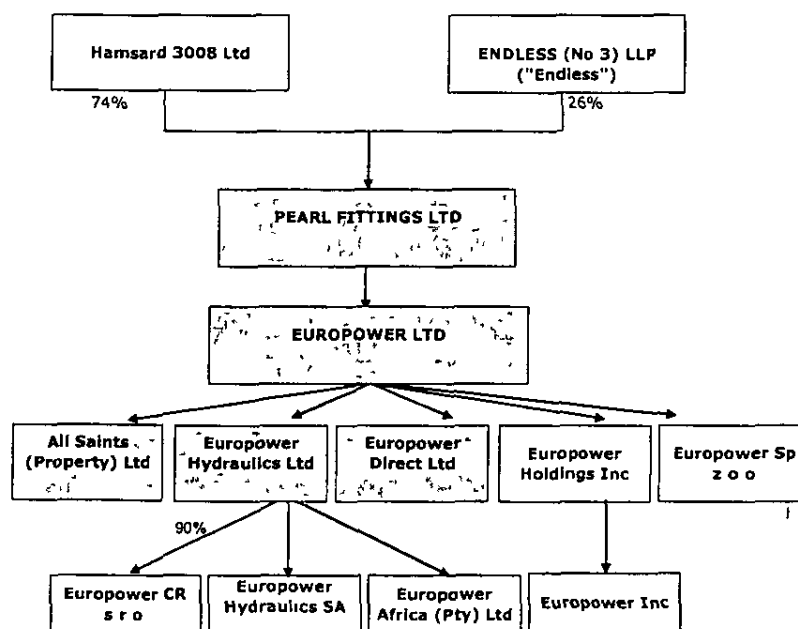
- Background of the Group;
- The circumstances giving rise to the appointment of the Administrators;
- The manner in which the affairs of the Companies have been managed and will continue to be managed if the Administrators' proposals are approved,
- The Directors' Statement of Affairs, the Administrators' comments thereon and the estimated outcome for creditors;
- Details of the Administrators' costs;
- Other information to assist the creditors, and
- The Administrators' proposals.

1.2 The Group

The Companies in the Group are private limited companies. Hamsard 3008 Limited is a wholly owned subsidiary of Pearl Fittings Holdings SARL whose ultimate parent is Sun Capital Partners IV LLC ("Sun").

The Group is a manufacturer and distributor of high pressure hydraulic hose and hose couplings which operates through a number of trading and dormant subsidiaries based in the UK, and shareholdings in subsidiaries in Europe and the USA. It serves all sectors of the fluid power industry including agricultural, maintenance, construction, marine, mining and high pressure pumping equipment.

A summarised Group structure chart (on or before the date of appointment) is set out below.



Note: All shareholdings are 100% unless otherwise stated.

1.3 Funding and Security

The secured lenders into the Group and its shareholdings in the overseas subsidiaries were Burdale, Sun, Endless, Fortis and 5th3rd

The secured debt (including rolled up interest) at the date of the Companies' Administration were as follows:

	Secured Liabilities £m
Burdale	3.3
Sun	9 0
Endless	2 6
Fortis	0 3
5 th 3rd	1 3
	<u>16 5</u>

The debts owed to Burdale, Sun and Endless were secured by fixed and floating charge debentures over all of the Companies' assets. An inter-creditor agreement between the lenders determined the priority and manner in which secured asset realisations were to be apportioned but in general Burdale had priority and the Burdale secured debt of £3.3m had to be satisfied in full before Sun and Endless received any payment.

Fortis had specific security over the trade debtors in Europower Hydraulics SA by way of invoice financing. 5th3rd received security over the trade debtors and the property of Europower Inc (being the 100% subsidiary of Europower Holdings Inc).

1.4 Overview of Financial Information

In relation to the Profit and Loss Account, extracts from the Group management accounts for the 12 months to December 2006 (audited) and 9 months actuals to September 2007 (unaudited) are shown in this section

Similarly, extracts from the Group management accounts show Balance Sheets reflecting the relative positions at 31 December 2006 (audited) and 30 September 2007 (unaudited) respectively.

Please note that this information has not been verified by the Administrators or by Deloitte.

Summary Group Profit and Loss Account

£000	Audited 12 months actuals to 31 December 2006	Unaudited 9 months actuals to 30 September 2007
Total Sales	21,965	15,842
COGS	(14,258)	(10,625)
GP	<u>7,707</u>	<u>5,217</u>
GP%	35.1%	32.9%
Manufacturing and distribution costs	(2,563)	(1,841)
Administration and other costs	(5,453)	(4,493)
Exceptional items (sale of fixed assets)	2,022	189
EBIT	<u>1,713</u>	<u>(928)</u>
Interest and Other Finance Costs	(531)	(402)
Profit / (Loss) before Tax	<u>1,182</u>	<u>(1,330)</u>

Summary Group Balance Sheet

£000	Audited Actuals at 31 December 2006	Unaudited Actuals at 30 September 2007
Tangible Fixed Assets	<u>4,323</u>	<u>3,526</u>
Stock	8,790	7,347
Debtors and Prepayments	<u>6,787</u>	<u>4,957</u>
Total Current Assets	<u>15,577</u>	<u>12,304</u>
Trade and Other Creditors	(5,952)	(4,939)
Total Current Liabilities	<u>(5,952)</u>	<u>(4,939)</u>
Net Current Assets	<u>9,625</u>	<u>7,365</u>
Secured borrowings - Burdale	(5,240)	(3,183)
Pension deficit	(7,694)	(6,282)
Shareholder Loan	(2,105)	(2,010)
Intergroup loan	(8,160)	(8,939)
Net Liabilities	<u>(9,251)</u>	<u>(9,523)</u>
Capital and reserves	(9,251)	(10,428)
Shareholder loans	-	905
Total Reserves	<u>(9,251)</u>	<u>(9,523)</u>

2. THE CIRCUMSTANCES GIVING RISE TO THE APPOINTMENT OF THE ADMINISTRATORS

2.1 Details of the Appointment of Administrators

Carlton Malcolm Siddle and Neville Barry Kahn, partners in Deloitte & Touche LLP, were appointed Joint Administrators of the Companies on 14 December 2007

The appointments were made by the High Court in Leeds for EP Limited, Hydraulics, All Saints, Direct Limited and by the High Court of Justice, Chancery Division in London for Pearl following an application by the Directors of the Companies.

For the purposes of Paragraph 100 of Schedule B1 of the Act the Administrators have confirmed that they are authorised to carry out all functions, duties and powers by any of them jointly or severally.

2.2 Events Prior to the Administration

The Group suffered in recent years from a lack of investment in new products, market price pressures and a reduction in the market value of the Business.

As a result of the above, the Group had continued to incur losses due to the deterioration in turnover and the relatively high level of fixed cost within the Companies. In previous years disposals of non-core assets and premises had underpinned the results. However, by 2007 there were no further such assets to realise. Management forecasted further trading losses in the future and in an attempt to address the problem the Group appointed a new Chief Executive Officer to lead the turnaround of the Business

The Burdale borrowing to the main trading entity, Hydraulics, amounted to £3.3m at 14 December 2007. The parent company of the Group, namely Pearl, had additional secured debt of £11.6m (£9.0m due to Sun and £2.6m due to Endless) which further increased the net liabilities of the Group when consolidated at the parent company level. In addition, Fortis and 5th3rd had specific security over certain assets of the Group in relation to borrowings of £0.3m and £1.3m respectively.

At 30 September 2007 the Group had net liabilities of £9.5m. In addition, it was anticipated that the Balance Sheet position would deteriorate as the Companies incurred further losses per Management forecasts.

In addition to the secured debt in the Group, there was a pension deficit based on a valuation as at 1 May 2005 (in Hydraulics), of £6.3m on IAS19 basis which amounted to £25.0m on a full buyout basis.

From May 2006 the pension contribution arrears were agreed to be paid back at a rate of £40,000 per month rising to £78,000 over a five month period. These were to reduce the deficit and were payments over and above the ongoing contributions relative to the active employees. However, the agreed contributions were not met fully from July 2006 due to cashflow pressure and

the outstanding contribution arrears (as per the agreed amounts) at 14 December 2007 were in the region of £983,000.

From July 2007, the Directors of the Group submitted two separate sets of proposals to the PPF in an attempt to restructure the Group. The proposals outlined the financial status of the Group and the need for restructuring. However, the proposals were not deemed acceptable by the PPF and further solvent solutions were sought through negotiations with the stakeholders

The Companies continued to experience severe cash flow difficulties and deteriorating sales (greater than forecast) thereby further exacerbating the pressure and impact on the invoice financing availability.

As at 30 September 2007, the Directors had forecast an additional funding requirement of up to £612,000 beyond current facilities to continue to fund working capital until the end of December 2007. Burdale confirmed that additional borrowings would not be made available but that it was willing to maintain existing facilities pending completion of a restructuring. In addition, in June 2007 the Group had entered into a forbearance agreement with 5th3rd which required subsequently extended repayment of its secured debt of £1.3m by 30 September 2007

As a consequence of the above, the Group was insolvent on a Balance Sheet and cash flow basis as a result of its secured and unsecured liabilities (including a pension deficit valued at £25.0m on a full buyout basis). In addition, Burdale's funding facility was forecast to be breached in the week ending 7 December 2007.

As a result of these factors the Directors of Pearl and EP Limited engaged Deloitte Corporate Finance Advisory and Deloitte Reorganisation Services (confirmed in an engagement letter dated 7 September 2007) to undertake a fast track M&A process in order to seek a purchaser for the Group. Deloitte RS were also instructed to undertake contingency planning on behalf of Pearl, EP Limited and Burdale. The sales process is detailed in Section 3.2 below.

2.3 Purpose of the Administration

The Administrator of a company must perform his functions with the objective of:

- (i) rescuing the company as a going concern, or
- (ii) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up, or
- (iii) realising property in order to make a distribution to one or more secured or preferential creditors

The Administrator must perform his functions with the objective specified in (i) above unless he thinks that it is not reasonably practicable to achieve or that the objective in (ii) would achieve a better result for the company's creditors as a whole. The Administrator may only perform his functions with the objective specified in (iii) above if he thinks that it will not unnecessarily harm the

interests of the creditors of the company as a whole and that the objectives in (i) and (ii) are not reasonably practicable to achieve

Having given careful consideration to the prescribed objectives the Administrators concluded that the second objective namely "achieving a better result for the Companies' creditors as a whole than would be likely if the company were wound up" was achievable and that is the purpose of the Administration of the Companies.

3. THE MANNER IN WHICH THE AFFAIRS OF THE COMPANIES HAVE BEEN MANAGED AND WILL CONTINUE TO BE MANAGED IF THE ADMINISTRATORS' PROPOSALS ARE APPROVED

3.1 Introduction

In considering the acceptance of the appointment as Administrators and the proposed strategy to identify potential buyers of the Business, the Administrators needed to be satisfied that following the marketing strategy detailed below, a sale of the Business outside of insolvency was not possible.

It was concluded that trading the Business profitably within the constraints of an Administration process would not be possible and would impact on the Group's brand name significantly

Consideration of the above, together with the increasing need for duress payments to creditors, and risks of a winding up petition being registered against the Companies confirmed that trading the Group in Administration while the Business was marketed was not an option.

Instead, the preferred course of action and method of maximising value of all creditors (including secured lenders, preferential and trade creditors), was a sale of the Business as a going concern immediately on appointment, in order to preserve continuity of trading and the ongoing relationship with customers and suppliers. The Administrators were satisfied that there was no requirement to carry out a period of further marketing post appointment as the pre-appointment marketing strategy had tested the market sufficiently.

3.2 Marketing of the Group

The Deloitte CF Advisory team were appointed to run the sales process. An IM was prepared setting out the background of the Group and the recent financial performance.

A list of 26 parties was initially identified with the input from Deloitte, Management and shareholders. From this initial list a final list of 15 parties, across 7 countries, were reviewed and signed off by the Directors of the Group. Deloitte CF subsequently contacted those parties on the list.

From the initial contact of the 15 parties, 7 were issued with Non Disclosure Agreements, of which 6 completed them and received the IM.

Following discussions with these interested parties, offers were received from 3 bidders, one offer for the whole Business and two offers for parts of the Business.

The offer for the whole Business ("the Preferred Offer") was the most attractive in terms of value by a significant margin, although this did involve insolvency procedures, and the proposed sale required clearance from tPR in relation to the significant pension liability.

The Preferred Offer was sufficient to payback the secured lenders, the estimated preferential creditors and the estimated prescribed part dividend to unsecured creditors

None of the three offers envisaged a solvent solution. The Preferred Offer required an insolvent solution and also required clearance from tPR at the insistence of the proposed purchaser's funders. The proposed purchaser was a group of newly formed companies that were subsidiaries of the ultimate holding company, Sun Capital Partners IV LLC

One of the other two parties subsequently altered its offer. However, this revised offer was lower than the Preferred Offer as the total consideration of £15,459,255 in the Preferred Offer was in excess of any comparable bids.

On 5 October 2007, the Deloitte CF Advisory team confirmed the recommendation that the Preferred Offer should be completed and this was approved by the board of Directors on the same day.

3.3 Pension Clearance Application

As the Preferred Offer was conditional on obtaining clearance from tPR, a clearance application was submitted to tPR on 18 October 2007 by the Group which detailed the proposed transaction, the need for the insolvency process and the likely outcome for all classes of creditors. Indicative clearance for the transaction was received from tPR on 23 November 2007.

Clearance was granted from tPR on 27 November 2007.

3.4 Directors Notice of Intention to Appoint

The proposed Administrators sought legal advice from their advisors in relation to the validity of the security and registered charges, which was later confirmed

As a result of the ongoing creditor pressure, forbearance by the secured creditors and the Companies' cashflow position, the Directors filed notice of intention to appoint Administrators for Hydraulics and Direct Limited on 6 December 2007. With respect to Pearl, EP Limited and All Saints, the notice of intention to appoint was filed by the Directors on 14 December 2008.

3.5 Sale Process

Immediately after appointment, the Administrators concluded the following transactions:

- Sale of trade and assets of Hydraulics to EP Acquisitionco Limited,
- Sale of shares in Europower CR s.r.o, Europower Hydraulics SA, Europower Africa (Pty) Limited and Europower Holdings Inc to EP Holdco Limited; and
- Sale of the Intellectual Property Rights of the Group to Copper II IPR Limited.

The total consideration for the sale was £15,459,255 which was settled as a cash consideration of £551,454 plus debt novation of £14,907,801 by the secured lenders

Further information in respect of the Companies' assets and liabilities are contained in the following section

As all of the trade and assets of the Companies was sold immediately after the appointment of Administrators, there will be no further realisations.

3.6 Assets Excluded from the Sale

Stock being subject to valid retention of title claims and all leased/third party equipment were excluded from the sale and purchase agreement. Should you have any queries with respect of this, please contact EP Acquisitionco Limited (later changed its name to Europower Group Limited) directly on 0113 368 7500.

3.7 Post Appointment Strategy

Immediately after the appointment of the Administrators on 14 December 2007, members of the Administrators' staff attended each of the Group's sites in Leeds and Whitby to advise the employees of the Administrators' appointment. Staff were briefed with regards to the Administration and informed that a sale of the trade and assets, shares and intellectual property rights had been completed to EP Acquisitionco Limited, EP Holdco Limited and Copper II IPR Limited. Staff were then informed that their employment had been transferred under the Transfer of Undertakings (Protection of Employment) Regulations ("TUPE") and referred to the relevant contact from EP Acquisitionco Limited.

The Administrators' legal advisors, Hammonds, advised in respect of all legal issues arising on the sale of trade and assets and have been assisting the Administrators with post appointment matters.

Legal advice has been required in relation to the various properties and leases. The Administrators of the Companies granted a licence to occupy to EP Acquisitionco Limited in relation to each of the three leasehold properties on completion of the sale of trade and assets whilst consent is obtained from the relevant landlords for the assignment of the leases

The Administrators' staff will continue to liaise with EP Acquisitionco Limited to progress any unresolved issues or future matters that may arise.

4. DIRECTORS' STATEMENT OF AFFAIRS AND THE ESTIMATED OUTCOME FOR CREDITORS

4.1 Introduction

The Directors submitted a Statement of Affairs of the Companies as at 22 January 2008 a copy of which is summarised at Appendix 1.

The Statement of Affairs is a summary of the Companies' assets and liabilities at the date of the Administration, prior to the sale of the Companies' assets

There are a number of different classes of creditors within the Companies. These include

- Secured creditors: They have fixed and floating charge debenture security cross guaranteed across all of the Companies and as such are paid in priority to other creditors. This priority is subject to payments to preferential creditors (see below) and unsecured creditors under the Prescribed Part (see section 4.3). Further details of the Companies' security is set out in section 1.3 ;
- Preferential creditors: These relate to specific employee arrears of wages, holiday pay and certain pension contribution arrears and are paid in priority to unsecured creditors out of net floating charge realisations before the Prescribed Part and before payment to the secured floating charge holder. As all employee contracts were transferred under TUPE as outlined earlier, we estimate nil arrears of wages and holiday pay to pay in this case. It is anticipated that certain pension contribution arrears will be the only preferential creditors, and
- Unsecured creditors: They rank behind secured and preferential creditors and receive any surplus available from net realisations after payment of the preferential creditors by way of the Prescribed Part only.

The Administrators have not included a list of creditors in view of the fact that the information runs to many pages and it would not be cost efficient to send it out. However, copies of this information may be sent to creditors on request, either by post or by email.

4.2 Secured creditors

The Companies' secured creditors were, until they released the Companies from its secured obligations, Burdale, Sun, Endless, Fortis and 5th3rd. The secured creditors had, at the date of Administration, fixed and floating charge debenture security over the Companies which is paid in priority to other creditors. The validity of these charges was confirmed by way of legal advice.

Burdale, Sun and Endless are party to an inter creditor agreement which provided Burdale with priority over Sun and Endless.

4.3 The Prescribed Part

By virtue of section 176(2)(a) of the Act, the Administrators must make a Prescribed Part of the Companies' net property available for the satisfaction of unsecured debts. Net property is the amount of the Companies' property which would, but for this section, be available for the holders of floating charges created by the Companies.

The value of the Prescribed Part cannot exceed £600,000 per company. It is not envisaged that the Prescribed Part for any of the Companies will exceed the maximum amount of £600,000 as illustrated below.

A summary of the Directors' estimate of the Prescribed Part for each of the Companies in accordance with the Directors' Statement of Affairs (calculated as per the formula established by the Act) is set out below. Please note the Directors' estimate of the Prescribed Part does not take into account the costs of the Administration including legal and professional fees, and therefore is likely to change.

	Pearl £000	Hydraulics £000	EP Limited £000	Direct Limited £000	All Saints £000
Estimated Floating Charge Realisations					
Bank	62	4	-	-	-
VAT Debtor	94	-	-	-	-
Stock	-	2,163	-	-	-
	<u>156</u>	<u>2,167</u>	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Net Property	156	2,167	-	-	-
Estimated Prescribed Part	34	434	-	-	-

As a distribution under Section 176(2)(a) of the Act is intended, the Administrators ask creditors of the Companies in the table above to submit proofs of their amounts outstanding, using the form attached in Appendix 5 and providing supporting copies of invoices. The form should be completed and returned for the attention of Miss Detti Barany at Deloitte & Touche LLP, 1 City Square, Leeds, LS1 2AL.

4.4 Preferential Claims

We anticipate that there will be preferential claims in the Administration of Hydraulics only in relation to arrears of pension contribution payments. Calculations of this payment are ongoing and have not been finalised at this stage. An amount of £14,568 has been included in the Directors' Statement of Affairs as the best estimate for preferential claims which reduces the amount available to the unsecured creditors under the Prescribed Part. This has already been factored into the Prescribed Part calculation in the table above.

4.5 Unsecured Claims

The unsecured creditors' position as at 14 December 2007 per the Directors' Statement of Affairs (excluding any shortfall to floating charge holders) is summarised in the table below.

	£m
Pearl	0.17
EP Limited	2.65
Hydraulics	35.32
Direct Limited	1.24
All Saints	0.12
Total	<u>39.5</u>

With the exception of Pearl, we do not expect any funds to be available to pay a dividend to the unsecured creditors of any of the Companies other than the distribution under the Prescribed Part as noted above

4.6 Notes to the Directors' Statement of Affairs

The Directors' have stated the following.

- The net book values have been taken from the Companies' management accounts prepared (or the best estimate) to the date of appointment,
- The estimated to realise values are based on the Directors' understanding of the consideration achieved by the Administrators for the sale of the trade, business and assets of the Companies on 14 December 2007,
- There was a cross guarantee in place between all of the Companies in Administration in relation to the secured debt. The total secured debt, including all accumulated interest, at the date of appointment was £16.5m;
- The figures do not take into account any unsatisfied HP liabilities or finance leases, and
- No provision has been made in the Statement of Affairs for the costs of the Administration (including legal and professional fees)

5. ADMINISTRATORS' FEES AND EXPENSES

5.1 General

There will be no funds available to the unsecured creditors other than by virtue of Section 176A(2)(a) of the Act, therefore fixing of Administrators' remuneration will be approved in accordance with Rule 2.106(5A) of the Rules, which is outlined as follows:

- Where the Administrators have made a statement under paragraph 52(1)(b) the Administrators' remuneration may be fixed by approval of
 - Each secured creditor; or
 - If the Administrators intend to make a distribution to preferential creditors, with the approval of each secured creditors and 50% of preferential creditors who respond to an invitation to consider approval.

In line with paragraph 52(1)(b) of Schedule B1 of the Act outlined above there is no requirement for unsecured creditors to pass a resolution in respect of Administrators' remuneration.

The Administrators' time costs in relation to the Companies, for the period of 14 December 2007 to 31 January 2008 are summarised in section 5 2 below. A more detailed analysis is included in Appendix 3 The work has been categorised into the following task headings and sub categories:

- Administration and Planning includes such tasks as case planning and setup, appointment notification, statutory reporting, compliance, cashiering, accounting and administrative functions;
- Realisation of Assets includes such tasks as identifying and securing assets, dealing with the sale of Business, property issues, and activity in relation to any other assets and related legal issues;
- Creditors include such tasks as creditor set up, communication and meetings, reviewing and agreeing preferential and unsecured claims, retention of title issues, correspondence with secured creditors, reviewing and obtaining advice in relation to security granted to the secured lenders;
- Investigation includes such tasks as reporting on the Directors' conduct, investigating antecedent transactions and any other investigations that may be deemed appropriate; and
- Trading includes tasks such as planning, strategy, managing day one visits and correspondence with suppliers and customers

The range of the charge out rates for the separate categories of staff is based on our charge out rates as summarised below Manager rates include all grades of manager up to director

Grade	£ per hour
Partner	560
Managers	265-475
Administrators/Support staff	120-200

5.2 Administrators' time costs

A summary of the Administrators' time costs for the Administration of the Companies from 14 December 2007 to 31 January 2008 is set out below.

Classification of Work Function	Partners	Managers	Assistant & Support Staff	Total Hours	Time Costs £	Average hourly Rate £
Administration & Planning	25 50	109 60	46 10	181 20	49 757	275
Realisation of Assets	13 00	4 80	1 00	18 80	9,434	502
Creditors	2 00	67 50	7 80	77 30	20 139	261
Investigation	0 00	7 50	0 00	7 50	3 563	475
Trading	0 00	0 00	15 00	15 00	1 800	120
	40 50	189 40	69 90	299 80	84,692	282

5.3 Other Professional Costs

To advise on appropriate legal matters the Administrators instructed Hammonds, a firm of lawyers with the appropriate level of expertise and experience in dealing with these types of Administrations. Their fees are based upon their recorded time costs incurred at their charge out rates and will be reviewed by the Administrators' staff before being approved for payment.

6. OTHER INFORMATION TO ASSIST CREDITORS

6.1 Directors Reporting

The Administrators are obliged to consider the conduct of all persons that were directors of the Companies (including those that, in the view of the Administrators, were shadow or de facto directors) in the three years preceding the date of administration.

The Administrators are required to submit reports to the DTI within six months of the date of administration the content of which are confidential and cannot be disclosed to creditors.

As part of their investigations the Administrators will typically include, among other matters, the following.

- Statutory compliance issues;
- Misfeasance or breach of duty;
- Transactions at an undervalue, and
- Preferences.

If creditors wish to draw any matters to the attention of the Administrators they should send written details to the Administrators along with the proof of debt questionnaires to the address on the front of this report.

6.2 Exit Routes from Administration

Administrations automatically terminate after one year unless an extension is granted by the court or with the consent of creditors.

Otherwise and unless it is proposed that any of the companies in Administration should be placed in Creditor's Voluntary Liquidation the appointment of Administrators ceases on the following:

- An application to court (if the Administrators were appointed by the court),
- Filing a notice in court and with the registrar of companies confirming that the purpose of the Administration has been sufficiently achieved; or
- In the event that the Companies have no property the Administrator may notify the registrar of companies to that effect at which time the appointment of the Administrator ceases and the company is dissolved (after three months)

The exit route for the Companies will depend on matters arising in the Administration and be subject to the approval of creditors although the Administrators are proposing that the most efficient and cost effective route is adopted

6.3 EC Regulations

The Companies Council Regulation (EU) No 1346/2000 applies to the Administration of the Company and these are the main proceedings as defined in Article 3(1) of that Regulation

7. STATEMENT OF PROPOSALS PURSUANT TO PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986

As stated in Section 2.5 the Administrators have concluded that the second prescribed objective pursuant to Paragraph 3(i) of Schedule B1 of the Act namely "achieving a better result for the company's creditors as a whole than would be likely if the company were wound up" is achievable and the Administrators intend to perform their functions to achieve that objective.

The Administrators believe that the objective of the Administration has largely been achieved following the sale of the Companies' trade and assets and the shareholding in the overseas subsidiaries, and the distribution of the net proceeds to secured creditors by novating their debts.

The Administrators' proposals are:

- 1 the Administrators continue to manage the affairs and any remaining assets of the Companies and settlement of all Administration fees and expenses;
- 2 the Administrators continue with their enquiries into the conduct of the Directors of the Companies and continue to assist any regulatory authorities with their investigation into the affairs of the Companies;
- 3 the Administrators be authorised to agree the claims of the secured, preferential and unsecured creditors against each of the Companies unless the Administrators conclude, in their reasonable opinion, that any of the Companies will have no assets available for distribution;
- 4 the Administrators be authorised to distribute funds to the secured and preferential creditors as and when claims are agreed and funds permit and, in relation to distributions to unsecured creditors including distribution under the Prescribed Part, if the court gives permission following an appropriate application;
- 5 that, in the event the creditors of each Company so determine, at the meetings of creditors, a Creditors Committee be appointed in respect of each Company comprising of not more than five and not less than three creditors of each Company;
- 6 that, in respect of each Company, the Creditors' Committee, if one is appointed, shall be asked to agree that the Administrators' fees and expenses be fixed by reference to the time given in attending to matters arising in the Administration. If a Creditors' Committee is not appointed, the secured and preferential creditors of each Company shall be asked to agree the Administrators' fees and expenses, in accordance with Rule 2.106(5A)(a), by reference to the time given in attending to matters arising in the Administration, and
- 7 following the realisation of assets and resolution of all matters in the Administration, and as quickly and efficiently as is reasonably practicable, the Administrators implement the most cost effective steps to formally conclude the Administrations. This may include the distribution of funds to unsecured creditors (provided Court permission is obtained) and then to dissolution of the Companies or alternatively, seeking to put the Companies into CVL or Compulsory Liquidation, depending on which option will result in a better realisation for creditors. If the Companies

were to be placed into CVL, the Administrators propose to be appointed Liquidators. The creditors may nominate a different person to be Liquidator provided the nomination is made before the proposals are approved by creditors.

Joint Administrators
C M Siddle and N B Kahn

Deloitte & Touche LLP
1 City Square
Leeds
LS1 2AL

Summary of Directors' Statement of Affairs

Appendix 1

Pearl Fittings Limited – In Administration

Estimated Position as at 14 December 2007 as set out in the Directors' Statement of Affairs

	Book Value £	Estimated to Realise £
Assets subject to fixed charge		
Investment in subsidiary companies	25,000	-
Connected company debts	2,915,614	2,887,000
Intellectual property	1,439,994	1,100,000
	<u>4,380,608</u>	<u>3,987,000</u>
Less Amounts due to fixed chargeholder		(3,987,000)
Estimated fixed charge surplus		<u>-</u>
Assets subject to floating charge		
Cash at Bank	61,943	61,943
Stock and Work In Progress	94,183	94,183
	-	-
Uncharged assets		
	<u>156,126</u>	<u>156,126</u>
Estimated assets available for preferential creditors		
Preferential creditors		-
Estimated surplus as regards preferential creditors		<u>156,126</u>
Estimated prescribed part of net property where applicable (to carry forward)		(34,225)
Estimated total assets available for floating chargeholders		<u>121,901</u>
Amounts due to chargeholder under cross guarantees		(121,901)
Estimated deficiency of assets after floating charges		-
Estimated prescribed part of net property where applicable (brought down)		<u>34,225</u>
Total assets available to unsecured creditors		<u>34,225</u>
Unsecured non-preferential claims		(171,873)
Estimated deficiency as regards non-preferential creditors		<u>(137,648)</u>
Shortfall to floating chargeholders (brought down)		-
Estimated deficiency as regards creditors		<u>(137,648)</u>
Issued and called up share capital		(1,000)
Estimated total deficiency as regards members		<u>(138,648)</u>

Summary of Directors' Statement of Affairs**Appendix 1****Europower Limited – In Administration****Estimated Position as at 14 December 2007
as set out in the Directors' Statement of Affairs**

	Book Value	Estimated to
	£	Realise
		£
Assets subject to fixed charge		
Investment in subsidiary companies	933,000	-
Connected company debts	3,451,000	1,934,002
Intellectual property		
	<u>4,384,000</u>	<u>1,934,002</u>
Less Amounts due to fixed chargeholder		<u>(1,934,002)</u>
Estimated fixed charge surplus		<u>-</u>
Assets subject to floating charge		-
Uncharged assets		-
Estimated assets available for preferential creditors		-
Preferential creditors		-
Estimated surplus as regards preferential creditors		-
Estimated prescribed part of net property where applicable (to carry forward)		-
Estimated total assets available for floating chargeholders		-
Amounts due to chargeholder under cross guarantees		-
Estimated deficiency of assets after floating charges		-
Estimated prescribed part of net property where applicable (brought down)		-
Total assets available to unsecured creditors		-
Unsecured non-preferential claims		(2,649,000)
Estimated deficiency as regards non-preferential creditors		<u>(2,649,000)</u>
Shortfall to floating chargeholders (brought down)		-
Estimated deficiency as regards creditors		<u>(2,649,000)</u>
Issued and called up share capital		(10,000,000)
Estimated total deficiency as regards members		<u>(12,649,000)</u>

Summary of Directors' Statement of Affairs**Appendix 1****Europower Hydraulics Limited – In Administration****Estimated Position as at 14 December 2007
as set out in the Directors' Statement of Affairs**

	Book Value	Estimated to
	£	Realise
		£
Assets subject to fixed charge		
Investment in subsidiary companies	-	918,433
Subsidiary company debts	6,895,238	3,126,000
Trade debtors	2,262,993	2,125,000
Other debtors	655,501	598,000
Fixed assets	966,047	608,010
Deposit account	20,000	20,000
	<u>10,799,779</u>	<u>7,395,443</u>
Less Amounts due to fixed chargeholder under cross guarantees		(7,384,615)
Estimated fixed charge surplus		<u><u>10,828</u></u>
Assets subject to floating charge		
Cash at Bank	4,375	4,375
Stock and Work In Progress	3,458,308	2,162,812
Uncharged assets	-	0
	<u>3,462,683</u>	<u>2,167,187</u>
Estimated assets available for preferential creditors		
Preferential creditors		(14,568)
Estimated surplus as regards preferential creditors		<u>2,152,619</u>
Estimated prescribed part of net property where applicable (to carry forward)		(433,524)
Estimated total assets available for floating chargeholders		<u>1,719,095</u>
Estimated fixed charge surplus brought down		<u>10,828</u>
Estimated total assets available for fixed and floating charge holders		<u>1,729,923</u>
Amounts due to chargeholder under cross guarantees		(1,943,229)
Estimated deficiency of assets after floating charges		<u>(213,306)</u>
Estimated prescribed part of net property where applicable (brought down)		<u>433,524</u>
Total assets available to unsecured creditors		<u>433,524</u>
Unsecured non-preferential claims		(35,321,983)
Estimated deficiency as regards non-preferential creditors		<u>(34,888,459)</u>
Shortfall to floating chargeholders (brought down)		(213,306)
Estimated deficiency as regards creditors		<u>(35,101,765)</u>
Issued and called up share capital		(11,015,000)
Estimated total deficiency as regards members		<u><u>(46,116,765)</u></u>

Summary of Directors' Statement of Affairs**Appendix 1****Europower Direct Limited – In Administration****Estimated Position as at 14 December 2007
as set out in the Directors' Statement of Affairs**

	Book Value	Estimated to
	£	Realise
		£
Assets subject to fixed charge	-	-
Assets subject to floating charge		-
Uncharged assets		
Debts due by connected companies	68,000	-
Estimated assets available for preferential creditors	68,000	-
Preferential creditors		-
Estimated surplus as regards preferential creditors		-
Estimated prescribed part of net property where applicable (to carry forward)		-
Estimated total assets available for floating chargeholders		-
Amounts due to chargeholder under cross quarantees		-
Estimated deficiency of assets after floating charges		-
Estimated prescribed part of net property where applicable (brought down)		-
Total assets available to unsecured creditors		-
Unsecured non-preferential claims	-	(1,242,657)
Estimated deficiency as regards non-preferential creditors		(1,242,657)
Shortfall to floating chargeholders (brought down)		-
Estimated deficiency as regards creditors		(1,242,657)
Issued and called up share capital		(60)
Estimated total deficiency as regards members		(1,242,717)

Summary of Directors' Statement of Affairs**Appendix 1****All Saints (Property) Limited – In Administration****Estimated Position as at 14 December 2007
as set out in the Directors' Statement of Affairs**

	Book Value	Estimated to
	£	Realise
		£
Assets subject to fixed charge	-	-
Assets subject to floating charge	-	-
Uncharged assets	-	-
Estimated assets available for preferential creditors	-	-
Preferential creditors	-	-
Estimated surplus as regards preferential creditors		-
Estimated prescribed part of net property where applicable (to carry forward)		-
Estimated total assets available for floating chargeholders		-
Amounts due to chargeholder under cross guarantees		-
Estimated deficiency of assets after floating charges		-
Estimated prescribed part of net property where applicable (brought down)		-
Total assets available to unsecured creditors		-
Unsecured non-preferential claims		(120,000)
Estimated deficiency as regards non-preferential creditors		(120,000)
Shortfall to floating chargeholders (brought down)		-
Estimated deficiency as regards creditors		(120,000)
Issued and called up share capital		(1,000)
Estimated total deficiency as regards members		(121,000)

Statutory information

Appendix 2

Company name	Europower Hydraulics Limited ("Hydraulics")	Europower Direct Limited ("Direct Limited")	Europower Limited ("EP Limited")	Pearl Fittings Limited ("Pearl")	All Saints (Property) Limited ("All Saints")
Company number	00943925	01962156	00599512	05697591	02626916
Incorporation date	10 December 1968	20 November 1985	26 February 1958	03 February 2006	05 July 1991
Registered office	Deloitte & Touche LLP 1 City Square Leeds LS1 2AL	Deloitte & Touche LLP 1 City Square Leeds LS1 2AL	Deloitte & Touche LLP 1 City Square Leeds LS1 2AL	Deloitte & Touche LLP 1 City Square Leeds LS1 2AL	Deloitte & Touche LLP 1 City Square Leeds LS1 2AL
Ordinary issued and called up share capital	11,015,000 ordinary shares (£1 each)	600 ordinary shares (£0 10 each)	100,000,000 ordinary shares (£0 10 each)	260 ordinary shares (£1 each) 100 deferred ordinary shares (£1 each) 740 ordinary class A shares (£1 each)	1000 ordinary shares (£1 each)
Shareholders	Europower Limited	Europower Limited	Pearl Fittings Limited	Hamsard 3008 Limited Endless LLP	Europower Limited
Directors At Appointment	Damian Paul Williams Hamsard 3008 Ltd Frank Maassen Richard Scott Krause	Damian Paul Williams Hamsard 3008 Ltd Frank Maassen	Damian Paul Williams Hamsard 3008 Ltd Frank Maassen Richard Scott Krause	Hamsard 3008 Limited Frank Maassen	Damian Paul Williams Hamsard 3008 Ltd Frank Maassen
Within last 3 years	Simon Marsden Trevor James Murch Adrian Philip Binney Arijit Mukerji	Simon Marsden Trevor James Murch Adrian Philip Binney Arijit Mukerji	Simon Marsden Trevor James Murch Adrian Philip Binney Arijit Mukerji	Trevor James Murch Adrian Philip Binney Arijit Mukerji Garry Wilson Darren Forshaw Deborah Ann Jackson	Arijit Mukerji Adrian Philip Binney Howard Baker
Company secretary	Damian Paul William	Damian Paul Williams	Damian Paul Williams	Adrian Philip Binney	Damian Paul William
Auditors	PWC LLP	PWC LLP	PWC LLP	PWC LLP	PWC LLP

Appendix 3

Time Cost Summary from 14 December 2007 to 31 January 2008						
Classification of Work Function	Assistant & Support Staff			Total Hours	Time Costs £	Average hourly Rate £
	Partners Hours	Managers Hours	Support Staff Hours			
Administration & Planning						
Cashiers	0 00	0 60	2 40	3 00	760 50	254
Closure	0 00	0 00	3 00	3 00	360 00	120
Compliance	0 00	1 00	16 50	17 50	2,552 50	146
Immediate Actions	0 00	45 50	23 70	69 20	13,531 50	196
Pre-Appointment	23 00	62 50	0 50	86 00	31,152 50	362
Reporting	2 50	0 00	0 00	2 50	1,400 00	560
Realisation of Assets						
Sale of Business	13 00	4 80	1 00	18 80	9,434 00	502
Creditors						
Retention of Title	0 00	0 00	1 50	1 50	217 50	145
Secured	0 00	22 50	0 00	22 50	5,962 50	265
Unsecured	2 00	45 00	6 30	53 30	13,958 50	262
Investigation						
Investigations	0 00	7 50	0 00	7 50	3,562 50	475
Trading						
Day-1 Control	0 00	0 00	15 00	15 00	1,800 00	120
Total Hours	40 50	189 40	69 90	299 80	84,692 00	282