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The Insolvency Act 1986

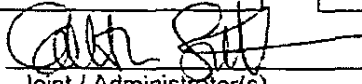
Administrator's progress report

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

I/We (a)
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Deloitte LLP
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Leeds
West Yorkshire
LS1 2AL

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

From (b) 14 June 2008	To (b) 13 December 2008
Signed  Joint / Administrator(s)	
Dated 13 January 2009	

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form.

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COMPANIES HOUSE

When you have completed and signed this form, please send it to the Registrar of Companies at:-
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

**Pearl Fittings Limited
Europower Limited
Europower Hydraulics Limited
Europower Direct Limited
All Saints (Property) Limited**

**Case No. 9442 of 2007
Case No. 1503 of 2007
Case No. 1466 of 2007
Case No. 1467 of 2007
Case No. 1513 of 2007**

- All In Administration ("the Companies")

13 January 2009

This report has been prepared for the sole purpose of updating creditors pursuant to the Insolvency Rules 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 LLP
1 City Square
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LS1 2AL**

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ABBREVIATIONS

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

"Act"	Insolvency Act 1986 (as amended)
"All Saints"	All Saints (Property) Limited
"Deloitte"	Deloitte LLP
"DTI"	Department of Trade & Industry
"Direct Limited"	Europower Direct Limited
"Directors", "Management"	Management and Directors of the Companies
"EP Limited"	Europower Limited
"Hydraulics"	Europower Hydraulics Limited
"Pearl"	Pearl Fittings Limited
"Rules"	The Insolvency Rules 1986
"the Administrators"	Refers to the Administrators, C M Siddle and N B Kahn
"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.

1. INTRODUCTION

1.1 Introduction

This report is prepared pursuant to Rule 2.47 of the Insolvency Rules 1986. The purpose of the report is to provide the court and the creditors with an update on the progress of the administration since the Administrators' last report to the creditors dated 10 July 2008.

1.2 Details of the Appointment of Joint Administrators

As previously reported to creditors, Carlton Malcolm Siddle and Neville Barry Kahn of Deloitte LLP were appointed Administrators of the Companies by the High Court 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.

Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting severally pursuant to Paragraph 100 Schedule B1 of the Act.

2. BACKGROUND

2.1 Group Structure and History

Given the information previously provided, we have not included detailed background information and we would refer you to our first creditors report and proposals dated 4 February 2008 and the six monthly progress report dated 10 July 2008.

Further statutory information on the Companies, including details of the Directors and Company Secretaries, is provided at Appendix 1.

2.2 Overview of the Companies in Administration

As previously reported to creditors, the Group was a manufacturer and distributor of high pressure hydraulic hose and hose couplings operating through a number of trading and dormant subsidiaries based in the UK, and shareholdings in subsidiaries in Europe and the USA. It served all sectors of the fluid power industry including agricultural, maintenance, construction, marine, mining and high pressure pumping equipment.

3. THE ADMINISTRATORS' PROPOSALS

3.1 Introduction

As previously reported to creditors, the Administrators concluded that the first prescribed objective under Rule 3(1) (a) namely "rescuing the company (the legal entity) as a going concern" was not achievable.

Consequently, the Administrators have performed their functions in relation to the objective set out in Rule 3(1) (b) which is "to achieve a better result for the companies' creditors as a whole than would be likely if the companies were wound up".

The Administrators proposals, which were approved by the creditors of the Company on 21 February 2008, were as follows:

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.

4. ACHIEVEMENT/CURRENT STATUS OF APPROVED PROPOSALS

The current status of each proposal is summarised below:

1. As previously reported to creditors the sale of the Companies' trade and assets, sales of the shareholding in the overseas subsidiaries and the distribution of the net proceeds to secured creditors by novating their debts was completed on 14 December 2007. The Administrators continue to manage the affairs of the Companies. As part of the sale of business agreement the assignment of the two UK property leases and the Polish lease have now been completed. The only remaining significant objective is to distribute the prescribed part to the unsecured creditors of Europower Hydraulics Limited only;
2. As previously reported to creditors a report on the conduct of the Directors was submitted to the Department of Trade and Industry ("DTI") by the revised extension date granted to the Joint Administrators, 7 August 2008;
3. The Joint Administrators continue to agree unsecured creditors' claims. The only potential preferential claim relating to arrears of pension contribution has been received from the Pension Protection Fund for £16,024. This claim has been agreed by the Administrators and has been paid in full;
4. As previously reported to creditors the net proceeds from the sale of the Companies' trade and assets and the shareholding in the overseas subsidiaries were distributed to secured creditors by novating their debts immediately after appointment. As outlined earlier, the only preferential claim for £16,024 has now been settled in full. A distribution to unsecured creditors under the Prescribed Part will be made once all claims are received and agreed, if the court gives permission for the Administrators to do so following an appropriate application;
5. The creditors of the Companies did not request a creditors' meeting and as a consequence it was determined that no Creditors' Committee was to be established;
6. The Administrators' proposals were approved. The Joint Administrators' fees have been fixed by reference to the time given by them and members of their staff in attending to matters arising in the Administration at £105,000 plus VAT and Administrators' expenses. Total fees drawn to date are £95,032 and expenses drawn to date are £955; and
7. The Administrators were granted an extension of six months to the Administration by consent of secured creditors. Pursuant to Section 52(1)(b) Insolvency Act 1986 the Administrators do not envisage that there will be a distribution to unsecured creditors other than of the prescribed part. As such, consent means the consent of secured creditors only as the preferential creditors have been paid for in full. After the proposed 6 month extension period, the Administrators will look to implement the most cost effective steps to formally conclude the Administrations.

5. REALISATIONS IN THE ADMINISTRATION

5.1 Introduction

We attach at Appendix 2, a Receipts and Payments account to 13 December 2008.

5.2 Asset Realisations to date

As stated previously, immediately after the appointment on 14 December 2007, the sale of the Companies' trade and assets and the shareholding in the overseas subsidiaries were concluded for a total consideration of £15,459,255 which was settled as a cash consideration of £551,454 plus debt novation of £14,907,801 by the secured lenders.

The novation of debt is not reflected on the Receipts and Payments account as this was a debt roll over by the secured lenders and not a cash transaction.

There are no further assets to realise.

6. DISTRIBUTIONS TO CREDITORS

6.1 Secured Creditors

As noted in Section 5.2, we have made distributions totalling £14,907,801 to the secured lenders via their secured debts being novated.

6.2 Preferential creditors

The preferential claim against the Companies relates to arrears of pension contributions. The Administrators received a revised preferential claim from the Pension Protection Fund on 23 October 2008 for a total sum of £16,024. This claim was agreed by the Administrators and passed for a 100 p in the pound distribution immediately thereafter, which has now been settled. The Administrators understand there are no other preferential claims in relation to the Companies.

6.3 Unsecured creditors

The Administrators have received the majority of creditor claims. Where possible these claims have been agreed by the Administrators.

Once the remaining unsecured claims have been received and agreed by the Administrators, a distribution under the Prescribed Part will be made to unsecured creditors of Hydraulics following an application to the court.

Based on the floating charges realisations (after adjusting for costs of realisation and preferential creditors), it is estimated that the total available sum for distribution to unsecured creditors of Hydraulics under the prescribed part is £406,358.

The Administrators are yet to receive all of the unsecured claims from the creditors of Hydraulics. Provided the remaining outstanding claims are received from the creditors which are at similar levels to the directors Statement of Affairs, together with the quantum of claims received to date, we estimate that the total unsecured claims may be in the region of £27.4m. As such the Administrators estimate the dividend to the unsecured creditors of Hydraulics to be in the region of 1.5p in the £.

7. INVESTIGATIONS

7.1 Report on directors' conduct

As previously reported to creditors a report on the conduct of the Directors was submitted to the Department of Trade and Industry ("DTI") by the revised extension date granted to the Joint Administrator's, 7 August 2008.

8. PROFESSIONAL COSTS

8.1 Administrators' Remuneration

Time costs from the date of the Administrators' appointment were deemed to be approved as part of the creditors' proposals as of 21 February 2008. The Administrators' fees are based on their time costs at their prevailing charge out rates which have been revised as of 1 January 2009.

In the following sections we have summarised the total Administrators' time costs and at Appendix 3 we have set out detailed analysis, which shows time categorised into various task headings and sub categories as follows:

- Administration and Planning includes such tasks as case planning and setup, appointment notification, statutory reporting, compliance, cashiering, accounting and administrative functions;
- 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;
- 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;
- Trading includes tasks such as planning, strategy, managing day one visits and correspondence with suppliers and customers; and
- Other tasks relate to work undertaken in relation to taxation, VAT and any other tasks.

The table below shows a summary of time charges from 14 December 2007 to 31 October 2008.

Classification of Work Function	Partners	Managers	Assistant & Support Staff	Total Hours	Time Costs £	Average hourly Rate £
Administration & Planning	39.30	92.80	157.05	289.15	68,525	237
Creditors	14.00	95.00	74.40	183.40	48,716	266
Investigation	16.00	67.00	3.60	86.60	32,057	370
Realisation of Assets	11.50	0.00	0.00	11.50	8,165	710
Trading	0.00	0.00	15.00	15.00	1,800	120
Other Tasks	0.00	41.20	38.55	79.75	30,301	380
	<u>80.80</u>	<u>296.00</u>	<u>288.60</u>	<u>665.40</u>	<u>189,564</u>	<u>285</u>

To 13 December 2008 payment of £95,032 (excluding VAT) in respect of fees and £955 (excluding VAT) in respect of expenses had been made.

A more detailed synopsis is attached at Appendix 3.

"A Creditors' Guide to Administrator's Fees" is available on request, and a copy is also available from the following website:

<http://www.r3.org.uk>

The range of charge out rates for the separate categories of staff (i.e. Partner, Manager and Assistants/Support Staff) are based on our normal charge out rates and outlined below which have been revised to take account of the new charge-out rates as of 1 January 2009:

Grade	Range £ per hour
Partners	615
Directors & Managers	295 to 525
Assistants & Support Staff	145 to 265

8.2 Other Professional Costs

As reported to you previously, for advice on appropriate legal matters the Administrators instructed Hammonds to assist them. Hammonds' costs up to 13 December 2008 are £22,653 (excluding VAT) which have been reviewed and settled by the Administrators. Hammonds' fees are based upon their recorded time costs incurred at their prevailing charge out rates and their costs are reviewed by the Administrators' staff before being approved for payment.

9. OTHER INFORMATION TO ASSIST CREDITORS

9.1 Exit Routes from Administration

Under the Enterprise Act 2002, all administrations automatically come to an end after one year, unless an extension is granted by the court or with consent of the creditors.

Otherwise and unless it is proposed that a company in administration should be placed in Creditors' Voluntary Liquidation the appointment of Administrators ceases on the following:

- an application to Court (in the event of a Court appointment)
- filing a notice in Court and with the Registrar of Companies confirming that the purpose of Administration has been sufficiently achieved
- in the event that the company has no property the Administrator may notify the Registrar of Companies to that effect at which time the appointment of the Administrator ceases and three months following that date the company is deemed to be dissolved

The initial 12 month term of the Administration expired on 13 December 2008. The Administrators were granted an extension of 6 months by consent of the

secured creditors of Companies. This is deemed the most cost efficient way to gain an extension and to conclude the affairs of the Administration.

9.2 EC Regulations

As stated in the Administration Orders in relation to the Companies, Council Regulation (EU) No 1346/2000 applies and these are the main proceedings as defined in Article 3(1) of that Regulation.

Statutory information

Appendix 1

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 LLP 1 City Square Leeds LS1 2AL	Deloitte LLP 1 City Square Leeds LS1 2AL	Deloitte LLP 1 City Square Leeds LS1 2AL	Deloitte LLP 1 City Square Leeds LS1 2AL	Deloitte 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

Classification of Work Function	Partner hours	Manager hours	Other Senior Professional Hours	Total Hours	Time Costs £	Average Hourly Rate £
Administration & Planning						
Cashiers	1.30	2.00	11.70	15.00	3,845.00	256
Closure	-	-	6.50	6.50	867.50	133
Compliance	2.00	4.30	51.70	58.00	10,500.50	181
Fees	2.00	-	1.55	3.55	1,647.75	464
Immediate Actions	-	45.50	24.90	70.40	13,705.50	195
Meetings	2.00	-	8.50	10.50	2,737.50	261
Pre-Appointment	24.50	32.50	0.50	57.50	18,642.50	324
Reporting	7.50	8.50	51.70	67.70	16,579.00	245
Creditors						
Distributions	-	7.50	1.50	9.00	3,757.50	418
Retention of Title	2.00	-	2.00	4.00	1,702.50	426
Secured	-	22.50	-	22.50	5,962.50	265
Unsecured	12.00	65.00	70.90	147.90	37,293.00	252
Investigations						
D-Return	16.00	-	3.60	19.60	11,882.00	606
Investigations	-	67.00	-	67.00	20,175.00	301
Realisation of Assets						
Leasehold Property	4.00	-	-	4.00	2,840.00	710
Other Assets	7.50	-	-	7.50	5,325.00	710
Trading						
Day 1 Control	-	-	15.00	15.00	1,800.00	120
Other Tasks						
Other	-	7.50	-	7.50	3,562.50	475
Tax & VAT	-	33.70	38.55	72.25	26,738.50	370
Total Hours	80.80	296.00	288.60	665.40	189,563.75	285

**Europower Hydraulics Limited
(In Administration)**

Appendix 2

**Joint Administrators' Abstract Of Receipts And Payments
To 13 December 2008**

RECEIPTS	Total (£)
Freehold Land & Property	551,454.00
VAT Refund	13,360.96
Bank Interest Gross	21,927.13
	<hr/>
	586,742.09
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 PAYMENTS	
Administrators' Fees	95,031.79
Administrators' Expenses	954.92
Legal Fees (1)	22,856.88
Postage & Redirection	119.75
Statutory Advertising	674.45
Preferential Dividend	16,024.00
VAT Receivable	20,854.41
	<hr/>
	156,516.20
Balances in Hand	430,225.89
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	586,742.09
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Please note:

1. There have been nil receipts and nil payments for Pearl, EP Limited, Direct Limited and All Saints. Therefore a receipts and payments account has not been included.
2. Immediately after the appointment on 14 December 2007, the sale of the Companies' trade and assets and the shareholding in the overseas subsidiaries were concluded for a total consideration of £15,459,255 which was settled as a cash consideration of £551,454 (shown in the Receipts and Payments account above) plus debt novation of £14,907,801 by the secured lenders (not a cash transaction and hence does not have an effect on the Receipts and Payments account).