

The Insolvency Act 1986

Administrator's final progress report

| | |
|---|-----------------------------------|
| Name of Company Aqueduct PLC | Company number 06278663 |
| In the High Court of Justice (full name of court) | Court case number 3880 of 2012 |

We, Simon Paterson
Moore Stephens LLP
Victory House
Quayside
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David Elliott
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administrators' of the above company attach a final progress report for the period

Insert date

| | |
|-------------------------|-----------------------|
| From 9 November 2012 | To 24 January 2013 |
|-------------------------|-----------------------|

Signed

David Elliott
Joint Administrator

Dated

25/01/2013

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

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AQUEDUCT PLC ("THE COMPANY")

Final report to the members and creditors in accordance with Rule 2.47 and 2.110 of the Insolvency Rules 1986

25 January 2013

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This report is intended for use by those parties entitled to a copy thereof under Rule 2.47 and Rule 2.110 of the Insolvency Rules 1986. It may contain information that is privileged confidential or exempt from disclosure and any dissemination distribution or copying of it and its attachments is strictly prohibited.

Any estimated outcomes for creditors are for illustration only and cannot be relied upon as guidance as to the actual outcome for creditors.

Simon Paterson is authorised in the UK to act as an insolvency practitioner by the Insolvency Practitioners Association.
David Elliott is authorised in the UK to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

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

1 Statutory information

| | |
|-------------------------------|---|
| Company name | Aqueduct PLC |
| Company number | 06278663 |
| Registered office | Victory House Quayside Chatham Maritime Kent ME4 4QU |
| Court reference | High Court of Justice No 3880 Of 2012 |
| Date of appointment | 10 May 2012 |
| Joint administrators | Simon Paterson and David Elliott There have been no changes in the office holders |
| Joint administrators' address | Victory House Quayside Chatham Maritime Kent ME4 4QU |
| Paragraph 100(2) statement | The functions and powers of the joint administrators may be exercised by either or both of the joint administrators jointly and severally |
| Appointor | Lloyds TSB Bank plc, as the holder of a qualifying floating charge created on 9 June 2009 and registered at Companies House on 18 June 2009 |
| Appointor's address | 25 Gresham Street, London, EC2V 7HN |

2 Conduct of the administration

- 2 1 A detailed explanation of the background leading to the appointment of the joint administrators and the steps taken post appointment was included in the joint administrators' proposals dated 2 July 2012 and progress report dated 7 December 2012
- 2 2 There have been no deviations or amendments to the original proposal which was approved without modifications
- 2 3 There has been no application to extend the term of the administration
- 2 4 The receipts and payments account attached at Appendix I details the asset realisations during the administration
- 2 5 As previously reported, the Company had undertaken a number of contracts for customers and issued invoices in anticipation of payment. In view of the administrative procedures required by the customers to effect payment from abroad, invoices were raised at the earliest opportunity to ensure they were capable of being processed for payment by the time that the work was completed. At cessation of trade, a number of invoices had been raised where the physical work had been completed, but where operating manuals and reports had not been finalised. In order to secure payment for these invoices the Administrators were required to provide delivery of these manuals and reports
- 2 6 The Administrators were of the opinion that the most cost effective manner in realising the debtor ledger would be to contract with certain key members of the Company's former staff to complete the outstanding matters. Purchase Orders were raised to this effect for a total of £101,950 which were paid only when funds were received from the debtor in question. When the proposals were circulated, it was anticipated that debtors of some £296,000 would be collected. However, there were a number of contracts where it did not prove possible to collect the full amount due and the sum of £249,372 has been recovered from completion of these works. There remains one further debt of approximately £12,000 to be collected but again this relates to a project where there are some outstanding issues and consequently recovery is uncertain. We have also entered into an agreement with a Canadian supplier regarding a contract that may result in further funds being received
- 2 7 A number of parties expressed an interest in the Company's business and assets, and non-disclosure agreements were issued to the enquirers. Details of the progress made was provided when the proposals were circulated but I would advise that there has been no further progress and the administrators no longer consider that there is an real prospect of selling any part of the goodwill of the business
- 2 8 The Company's other main activity was the commissioning of water treatment plants on customers' own premises. The Company would design and build the plants, effecting finance through Lombard North Central plc, who would take a

charge over the fixed plant and the income stream where the customer would lease the equipment for a period of 15 years. The finance would be settled over a 10 year period. In addition the Company would monitor and maintain the performance of the plant. The company was instructed to commission two water treatment plants, the first of which was established at the Greencore site in Hull. Since the date of our last report, this plant has continued to operate and we have been advised that Greencore have sought new operators. We understand that they have now completed their tendering process and that they are taking steps to complete the transfer of the operation of the plant, with all associated licences.

- 2 9 A second water treatment plant was built at the Brains Brewery plant in Cardiff, on the same principle as the Greencore contract. Unfortunately, the plant was commissioned and the customer refused to accept responsibility for the leasing commitment. This has left the Company with the problem that it had financed the build through Lombard, but had no income stream with which to meet the repayments. Whilst there is a potential claim against the contractors who built the plant, that company has itself entered formal insolvency proceedings and may not have had professional indemnity insurance cover at the appropriate time for Aqueduct PLC to pursue a claim for losses. We have received a substantial claim from Brains and the matter was referred to QBE, the PI insurers for the company.

We have still to finalise the position with Lombard with regards to their loans to the company and thus, at this stage, it is not possible to assess whether there will be any recovery from this source. The situation resolution of the claim made by Brains and any on claim will also have a material effect on the eventual outcome.

- 2 10 It is anticipated that now the contracts being undertaken by the company have been completed and funds received, the company will enter liquidation in order that the outstanding matters identified above can be concluded.

3. Pre appointment costs and expenses

- 3 1 At the meeting held by by correspondence on 19 July 2012 it was resolved that the time costs incurred prior to appointment with a view to placing the company into administration by Moore Stephens LLP in the sum of £10,851.50 and pre administration expenses of £2,548.14 be approved.

- 3 2 No pre appointment costs have been drawn.

4 Joint administrators' remuneration and category 2 disbursements

- 4 1 At the meeting held by correspondence, the following resolutions were passed:

- That the remuneration of the joint administrators be fixed by reference to the time properly given by the joint administrators and their staff in attending to matters arising in the administration in accordance with Rule 2.106(2)(b).
- The joint administrators shall be authorised to draw their firm's internal costs and expenses in dealing with the estate, including photocopying, printing, facsimile, storage, mileage and room hire, as and when funds permit.

- 4 2 The time costs incurred to date have arisen primarily, but not limited to, the following:

- Liaising with ex-staff members and management in order to complete the contracts and secure debtor receipts,
- Dealing with enquiries from interested parties, agreeing the terms of a potential sale and reviewing draft sale agreement,
- negotiations with Lombard in respect of the Greencore and Brains contracts,
- dealing with Greencore with regard to their contract and provision of continued services, and
- dealing with solicitors acting on behalf of Brains with regard to their alleged claim against the company and investigation into the background to the claim and any potential claims that the company may have.

In addition, we have dealt with the statutory functions required under the Insolvency Act and Rules and also enquiries from creditors.

- 4 3 A detailed breakdown of the joint administrators' time costs and category 2 disbursements together with current charge out rates are attached at Appendix II.

- 4 4 To date, no fees have been drawn.

- 4 5 Should you wish to receive a copy of "A Creditors' Guide to Administrators' Fees" this is available on the Moore Stephens website <http://www.moorestephens.co.uk/corporaterecovery.aspx> or by requesting a copy from this office in writing or by telephone

5 Joint administrators' expenses

- 5 1 A schedule of all expenses incurred in the administration, together with those incurred since the previous progress report have been detailed at Appendix III
- 5 2 The Administrators have engaged the services of TLT Solicitors, who have assisted in various aspects of the case, including drafting a sale agreement with the prospective purchaser. The company outsourced its IT support services to Reflective IT Solutions. The Administrators have retained the services of GWT Media Limited to take possession of the Company's core IT infrastructure and maintain the same from their offices, providing remote access to the data, together with undertaking a full backup of the two servers recovered. Edward Symmons LLP have been engaged as agents, and have undertaken a valuation of the assets and business.
- 5 3 MacMillan Browne (UK) Limited were instructed to collect, collate and inventories the company's physical books and records of the company. Invicta Archive Storage Limited provide secure storage for these books and records.
- 5 4 Some of the former staff of the company were engaged to assist in the completion of the outstanding works and a total of £101,950 has been paid to them.

6 Creditors' rights

- 6 1 Within 21 days of receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors) or any unsecured creditor with the permission of the court may request in writing that the joint administrators provide further information about their remuneration or expenses (other than pre-administration costs) which have been itemised in the progress report.

Within 14 days of receipt of the request, we must provide all of the information asked for, except so far as we consider that

- the time or cost of preparation of the information would be excessive, or
- disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
- we are subject to an obligation of confidentiality in respect of the information.

We are also required to give reasons for not providing all of the requested information.

Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may, within 8 weeks of receipt of this progress report make an application to court on the grounds that the basis fixed for the joint administrators' remuneration, the remuneration charged, or the expenses incurred by the joint administrators as set out in the progress report are excessive.

7. Liabilities

7 1 Secured creditors

Lloyds TSB Bank plc hold a fixed and floating charge debenture securing their lending which was created on 9 June 2009 and registered at Companies House on 18 June 2009. As the charge post dates 15 September 2003, the Prescribed Part rules apply.

The amount outstanding to Lloyds TSB Bank plc is £89,460 and therefore the prescribed part, before costs, is estimated to be in the region of £7,573.

7 2 Preferential creditors

Preferential claims of £117,481 have been submitted by the employees and directors of the company in respect of arrears of wages and holiday pay. These claims substantially exceed the level of claims anticipated when the company was placed into administration and indeed when the proposals were circulated to creditors. The increase in the level of claims primarily relates to claims for holiday pay submitted by the directors and senior staff. A preferential claim in the sum of £26,646.97 has been received from The National Insurance Fund. No dividend has been declared to this class of creditor.

7.3 Unsecured creditors

It is not anticipated that there will be a distribution to the unsecured creditors, and therefore at this stage the administrators are not formally agreeing claims. If the situation alters and it becomes apparent that funds may be available to allow a dividend to be paid, such a dividend will be paid once the administration has converted to a creditors' voluntary liquidation. A dividend will only be paid to those creditors who have submitted a claim form that has been admitted for dividend purposes.

David Elliott
Joint Administrator

Joint Administrators' receipts and payments account

Aqueduct PLC (In Administration)

| | Statement of affairs £ | From 09/11/2012 To 24/01/2013 £ | From 10/05/2012 To 24/01/2013 £ |
|---------------------------------------|------------------------------|---------------------------------------|---------------------------------------|
| RECEIPTS | | | |
| Water Treatment Plant | Uncertain | 0 00 | 0 00 |
| Communications and Computer Equipment | 2,000 00 | 0 00 | 0 00 |
| Cash at Bank | | 8,957 87 | 8,957 87 |
| Trade Debtors | 195,986 00 | 4,032 00 | 249,372 35 |
| Amounts owed to Group Undertaking | NIL | 0 00 | 0 00 |
| Rent Deposit Refund | | 0 00 | 324 88 |
| Interest Gross of Tax | | 0 00 | 5 60 |
| | | <u>12,989 87</u> | <u>258,660 70</u> |
| PAYMENTS | | | |
| Agents Fees & Expenses | | 0 00 | 1,966 88 |
| Legal Fees & Expenses | | 0 00 | 13,755 80 |
| Completion Costs | | 2,250 00 | 103,046 25 |
| Redirection of Mail | | 0 00 | 110 00 |
| Bank Charges | | 0 00 | 31 71 |
| Telephone Fax & Telex | | 174 67 | 224 30 |
| Statutory Advertising | | 0 00 | 153 00 ✓ |
| Specific Penalty Bond | | 0 00 | 210 00 ✓ |
| Storage Costs | | 253 50 | 591 50 ✓ |
| Category 2 Disbursements | | 0 00 | 235 00 ✓ |
| | | <u>2,678 17</u> | <u>120,324 44</u> |
| Net Receipts/(Payments) | | <u>10,311 70</u> | <u>138,336 26</u> |
| MADE UP AS FOLLOWS | | | |
| VAT Receivable | | | 1,196 83 |
| Bank Current Account - Lloyds | | | 137,139 43 |
| | | | <u>138,336 26</u> |

Breakdown of time costs and category 2 disbursements

Aqueduct PLC - In Administration

Summary of Moore Stephens' time-costs from 09/11/2012 to 24/01/2013

| | Partner / Associate | Director / Manager | Admin | Support staff | Total hours | Time cost (£) | Av rate £/h |
|---|---------------------|--------------------|-----------------|-----------------|-------------|-----------------|---------------|
| Statutory compliance, administration and planning | 0 40 | 1 10 | 4 85 | 9 15 | 15 50 | 1 702 25 | 109 82 |
| Investigations | 0 40 | 5 20 | 0 30 | 2 90 | 8 80 | 1 926 00 | 218 86 |
| Realisation of assets | 0 25 | 0 30 | 1 55 | 0 55 | 2 65 | 430 00 | 162 26 |
| Creditors | 13 65 | 0 90 | 3 70 | - | 18 25 | 5,751 25 | 315 14 |
| Total hours | 14 70 | 7 50 | 10 40 | 12 60 | | | |
| Total time costs £ | 5,512 50 | 2 065 00 | 1 106 75 | 1 125 25 | | 9 809 50 | 217 02 |

Summary of Moore Stephens' time-costs from 10/05/2012 to 24/01/2013

| | Partner / Associate | Director / Manager | Admin | Support staff | Total hours | Time cost (£) | Av rate £/h |
|---|---------------------|--------------------|------------------|-----------------|---------------|-------------------|---------------|
| Pre appointment | 9 35 | - | 0 45 | - | 9 80 | 3 407 85 | 347 74 |
| Statutory compliance, administration and planning | 9 90 | 9 40 | 81 05 | 80 75 | 181 10 | 19,182 05 | 105 92 |
| Investigations | 0 70 | 50 90 | 14 75 | 17 50 | 83 85 | 16 803 55 | 200 40 |
| Realisation of assets | 17 75 | 71 00 | 7 35 | 1 00 | 97 10 | 27 194 50 | 280 07 |
| Trading | 16 85 | - | 3 35 | - | 20 20 | 6 377 55 | 315 72 |
| Creditors | 61 65 | 3 45 | 51 25 | - | 116 35 | 28 541 15 | 245 30 |
| Total hours | 118 20 | 134 75 | 158 20 | 99 25 | 508 40 | | |
| Total time costs £ | 42 052 50 | 37 647 50 | 15 917 15 | 5 889 50 | | 101 506 65 | 199 66 |

Total remuneration drawn on account

Nil

Charge out rates -

| | 1st Nov-2012 | 1st-Nov 2010 |
|--------------------|--------------|--------------|
| Partner/ Associate | £320-£530 | £310-£510 |
| Manager | £155-£300 | £150-£290 |
| Administrator | £55-£155 | £53-£150 |
| Support | £30-£115 | £30-£109 |

Time charged in 3 minute units or multiples thereof

Examples of work generally undertaken but not limited to

Pre appointment

- Appointment process
- Providing advice to directors
- Liaising with secured creditors
- Negotiating the sale of the business

Statutory compliance, administration and planning

- Compliance with other regulatory requirements
- Statutory reporting and compliance
- Case planning
- Administrative set up
- Appointment notification
- Maintenance of records

Realisation of assets

- Identifying, securing insuring assets
- Retention of title
- Property business and asset sales
- Debt collection
- Tax reclaims

Creditors

- Communication with creditors
- Creditors' claims (including employees' and other preferential creditors)

Investigations

- SIP 2 review
- CDDA reports
- Investigating antecedent transactions

Trading

- Management of operations
- Accounting for trading
- On-going employee issues

Breakdown of time costs and category 2 disbursements continued

Aqueduct PLC - In Administration

Summary of Moore Stephens' disbursements

| | Undrawn costs brought forward from previous period(s) £ | This period 09/11/2012 to 24/01/2013 | | Cumulative 10/05/2012 to 24/01/2013 | |
|--------------------------------------|--|---|------------------|--|------------------|
| | | Costs incurred £ | Costs drawn £ | Costs incurred £ | Costs drawn £ |
| Car mileage | 67 02 | | | 67 02 | - |
| Photocopying / printing | 0 15 | | | 0 15 | - |
| Total | 67 17 | | | 67 17 | |
| Total undrawn costs to carry forward | | | | | 67 17 |

Category 2 disbursement rates -

| Type | Rate |
|------------------------|---|
| Car mileage | £0 45 per mile maximum |
| Photocopying/printing | £0 15 per sheet |
| Colour photocopying | £2 50 per sheet |
| Fax | £0 40 per sheet |
| Storage - standard box | £3 90 per box per quarter (min £30 per quarter) |
| Room hire | £30-£50 per hour |

Summary of accrued and drawn costs

Aqueduct PLC - In Administration

| Cost Description | Undrawn costs brought forward from previous period(s) £ | This period 09/11/2012 to 24/01/2013 | | Cumulative 10/05/2012 to 24/01/2013 | |
|--------------------------------------|--|---|------------------|--|------------------|
| | | Costs incurred £ | Costs drawn £ | Costs incurred £ | Costs drawn £ |
| Agents fees & expenses | - | - | - | 1,966 88 | 1,966 88 |
| Legal fees & expenses | - | - | - | 13,755 80 | 13,755 80 |
| Redirection of Mail | - | - | - | 110 00 | 110 00 |
| Telephone | 0 22 | 174 67 | 174 67 | 224 52 | 224 30 |
| Postage | - | 113 57 | - | 113 57 | - |
| Statutory advertising | - | - | - | 153 00 | 153 00 |
| Specific penalty bond | - | - | - | 210 00 | 210 00 |
| Travel | 172 41 | 41 47 | - | 436 15 | 222 27 |
| Land registry & company search fees | - | - | - | 12 15 | 12 15 |
| Storage costs | - | 253 50 | 253 50 | 591 50 | 591 50 |
| Total | 172 63 | 583 21 | 428 17 | 17,573 57 | 17 245 90 |
| Total undrawn costs to carry forward | | | | | 327 67 |

Summary of professional services

| Professional advisor | Nature of work | Fee arrangement |
|-------------------------------|-----------------------|--------------------|
| MacMillan Browne (UK) Limited | Valuers and surveyors | Time costs |
| TLT LLP | Solicitors | Time costs |
| GWT Media Limited | Data backup | Fixed fee |
| JLT Speciality Ltd | Insurance brokers | Risk based premium |