

# AM03

## Notice of administrator's proposals



Companies House

TUESDAY



A15 \*A7YNB04X\* #263  
05/02/2019  
COMPANIES HOUSE

### 1 Company details

Company number 0 8 8 4 7 5 6 2

Company name in full Newburgh Precision Limited

→ Filling in this form  
Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) Joanne Louise

Surname Hammond

### 3 Administrator's address

Building name/number 3rd Floor

Street Westfield House

Post town 60 Charter Row

County/Region Sheffield

Postcode S 1 3 F Z

Country

### 4 Administrator's name ①

Full forename(s) Claire Elizabeth

Surname Dowson

① Other administrator  
Use this section to tell us about  
another administrator.

### 5 Administrator's address ②

Building name/number 3rd Floor

Street Westfield House

Post town 60 Charter Row

County/Region Sheffield

Postcode S 1 3 F Z

Country

② Other administrator  
Use this section to tell us about  
another administrator.

AM03

## Notice of Administrator's Proposals

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### Statement of proposals



I attach a copy of the statement of proposals

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### Sign and date

Administrator's  
Signature

Signature

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Signature date

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## AM03 Notice of Administrator's Proposals



### Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Keith Wilson
Company name	Begbies Traynor (SY) LLP
Address	3rd Floor Westfield House
Post town	60 Charter Row
County/Region	Sheffield
Postcode	S 1 3 F Z
Country	
DX	
Telephone	0114 2755033



### Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☒ The company name and number match the information held on the public Register.
- ☒ You have attached the required documents.
- ☒ You have signed and dated the form.



### Important information

All information on this form will appear on the public record.



### Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.



### Further information

For further information please see the guidance notes on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)

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

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## Newburgh Precision Limited (In Administration) ("the Company")

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Statement of proposals for achieving the purpose of Administration pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of the Insolvency (England and Wales) Rules 2016

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## **Important Notice**

This statement of proposals has been produced for the sole purpose of advising creditors pursuant to the provisions of 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 this report to them or by any other person for any purpose whatsoever. Any estimated outcomes for creditors included in these proposals are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

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# 1. INTERPRETATION

<b><u>Expression</u></b>	<b><u>Meaning</u></b>
"the Company"	Newburgh Precision Limited (In Administration)
"the administration"	The appointment of joint administrators under Schedule B1 of the Act on 22 January 2019
"the administrators", "we", "our", "us"	Joanne Louise Hammond of Begbies Traynor (SY) LLP, 3rd Floor, Westfield House, 60 Charter Row, Sheffield S1 3FZ, Sheffield.North@Begbies-Traynor.com and Claire Elizabeth Dowson of Begbies Traynor (SY) LLP, 3rd Floor, Westfield House, 60 Charter Row, Sheffield, S1 3FZ Sheffield.North@Begbies-Traynor.com
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency (England and Wales) Rules 2016 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act); and  (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Act

## 2. STATUTORY INFORMATION

Name of Company:	Newburgh Precision Limited	
Trading name:	None	
Date of Incorporation:	16 January 2014	
Company registered number:	08847562	
Company registered office:	3rd Floor, Westfield House, 60 Charter Row, Sheffield, South Yorkshire S1 3FZ	
Former registered office:	Centurion Business Park, Bessemer Way, Rotherham, South Yorkshire S60 1FB	
Trading address:	Centurion Business Park, Bessemer Way, Rotherham, South Yorkshire S60 1FB	
Principal business activities:	Machining (SIC code: 25620)	
Directors and details of shares held in the Company (if any):	<b>Name</b>	<b>Shareholding</b>
	David Philip Greenan	-
	Matthew Edward Ernest Jewitt	-
	Christopher John Staves	-
	Lee Kevin David Townsend	-
	Daniel Gibbons (resigned 7/12/18)	-
	Vincent Samuel Middleton (resigned 7/12/18)	-
Company Secretary and details of the shares held in Company (if any):	<b>Name:</b>	<b>Shareholding</b>
	None recorded at Companies House	-
Accountants:	Haywood & Co, 24-26 Mansfield Road, Rotherham, South Yorkshire S60 2DT	
Share capital:	1 Ordinary share of £1	
Shareholders:	The Isaac Middleton Settlement – 1 Ordinary share	

### 3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Date of appointment:	22 January 2019
Date of resignation:	Not applicable
Court:	High Court of Justice, Business & Property Courts in Leeds
Court Case Number:	37 of 2019
Persons making appointment:	Christopher John Staves, David Philip Greenan, Matthew Edward Jewitt and Lee Kevin David Townsend, c/o Centurion Business Park, Bessemer Way, Rotherham, South Yorkshire S60 1FB as directors of the Company.
Acts of the administrators:	The joint administrators act as officers of the Court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
EU Regulation on Insolvency Proceedings:	Regulation (EU) No 2015/848 of the European Parliament and of the Council applies to these proceedings which are main proceedings' within the meaning of Article 3 of the Regulation.

#### STATUTORY PURPOSE OF ADMINISTRATION

Paragraph 3 of Schedule B1 to the Act provides as follows:

- "3 (1) The administrator of a company must perform his/her functions with the objective of-
- (a) rescuing the Company as a going concern, or
  - (b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration), or
  - (c) realising property in order to make a distribution to one or more secured or preferential creditors.
- (2) Subject to sub-paragraph (4), the administrator of a company must perform his/her functions in the interests of the Company's creditors as a whole.
- (3) The administrator must perform his/her functions with the objective specified in sub-paragraph (1)(a) unless he/she thinks either-
- (a) that it is not reasonably practicable to achieve that objective, or
  - (b) that the objective specified in sub-paragraph (1)(b) would achieve a better result for the Company's creditors as a whole.
- (4) The administrator may perform his/her functions with the objective specified in sub-paragraph (1)(c) only if-
- (a) he/she thinks that it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph (1)(a) and (b), and
  - (b) he/she does not unnecessarily harm the interests of the creditors of the Company as a whole."



## 4. CIRCUMSTANCES GIVING RISE TO OUR APPOINTMENT

### Background Information

The Company was incorporated in January 2014 and traded as a specialist precision engineer from a leasehold facility situated at Bessemer Way, Rotherham, South Yorkshire, S60 1FB.

The business was originally operated by Newburgh Engineering Co. Limited ("NECL") but was transferred to the Company in 2014 when the two divisions of NECL split. NECL retained the Bradwell, Peak District site which focussed on the nuclear power generation market with the Company taking the Rotherham site which, at the time, specialised in the oil and gas sectors.

NECL retained ownership of the Rotherham trading premises and the Company was granted a lease to remain in occupation. We understand that approximately a year ago, NECL sold the premises to the current landlord subject to the existing lease with the Company.

Shortly after the Company's incorporation, there was a severe drop in the price of oil and the Company's turnover dropped by approximately 60%. Significant losses were incurred and the Company therefore sought and received financial support from NECL.

In addition to receiving support from NECL, the Company obtained an invoice discounting facility from RBS Invoice Finance Limited ("RBSIF") in April 2014 and secured chattel mortgages from Lombard North Central Limited ("Lombard") on 9 April 2014 to assist with the purchase of essential plant and machinery.

In order to return the Company to profitability, the business diversified into alternative markets including defence and, more recently, nuclear. This diversification slowly started to have a positive impact on turnover and in 2017 a small profit was generated. To aid the Company's recovery, NECL agreed to write off £4,450,000 of the intercompany loan account balance in November 2017.

During 2018 the Company continued to see an increase in its turnover, but towards the end of the year the directors became concerned about the Company's ability to meet its ongoing liabilities as a result of increased supplier costs and a number of customers delaying pipeline work.

NECL entered into Administration on 19 October 2018 and subsequently moved into Creditors' Voluntary Liquidation on 23 January 2019. The Company is indebted to NECL in respect of the intercompany loan account, which is estimated to total approximately £1,362,214. Please note that the directors have advised that this is after the balance of £4,450,000 was written off in November 2017.

Following NECL's Administration the directors took professional advice and reviewed alternative sources of funding and restructuring options.

### The reasons for the Company's insolvency

As stated above, despite its earlier cash flow problems, the Company had taken steps to increase its turnover during early 2018. Unfortunately, due to increasing costs and delays in securing payments from customers, at the time of receiving our instruction on 10 December 2018, the Company had begun to suffer cash flow difficulties and had built up arrears with a number of trade creditors. A small number of creditors were aggressively chasing payment and had threatened to commence precipitous action against the Company.

The directors had received an offer of funding from The Isaac Middleton Settlement Trust ("TIMST") (the Company's shareholder and a connected party to a former director of the Company, Vincent Middleton) which would assist in alleviating short term cash flow pressure and allow the Company to

meet its liabilities through the traditional Christmas shut down period. The offer was conditional upon TIMST obtaining security over the unencumbered plant and machinery.

Having produced cash flow projections for 2019, which were reviewed in conjunction with Begbies Traynor (SY) LLP, the directors concluded that it was not in creditors' best interests to accept the funding offer from TIMST. The level of funding available would only have alleviated cash flow pressures for a short period of time and the business was projected to make further losses during January and February 2019. In addition, the level of funding available would not have been sufficient to enable the Company to make a viable offer to the administrators of NECL to settle the balance of the intercompany debt.

When taking into account the arrears that had accrued to the trade creditors, the projected future trading losses and the balance of the inter company loan, the Company was insolvent on both a cash flow and balance sheet basis. It could not discharge its liabilities as and when they fell due for payment and its liabilities significantly exceeded its assets.

It was therefore considered highly likely that the business would have failed even if the directors had chosen to proceed with the proposed finance offer from TIMST and that, in those circumstance, the return to creditors would have been significantly lower than what is currently projected to be available as a result of the sale, which has completed. This is on the basis that TIMST would have obtained security over the Company's unencumbered assets, thereby placing such assets out of reach of unsecured creditors should the funding and security have been entered into.

Without any other viable sources of finance, it was therefore agreed that the Company needed to enter into an insolvency procedure and the following options were considered:

#### **Company Voluntary Arrangement ("CVA")**

A CVA would only have been a viable option if sufficient funds could have been raised or set aside from future trading profits to enable an offer to be made to NECL's administrators which would have exceeded the value they could have extracted by commencing winding up proceedings against the Company. The directors did not believe that this would be possible as the cash flows produced did not forecast sufficient profits and a CVA would have restricted any funding options available to the business. In addition, the directors did not believe they would be able to maintain the existing customer base as, given the sectors the business operates within, it is unlikely that some key customers would have been able to trade with a company subject to a CVA.

#### **Creditors Voluntary Liquidation ("CVL")**

Had the Company proceeded into CVL it would have resulted in an immediate cessation of trade which would have materially impacted upon the level of realisations achieved in respect of the book debts and (as detailed below) the net proceeds from the sale of the chattel assets. In addition, a CVL would have resulted in the loss of 66 jobs, which would have led to preferential claims within the Liquidation of circa £90,000 and additional unsecured claims of £200,000.

With lower anticipated realisations and higher claims from both secured and preferential creditors, CVL was not considered the most appropriate option.

#### **Administration with a sale of the business following a period of trading**

Due to the nature of the Company's business, it was not anticipated that customers would have wished to continue to trade with the Company in administration. Should this have been the case, it was believed that the value of the business would have reduced and that increased difficulties would have been encountered in relation to the collection of the debtor ledger.

Notwithstanding the above, the cost of funding the administration trading period was anticipated to be significant.

Without a benefit to creditors being anticipated, trading the Company in administration was not deemed a feasible way forward.

#### **Administration with a sale of the business via a pre-packaged sale**

The directors believed that, with the right management and investment, the business could have a viable future. A pre-packaged sale would secure the ongoing employment of the Company's workforce and protect the value in the book debts without the costs and risks associated with a period of trading.

Such a sale was also anticipated to maximise realisation in relation to the Company's tangible assets.

#### **Administration with an orderly wind down of the business and a sale of the assets on a break up basis**

Having reviewed the valuations obtained for the business, an orderly wind down and a sale of the assets on a break up basis was considered to be the only viable alternative to a pre-packaged sale. However, due to the size of the plant and machinery assets held on site and the attachment of these machines to the trading premises, the length of time needed to secure a sale and remove these from site was estimated to be in the region of 90-180 days (depending on the size of the assets). The costs associated with this course of action were also anticipated to be of a level which would have been prohibitive.

An Estimated Outcome Statement ("EOS") was prepared which compared the level of return to creditors on both a going concern and break up basis. This was updated and reviewed throughout the pre-appointment period to ensure the best outcome was achieved. To assist creditors in understanding the merits of the sale, the anticipated return to unsecured creditors in a break-up and going concern scenarios were 3p in the £ and 19p in the £ respectively. However, creditors should be aware that these projections are indicative only at this stage and are subject to the quantum of agreed creditor claims and Administration costs.

As a result of the Company's insolvency, and the considerations set out above, the directors concluded that it was necessary for the Company to be placed into Administration. They further concluded that it was in the best interests of creditors as a whole for a purchaser of the business to be located. As such, the directors instructed Eddisons Commercial Limited ("Eddisons"), a party which is part of the Begbies Traynor Group and is therefore connected to Begbies Traynor (SY) LLP, to market the business for sale as a going concern.

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

The business employed 66 highly skilled staff and had a strong reputation within the precision engineering industry. It had a number of key customers who used the Company to manufacture vital components for the defence and nuclear sectors. There were limited alternative facilities available within the industry that could easily pick up and take on this work. The directors therefore believed that the business had a viable future with the right investment and wanted to secure a sale of the business if at all possible.

Eddisons were instructed to meet with the directors, review a valuation that had been undertaken by Hilco Valuation Services on behalf of the directors in November 2018, provide an updated valuation on an insolvency sale basis and provide their recommendations for a disposal strategy. Such a meeting took place on 12 December 2018.

Eddisons concurred with the directors thoughts on the future viability of the business but, given the sectors in which it operated, advised that it was considered unlikely that the customers would have

supported the marketing of the business whilst in administration. It was therefore concluded that agreeing a sale prior to Administration would secure the maximum return to creditors.

The Company's directors and management team were not shareholders in the Company and considered themselves employees with the title of director. When we were initially engaged to begin the marketing campaign they advised that, due to personal circumstances, they were not interested in formulating an offer to acquire the business and assets themselves but would work alongside the proposed administrators to try to secure the best possible offer and would be willing to continue working for a purchaser if they were asked to do so.

In conjunction with the directors and Eddisons, we compiled a list of all known potential interested parties, competitors and customers to target during the marketing period.

As the business was to be marketed for sale in such an open manner, and given the threats of precipitous action the Company had received from creditors, the directors decided to lodge a Notice of Intention to Appoint an Administrator ("NOI") to protect the Company during the marketing period. A first NOI was lodged on 12 December 2018. Due to the seasonal Christmas shutdown within the precision engineering sector, a second NOI was lodged on 29 December 2018 to continue the period of protection until the business (and the key interested parties) opened up again on 7 January 2019.

During the period the Company was protected, we worked with the directors to ensure that only essential payments were made and that, wherever possible, the creditors' positions remained the same. RBSIF allowed a draw down from the invoice discounting facility to facilitate the payment of December's salaries. We have worked with both RBSIF and the directors to monitor book debt receipts and maximise collections. When we were initially instructed, the Company's book debt ledger totalled £1,310,000 million, with £1,020,000 million due to RBSIF. A further review of the book debt collections was undertaken on 28 January 2019 and the ledger currently stands at £670,000, with £275,000 due to RBSIF.

Having reviewed the debtors' ledger, it was clear that a sale of the business and assets on a going concern basis would result in the maximum level of realisations (and the repayment of RBSIF) as the Company's customers would continue to receive an ongoing supply of goods and any remedial issues would be dealt with. During the marketing period we worked with the directors to engage with the customers and try to secure the early settlement of all outstanding balances.

Had the business entered into administration and then been marketed for sale, it was considered highly likely that the customers would have held off making any payments in respect of the outstanding debts until such point in time as we could advise that the ongoing supply of goods had been secured. The pre-packaged sale was therefore beneficial to creditors as a whole.

A large quantity of the Company's plant and machinery was subject to finance agreements. It was uncertain whether or not the finance companies would have allowed their assets to remain on site during a period of marketing post administration.

For all of the reasons highlighted above, it was decided that a transfer of the business and assets via pre-packaged sale would be the most appropriate strategy in these circumstances.

#### **Summary of interest received**

In response to the marketing campaign, we received 50 enquiries and Non Disclosure Agreements were sent to all. We received 29 signed NDA's and a Sales Pack was prepared and sent out to these parties.

Two of the Company's key customers expressed an interest in a joint venture with the existing Company but, due to time restrictions, they advised that it would not be possible for them to proceed within the required timeframe.

We received two offers for the Company's shares based on a nominal payment to the shareholder but neither of these were supported by funding or any deposit and were heavily reliant upon new credit facilities being obtained with security against the Company's unencumbered assets. Neither were considered serious offers as they would have resulted in a deterioration of the value in the business for creditors and were unlikely to be acceptable to either the secured creditors or the shareholder.

An offer for the business and assets of the Company in the sum of £250,000 was received from a third party but this fell well below the valuation of the assets and was therefore rejected.

At the end of the marketing period, no viable offer had been received and the directors therefore intimated that they may consider some form of a management buyout to ensure the survival of the business. The directors were introduced to 7 Legal & Finance Limited (specialist corporate financiers and legal advisers) to review whether or not it might be possible for them to obtain sufficient investment and funding to make an offer for the business.

An offer was subsequently received in the sum of £986,001, but it was rejected as the total level of realisations achieved would not have been sufficiently above break up value for Eddisons to be comfortable recommending that we proceed with a pre-packaged sale. A revised offer of £1,175,001 was received on the day the second NOI expired, but again, we rejected this as the value attributable to the unencumbered plant and machinery was not sufficient.

At this juncture, we recommended that the directors take steps to appoint administrators with a view to mothballing operations on site for one week under Administration to give the directors one last opportunity to formulate an acceptable offer. Failing which, we would have proceeded with a break up sale.

The directors advised that they were not willing to make the appointment on this basis.

We were subsequently approached by X-Cel Superturn Limited ("X-Cel Superturn") who intimated that they may be interested in all or part of the business but they would require the ongoing co-operation of the directors.

On their own, the directors were not able to put forward an offer at a sufficient level to justify a sale on a pre-packaged basis when compared to the estimated realisations on a break up basis. However, X-Cel Superturn contacted the directors and together they submitted a revised offer. After further negotiations, a final offer of £1,275,001 was received, which was £289,000 higher than the first offer submitted by the directors.

Having produced an EOS, and when taking into account the significant costs associated with a break up sale, the revised offer was projected to result in a substantially higher return to unsecured creditors. Eddisons therefore recommended that the offer be accepted.

We provided the RBS Group with a copy of the EOS and details of the revised offer. They too concurred with the decision to accept the offer and provided their consent to the transaction.

To facilitate the appointment of administrators and the completion of the sale, a third NOI was lodged on 14 January 2019. Whilst we would not normally agree to a third NOI being lodged, there was no alternative in these circumstances given the directors had failed to make the appointment within the period of the second NOI.

Joanne Louise Hammond and Claire Elizabeth Dowson were appointed as joint administrators of the Company on 22 January 2019. A sale of the business and assets of the Company to Ledantech Limited ("the Purchaser") completed immediately thereafter. We are advised that the Purchaser has subsequently changed its name to Vector X-Cel Limited with effect from 23 January 2019.

## 5. STATEMENT OF AFFAIRS

The Company's Finance Director, Christopher Staves, has provided a Statement of Affairs as at 22 January 2019 which is appended to this report at Appendix 2. We have not yet received Statements of Concurrence from the Company's other directors but these are expected shortly.

Our detailed comments on the Statement of Affairs are provided at Appendix 2.

## 6. THE ADMINISTRATION PERIOD

### ***Receipts and payments***

Attached at Appendix 1 is our account of receipts and payments from the commencement of Administration on 22 January 2019 to the date of this report. Creditors will note that, due to the relatively short period of time which has elapsed since our appointment, there are currently no transactions to report.

### ***Work undertaken by the joint administrators and their staff***

As detailed above, shortly following our appointment, the business and assets of the Company were sold to the Purchaser. Full details of the transaction were included in our notification to creditors in accordance with Statement of Insolvency Practice 16 ("SIP 16"). A further copy of the SIP 16 disclosure is appended to this report at Appendix 4.

The total sales consideration is £1,275,001.00, a breakdown of which is provided below:-

<b><u>Categories of Assets</u></b>	<b><u>Sum realised £</u></b>
Goodwill, IP & ancillaries	1
Assets subject to Lombard Finance Agreements	737,000
Chattel Assets	488,000
Stock and WIP	50,000
<b>Total</b>	<b>1,275,001</b>

Under the terms of the sale agreement, a 10% deposit of £127,500 was paid upon completion, with the balance being due for payment within 21 days. These funds are currently held by our solicitors, Irwin Mitchell LLP ("Irwin Mitchell"), and will be forwarded in due course.

We have retained title to all assets until the Purchaser has settled the sales consideration in full thereby preserving the break-up value of all assets in the event payment is not received as agreed.

We have also obtained an anti-embarrassment provision as part of the sale agreement, whereby the Purchaser will pay to the Company 50% of any profit made on the subsequent sale of the business and assets should it/they be sold on within six months of completion.

The Sale Agreement includes a clause requiring the Purchaser to undertake any remedial works required to secure the collection of the Company's book debts thereby maximising the level of realisations anticipated to be received.

In addition to the sale of the business and assets, the Purchaser was granted a six month licence to occupy the Company's trading premises whilst negotiations with the landlord to assign the lease were concluded. These negotiations have taken significantly less time than anticipated and the assignment of the lease to the Purchaser completed on 30 January 2019.

The Purchaser paid a licence fee equivalent to the anticipated rent for the period up to and including 28 February 2019 at completion. As a condition of the assignment, these funds have been remitted to the landlord with no further payments being due to the landlord from the Company.

All third party owned assets have been excluded from the sale to the Purchaser. We are advised that the Purchaser is in the process of agreeing to novate all finance agreements (with the exception of Lombard) and therefore these parties are not expected to submit a claim within the administration. We have received a small number of retention of title claims from the Company's suppliers. These are currently being assessed and, if they are accepted, the Purchaser will either need to make payment for the goods that remain on site or return these to the supplier.

As mentioned above, we have worked with RBSIF throughout our engagement to ensure the maximum level of realisations is achieved in respect of the debts. We continue to anticipate that RBSIF will be repaid in full shortly and, once they have been repaid and the remaining ledger is reassigned to the Company, we will engage our specialist debt recovery colleagues within BTG Advisory LLP (an entity within the Begbies Traynor Group) to pursue all outstanding balances for the benefit of the Company's unsecured creditors.

As at the date of our appointment, the Company had a cash at bank balance of approximately £37,024. We have written to the Company's bankers and await receipt of these funds.

In addition to the above, we have dealt with various statutory duties, including advertising their appointment in the London Gazette and sending notification of their appointment to the Registrar of Companies. A request has also been made for the Company's registered office to be changed to that of the office of the joint administrators.

## **7. ESTIMATED OUTCOME FOR CREDITORS**

The sums owed to creditors at the date of appointment as per the information provided by the Company on the date of our appointment are as follows:

### **Secured creditors**

The Company granted chattel mortgages to Lombard on 9 April 2014 which was delivered to the Registrar of Companies on 16 April 2014. This charge remains in place to cover any shortfall due to Lombard in respect of the current finance agreements. We understand that the approximate sum of £840,000 is due to Lombard.

The Company also granted a fixed and floating charge to RBSIF on 28 April 2014 which was delivered to the Registrar of Companies on 1 May 2014. This charge remains outstanding. RBSIF have advised that they are currently indebted to the sum of £275,000.

### **Preferential creditors**

The Director's Statement of Affairs has set out a small element of preferential creditors in relation to unpaid pension contributions. However, as the Company's employees have transferred to the Purchaser, we are liaising with the Purchaser regarding whether or not they intend to make this payment. In the event that the pensions contributions are not paid by the Purchaser, we anticipate preferential claims will total £16,054.

### **Unsecured creditors**

According to the Director's Statement of Affairs, unsecured creditor claims are anticipated to total £3,127,818.

Creditors should note that this only includes the sum of £1,362,214 in respect of NECL's claim and we understand that NECL's liquidators may be seeking to pursue a claim for the £4,450,000 which was subject to the previously mentioned debt write off in November 2017.

On the basis of realisations to date and estimated future realisations we estimate an outcome for each class of the Company's creditor as follows:

### **Secured creditors**

According to the information provided by the Company it is anticipated that Lombard will be repaid in full under its fixed chattel mortgages. Furthermore, according to present information, it is expected that any monies due to RBSIF will be settled from existing debtor ledger collections, which again will be caught under RBSIF's fixed charge.

### **Preferential creditors**

Should it transpire that the pension provider has a preferential claim, it is anticipated that this class of creditor will receive a distribution of 100p in the £ from the Administration or a subsequent Liquidation.

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

Section 176A of the Act provides that, where the company has created a floating charge on or after 15 September 2003, the administrator must make a *prescribed part* of the Company's *net property* available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured debts. *Net property* means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e. after accounting for preferential debts and the costs of realising the floating charge assets). The floating charge holder may not participate in the distribution of the prescribed part of the Company's net property. The *prescribed part of the Company's net property* is calculated by reference to a sliding scale as follows:

- ☐ 50% of the first £10,000 of *net property*;
- ☐ 20% of *net property* thereafter;
- ☐ Up to a maximum amount to be made available of £600,000

An administrator will not be required to set aside the *prescribed part of net property* if:

- ☐ the *net property* is less than £10,000 and the administrator thinks that the cost of distributing the *prescribed part* would be disproportionate to the benefit; (Section 176A(3)) or
- ☐ the administrator applies to the court for an order on the grounds that the cost of distributing the *prescribed part* would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A(5)).

Whilst RBSIF hold a post Enterprise Act debenture, which should therefore give rise to the Prescribed Part applying, RBSIF will be repaid in full under their fixed charge security. As such, the provisions of the Prescribed Part do not apply in this matter.

### **Unsecured Creditors**

Based on current information, we anticipate that there will be sufficient funds available to facilitate a dividend to unsecured creditors. This is likely to be following a move to Creditors' Voluntary Liquidation.

As detailed above, at the time we accepted the Purchaser's offer, we produced an EOS which showed an indicative return to unsecured creditors of 19p in the £. However, this is subject to agreement of creditor



claims, the level of NECL's claim and the costs of any subsequent Liquidation. We will provide a further update on the anticipated level of return to unsecured creditors in our next report.

#### **Effect of Administration on limitation periods under the Limitation Act 1980**

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

## **8. OUR PROPOSALS FOR ACHIEVING THE PURPOSE OF THE ADMINISTRATION**

### ***Purpose of the Administration***

We are required to set out our proposals for achieving the purpose of the Administration which in this context means one of the objectives specified in paragraph 3 of Schedule B1 to the Act as set out at section 3 of this report above.

For the reasons set out in this report, we presently consider that it is not reasonably practicable to achieve the objective specified in sub-paragraph 3(1)(a), of rescuing the company as a going concern. This is due to the extent of the Company's insolvency.

It is however anticipated that the objective of sub-paragraph 3(1)(b), of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without being in Administration) will be achieved. Due to the value of the sale of the business, which has been completed, it is anticipated that there will be sufficient funds to make a distribution to the Company's unsecured creditors and therefore, objective 3(1)(b) is the objective of the Administration.

Notwithstanding the above, it is anticipated that the objective specified in sub-paragraph 3(1)(c), of realising property in order to make a distribution to one or more secured or preferential creditors, will also be achieved as RBSIF will be repaid via the collection of the debtor ledger and Lombard will be repaid following the sale of assets subject to their chattel mortgage. Should a preferential claim be received, this will also be paid from the assets of the Company.

As previously stated, the business and assets were sold to the Purchaser shortly after the appointment of joint administrators. This sale was undertaken to maximise realisations for the assets which we believe would have otherwise been unrealisable. Furthermore, the sale of the business to the Purchaser has saved 66 jobs and prevented the need for substantial redundancy claims to be made from the National Insurance Fund.

It is anticipated that the level of realisations will allow for a distribution to be made to the Company's creditors and such realisations will be higher than had the Company been wound-up. Such actions are therefore synonymous with the objective of the Administration being achieved.

The joint administrators will oversee the works necessary but will, where appropriate, utilise members of their team to ensure that the works are completed by the appropriate level of staff.

In order for the purpose of the Administration to be fully achieved, we propose to remain in office as administrators in order to conclude the realisation of the Company's property and to undertake our statutory duties as administrators. In addition to our statutory duties, the principle matters to deal with in this respect are as follows:

- Monitoring realisations from the sale of the business and assets to the Purchaser;
- Implementing a break up sale strategy in the event that payment is not received from the Purchaser within the agreed 21 days;
- Monitoring the collection of the Company's book debts to secure the repayment of RBSIF;
- Liaising with Lombard in relation to their final claim in the administration and arranging for their indebtedness to be discharged;
- Liaising with the pension provider to determine whether or not a preferential claim is to be made in respect of the unpaid pension contributions;
- Liaising with creditors who purport to retain title to goods supplied to the Company and adjudicating on these claims;
- Liaising with the other finance companies and the Purchaser in relation to the novation of any residual finance agreements;
- Reviewing and responding to all creditor claims;
- Seeking and obtaining approval of the Proposals and connected resolutions; and
- Undertaking investigations into the Company's failure and the directors' conduct.

Following these events we propose to move the Company into Creditors' Voluntary Liquidation to facilitate the payment of a dividend to unsecured creditors.

#### ***Exit from Administration***

We are of the opinion that the total amount which each secured creditor of the Company is likely to receive will repay them in full and we do not currently anticipate receiving any preferential claims. As such, it is anticipated that a distribution will be made to the unsecured creditors of the Company which is not a distribution of the prescribed part<sup>[1]</sup>. Additionally, there may be matters for enquiry concerning a company's affairs which are not within the scope of an administrator's powers and which can only be properly dealt with by a liquidator.

When considering the most appropriate exit strategy, the Act and Rules specifically require us to provide the following information when an exit into Creditors' Voluntary Liquidation (CVL) is deemed to be most appropriate option:

- Details of the proposed liquidator(s);
- If applicable, where more than one liquidator is to be appointed, confirmation that the liquidators may act jointly and severally; and
- A statement confirming that the creditors may, before the Proposals are approved, nominate a different person(s) to act as liquidators.

Providing this information ensures that creditors are aware of the identity of the proposed liquidators and their ability to nominate their own alternative choice of liquidator should they wish to do so.

Ordinarily, we would propose our own appointment as joint liquidators. It is common practice for the same Licensed Insolvency Practitioners to act initially as administrators and subsequently as liquidators in circumstances such as these and we confirm that, having considered the particular circumstances of this case, we are satisfied that acting as joint liquidators would not result in our having a conflict of interest or would otherwise contravene the provisions of The Code of Ethics for Insolvency Practitioners.

However, having recognised that NECL hold the majority unsecured claim within the administration, we engaged with NECL's joint liquidators, Matthew Gibson and Kerry Bailey of BDO LLP ("the NECL Liquidators"), prior to issuing these proposals. Given the connection between the Company and NECL, the NECL Liquidators advised that, notwithstanding their appointment as liquidators of NECL, they were of the opinion that Licensed Insolvency Practitioners from BDO LLP acting as liquidators of both NECL and the Company would be in the interest of creditors of both companies. In particular, they indicated that they would expect overall costs to be reduced in these circumstances thereby enhancing the return to creditors.

Although we are entitled to propose our own appointment as joint liquidators, in view of our duty to act in the interests of all the Company's creditors, we have decided against doing so in order to avoid the estate incurring the costs associated with the convening and holding of a physical meeting of creditors, which would inevitably be sought by the NECL Liquidators where we proposed our own appointment. Recognising that NECL are the majority creditor within the administration, we have acceded to the NECL Liquidators' request that Kerry Bailey and Andrew Palmer be nominated to act as joint liquidators.

For the above reasons, it is proposed that the Company exits administration and proceeds into CVL with Kerry Bailey and Andrew Palmer of BDO LLP as joint liquidators.

In accordance with the Act and Rules, the move from administration to CVL can only take place when sufficient funds have been realised to either repay (or set aside to repay) the liabilities due to the Company's secured creditors in full (and also where the administrators think that a distribution will be made to the unsecured creditors of the Company, other than a distribution of the prescribed part). Creditors will note from our proposals (see Section 7) that unless and until the balance of the sales consideration is received in full, there will not be sufficient funds held within the administration to achieve this. We are therefore proposing two alternative timeframes for the Company moving into CVL:

1. In the event that the sales consideration is received as anticipated (within 21 days of completion of the sale), the Company will move into CVL within four months of our appointment (on or before 21 May 2019). This will allow sufficient time for us to definitively conclude that RBSIF will be repaid in full through the collection of the book debts, to agree and discharge the claim of Lombard and to comply with our statutory duty to investigate the directors' conduct and submit our report to The Insolvency Service.
2. In circumstances where the sales consideration is not received within 21 days of our appointment and where we therefore have to proceed with a sale of the assets on a break-up basis, the Company will move into CVL within eight months of our appointment (on or before 21 September 2019). Creditors will note from our SIP 16 disclosure that all three firms of professional valuers involved in the transaction have indicated that, given the size and nature of the plant and machinery held on site, a 180 day period would be required to ensure the marketing, sale and removal of all assets in a break-up scenario. The proposed period of administration would allow sufficient time to conclude the sale of the assets, discharge the secured creditor's claim and agree removal costs with the Company's landlord.

It is proposed that for the purpose of the winding up, any act required or authorised under any enactment to be done by the joint liquidators is to be done by all or any one or more of the persons for the time being holding office.

As soon as we are satisfied that we have fully discharged our duties as joint administrators and that the purpose of the Administration has been fully achieved, we propose to deliver a notice of moving from administration to creditors' voluntary liquidation to the Registrar of Companies. Upon the registration of such notice, our appointment as joint administrators shall cease to have effect and the Company will automatically be placed into Liquidation.

In circumstances where we consider that the conditions set out in Paragraph 83 of Schedule B1 to the Act cannot be satisfied, and a move to CVL is no longer appropriate, we will apply to court in accordance with Paragraph 79 of Schedule B1 to the Act to bring the administration to an end and to seek the compulsory winding up of the Company. Given the stance of the NECL Liquidators, we would not seek our own appointment as liquidators in such circumstances.

## 9. PRE-ADMINISTRATION COSTS

In the period before the Company entered Administration, we carried out work consisting of advising the Company on the most expedient route to place the company into Administration, entering into negotiations with interested parties, most notably, the Purchaser in relation to the sale of the business and assets and liaising with Eddisons and Irwin Mitchell to agree the proposed sale ("the Work"). We also reviewed the

Company's cash flow projections, liaised with key stakeholders, monitored essential payments and oversaw the collection of the Company's debts.

The Work was carried out pursuant to an agreement made between us and the Company's directors entered into on 10 December 2018 ("the Agreement"). The Agreement provides for the payment of our fees and the discharge of expenses incurred by us (collectively referred to as "the pre-Administration costs") in carrying out the Work.

The Work was carried out before the Company entered Administration because it was anticipated that a sale of the business as a going concern would provide for maximum realisations when compared to realisations on a break-up basis. For these reasons we consider that the Work has furthered the achievement of the objective of Administration being pursued, namely achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration). The pre-Administration costs are broken down as follows:

Description	Name of recipient	Net amount £	VAT £	Gross amount £
Our fees in relation to the Work	Begbies Traynor (SY) LLP	70,010.00	14,002.00	84,012.00
Legal costs	Irwin Mitchell	23,301.00	4,660.20	27,961.20
Legal disbursements	Irwin Mitchell	205.70	41.14	246.84
Agents fees: <i>Eddisons are a part of the Begbies Traynor Group and are therefore connected to Begbies Traynor (SY) LLP. Eddisons valued the company's assets and marketed the business for sale prior to our appointment.</i>	Eddisons	2,500.00	500.00	3,000.00
<b>TOTAL PRE-ADMINISTRATION COSTS</b>		<b>96,016.70</b>	<b>19,203.34</b>	<b>115,220.04</b>

N.B. The VAT element of these costs will be reclaimed for the benefit of the Administration estate.

The pre-Administration costs are unpaid and we are seeking that they be paid as an expense of the Administration. Approval to discharge such costs ("the unpaid pre-Administration costs") as an expense is required from the creditors' committee, or in the absence of a committee, or if the committee does not make a determination, by seeking decisions of creditors.

In order to provide sufficient information to consider approval of the payment of the unpaid pre-Administration costs, a pre-Administration time costs analysis and a pre-administration time costs summary appear at Appendix 3. These show the number of hours spent by each grade of staff involved in the case and give the average hourly rate charged. They also provide an explanation of the work undertaken prior to our appointment.

## 10. REMUNERATION AND DISBURSEMENTS

### **Remuneration**

We propose that the basis of our remuneration be fixed under Rule 18.16 of the Rules by reference to the time properly given by us and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (SY) LLP for attending to matters as set out in the fees.

It is for the creditors' committee to approve the basis of our remuneration under Rule 18.18 of the Rules, but if no such committee is appointed it will be for the creditors to determine. We intend to deal with this by seeking decisions of creditors via a decision procedure. Appendix 3 sets out our firm's hourly charge out rates, our fees estimate and the time that we and our staff have spent in attending to matters arising in the administration since 22 January 2019.

### **Disbursements**

We propose that disbursements for services provided by our firm and/or entities within the Begbies Traynor group, be charged in accordance with our firm's policy, details of which are set out at Appendix 3. These disbursements will be identified by us and will be payable subject to the approval of those responsible for determining the basis of our remuneration.

### **Estimate of expenses**

We are required by the Rules to provide creditors with details of the expenses that we consider will be, or are likely to be, incurred in the course of the administration. This information also appears at Appendix 3.

## **11. OTHER INFORMATION TO ASSIST CREDITORS**

### **Report on the conduct of directors**

Given the short period of time that has passed since our appointment, we have a statutory duty to investigate the conduct of the directors and any person we consider to be or have been a shadow or de facto director during the period of three years before the date of our appointment, in relation to their management of the affairs of the Company and the causes of its failure. We are obliged to submit confidential reports to the Department for Business, Energy and Industrial Strategy.

As joint administrators of the Company we are required by best practice guidance to make enquiries of creditors as to whether they wish to raise any concerns regarding the way in which the Company's business was conducted prior to the commencement of the administration, or wish to bring to our attention any potential recoveries for the estate. If you would like to bring any such issues to our attention please do so in writing to the address detailed at Section 1 of this report. This request for information is standard practice and does not imply any criticism or cause of action against any person concerned in the management of the Company's affairs.

### **Investigations carried out to date**

Given the short period of time that has passed since our appointment, we have not yet undertaken an initial assessment of possible actions in relation to the manner in which the business was conducted prior to the administration of the Company and potential recoveries for the estate in this respect. As such, we are not currently able to determine the full scope of such investigations and the likely impact on the time required to be spent in dealing with the same.

### **Connected party transactions**

Full details of the sale of the business and assets can be found in our SIP 16 disclosure which is appended at Appendix 4.

The Purchaser is connected to the Company as Christopher John Staves. David Phillip Greenan and Lee Kevin David Townsend are directors of the Company and also directors and shareholders of the Purchaser

### **Deemed delivery**

These proposals will be deemed to have been delivered on 4 February 2019.

### **Use of personal information**

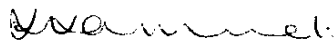
Please note that in the course of discharging our statutory duties as joint administrators, we may need to access and use personal data, being information from which a living person can be identified. Where this is necessary, we are required to comply with data protection legislation. If you are an individual and you would like further information about your rights in relation to our use of your personal data, you can access the

same at <https://www.begbies-traynorgroup.com/privacy-notice> If you require a hard copy of the information, please do not hesitate to contact us.

## 12. CONCLUSION

We consider that the Company has sufficient property to enable a distribution to the unsecured creditors and we are, therefore, required to seek a decision from the Company's creditors as to whether they approve our proposals. This decision will be sought via a decision procedure and a notice of the decision sought accompanies this document.

Unless 10% in value of the Company's creditors object to the approval of our proposals via a decision procedure, then the creditors will be treated as having made the proposed decision to approve our proposals. Subject to the approval of our proposals, we will report on the progress of the Administration again approximately six months after the commencement of the Administration, or at the conclusion of the Administration, whichever is the sooner.



**Joanne Louise Hammond**  
**Joint Administrator**

Date: 31 January 2019

## **ACCOUNT OF RECEIPTS AND PAYMENTS**

**22 January 2019 to 31 January 2019**

**Newburgh Precision Limited**  
**(In Administration)**  
**Joint Administrators' Summary of Receipts & Payments**  
**To 31/01/2019**

S of A £		£	£
	<b>SECURED ASSETS</b>		
200,500.00	Plant & Machinery	NIL	
642,400.00	Book Debts	NIL	
(370,000.00)	RBS Invoice Finance	NIL	
			NIL
	<b>HIRE PURCHASE</b>		
540,600.00	Various Plant & Machinery	NIL	
(845,846.00)	Lombard North Central	NIL	
10,000.00	Aberlink Co-ordinate Measuring Machi	NIL	
(13,087.00)	Aldermore Bank plc	NIL	
11,100.00	Fiat Ducato (VRN: BW18 MXO)	NIL	
(16,770.00)	CNH Industrial Capital Europe Limited	NIL	
			NIL
	<b>ASSET REALISATIONS</b>		
336,800.00	Plant & Machinery	NIL	
20,500.00	Warehouse Eq'pment & Mechanical H	NIL	
50,000.00	Stock/WIP	NIL	
37,024.00	Cash at Bank	NIL	
			NIL
	<b>UNSECURED CREDITORS</b>		
(46.74)	Trade Creditors	NIL	
			NIL
	<b>DISTRIBUTIONS</b>		
(1.00)	Ordinary Shareholders	NIL	
			NIL
<b>603,173.26</b>			<b>NIL</b>
	<b>REPRESENTED BY</b>		
			<b>NIL</b>

*Joanne Louise Hammond*

Joanne Louise Hammond  
Joint Administrator



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**DIRECTORS' STATEMENT OF AFFAIRS AS AT 22  
JANUARY 2019**

Rule 3.29

## Notice requiring statement of affairs

Name of Company:  
Newburgh Precision Limited

Company number:  
08847562

In the:  
High Court of Justice Business &  
Property Courts in Leeds

[full name of court]

Court case number:  
1350 of 2018

This notice is given in accordance with paragraph 47(1) of Schedule B1 of the Insolvency Act 1986 and Rule 3.29 of the Insolvency (England and Wales) Rules 2016.

(a) Insert full name of each  
person required to submit  
statement

The Administrators require a statement of affairs to be prepared and submitted by (a)

**Christopher John Staves, David Philip Greenan, Matthew Edward Jewitt,  
Lee Kevin David Townsend**

(b) Insert full name of company

as to the affairs of (b) Newburgh Precision Limited ("the company").

(c) Insert full name and  
address of each person sent  
this notice

A notice requiring submission of a statement of affairs has been delivered to each of the following persons:

(c) Christopher John Staves, Booths Cottage, Sheffield Road, Hathersage, Hope Valley, Derbyshire, S32 1DA

David Philip Greenan, 69 Castleton Road, Hope, Hope Valley, Derbyshire, S33 6SB

Matthew Edward Ernest Jewitt, 12 Grange Road, Sheffield, S11 8FW

Lee Kevin David Townsend, 14 Dale Crescent, Hathersage, Hope Valley, Derbyshire, S32 1AP

(d) Insert name of  
administrator(s)

The statement of affairs must be submitted within 11 days of receipt of this notice to (d) Joanne Louise Hammond and Claire Elizabeth Dowson ("the administrators")

(e) Insert full address

at (e) Begbies Traynor (SY) LLP, 3rd Floor, Westfield House, 60 Charter Row Sheffield S1 3FZ, or by e-mail to [Sheffield.North@Begbies-Traynor.com](mailto:Sheffield.North@Begbies-Traynor.com) The Administrators can be contacted by telephone on 0114 275 5033

Signed:

Joanne Louise Hammond  
Joint Administrator

Name in BLOCK LETTERS: JOANNE LOUISE HAMMOND

Dated: 23 January 2019

## WARNING

It is an offence under paragraph 48(4) of Schedule B1 to the Insolvency Act 1986 if you fail without reasonable excuse to comply with this requirement.

(f) Delete words in brackets if not applicable

Section 235 of the Insolvency Act 1986 places a duty on you (f) (as an officer of the company) to provide the administrator with information and attend upon him if required. I have to warn you that failure to submit the statement of affairs as required by this notice, or to co-operate with the administrator under section 235 of the Insolvency Act 1986, may make you liable to a fine and, for continued contravention, to a daily default fine.

Under paragraph 10 of Schedule 1 to the Company Directors Disqualification Act 1986 failure to submit a statement of affairs or to co-operate with the administrator under section 235 of the Insolvency Act 1986 are matters which may be taken into account by the court in determining whether a person is unfit to be an officer of or to be involved in the management of a company. Unfit conduct may result in a disqualification under the Company Directors Disqualification Act 1986.

### Note:

Forms for the preparation of the statement of affairs are enclosed in compliance with Rule 3.30. Under Rule 3.34 expenses incurred in making the statement of affairs which the administrator considers to be reasonable can be claimed out of the company's assets.

Yours faithfully,

John A. [Signature]  
Administrator

10/10/10

10/10/10

10/10/10

1

## Statement of affairs

Name of Company:  
Newburgh Precision Limited

Company number:  
08847562

In the:  
High Court of Justice Business &  
Property Courts in Leeds  
[full name of court]

Court case number:  
1350 of 2018

(a) Insert name and address  
of registered office of the  
Company

Statement as to the affairs of (a) Newburgh Precision Limited, Centurion Business Park,  
Bessemer Way, Rotherham, South Yorkshire, S60 1FB

(b) Insert date

on the (b) 22 January 2019, the date that the company entered administration.

### Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement  
of the affairs of the above named company as at (b) 22 January 2019, the date that the  
company entered administration.

Full name:

CHRISTOPHER JOHN STAVEY

Signed:



Dated:

29/01/2019

# A – Summary of Assets

## Assets

Assets subject to fixed charge:

	Book Value £	Estimated to Realise £
BOOK DEBTS	803 000	642 400
RBS I. F.	(370 000)	(370 000)
SURPLUS TO FLOATING CHARGE		272 400
ASSETS SUBJECT TO LOMBARD FINANCE	1023563	737 000
ASSETS SUBJECT TO LOMBARD CHATTEL MORTGAGE	291418	180 560
		917 560
		(837 000)
		80 560

Assets subject to floating charge:

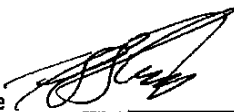
BANK BALANCE	37024	37024
B/D BOOK DEBT SURPLUS		272 400
B/D P & M SURPLUS		80 560
PLANT & EQUIPMENT	787617	307 440
OFFICE EQUIPMENT	75002	NIL
STOCK	147409	50 000
WIP	243065	

Uncharged assets:

Estimated total assets available for preferential creditors

747 424

Signature



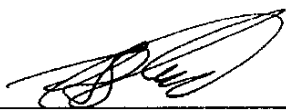
Date

29/01/2019

## A1 – Summary of Liabilities

		Estimated to realise £
<b>Estimated total assets available for preferential creditors (carried from page A)</b>	£	747 424
<b>Liabilities</b>	£	
Preferential creditors:-	16054	16054
<b>Estimated deficiency/surplus as regards preferential creditors</b>	£	731 370
Estimated prescribed part of net property where applicable (to carry forward)	£	149 274
<b>Estimated total assets available for floating charge holders</b>	£	582 096
Debts secured by floating charges	£	NIL
<b>Estimated deficiency/surplus of assets after floating charges</b>	£	582 096
Estimated prescribed part of net property where applicable (brought down)	£	149 274
<b>Total assets available to unsecured creditors</b>	£	731 370
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	£	3143 872 (3143 872)
Employees/ex employees count =		
Consumer creditors count =		
<b>Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)</b>	£	(2412 502)
Shortfall to floating charge holders (brought down)	£	NIL
<b>Estimated deficiency/surplus as regards creditors</b>	£	(2412 502)
Issued and called up capital	£ 1.00	
<b>Estimated total deficiency/surplus as regards members</b>		(2412 502)

Signature



Date

29/01/2019

# COMPANY TRADE CREDITORS

**Note:** You must include all creditors and identify all creditors under hire-purchase, chattel leasing or conditional sale agreements and customers claiming amounts paid in advance of the supply of goods or services and creditors claiming retention of title over property in the company's possession.

Name of creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
TRADE CREDITORS	AS PER DETAILED CREDITORS LIST	1015993	NONE KNOWN		
HMRC VAT		91029	—		
HMRC PAYE		139614	—		
LOMBARD		832218	FIXED CHARGE		
G E OIL & GAS	OPUNIT SSUK PO BOX 201 1550 BUDAPEST.	75914	—		
ROYAL LONDON PENSION		16054	—		
HORE VALLEY INDUSTRIAL LTD		287000	—		
HORE VALLEY IDENTICAL LTD		140000	—		
NEWBURN ENGINEERING LTD		1362214	—		
		16054			
Employees/ex-employees (insert number of)	c/o 66 EMPLOYEES ROYAL LONDON DECEMBER PENSION.	Insert global amount	TOTAL 3976090		

Signature

Date 28/01/19

**Note:** Although the total number of ex employees/employees and their global amounts outstanding to them are detailed in the main list of creditors, the specific information in relation to these creditors must be included in this schedule.

Signature \_\_\_\_\_ Date 28/01/2019



[illegible]

*[Signature]*

COMPANY SHAREHOLDERS

Name of Shareholder	Address (with postcode)	No. of shares held	Nominal Value	Details of Shares held
ISAAC MIDDLETON SETTLEMENT	NEWBURNISH SATEHOUSE, NETHERSIDES BRADWELL, HOPE VALLEY, S33 9JL	1	1.00	100% OF ORDINARY SHARES
TOTALS		1	1.00	



Signature \_\_\_\_\_ Date 24/01/2019.

# Purchase Ledger Aged Creditors Report (Summary)

Date 28/01/2019  
Time 15:06:53

Age Against: Calendar Months		Ageing Date: 28/01/2019		Retrospective: No				
Account		Date Last Tran	Total	Current	1 month	2 months	3 months	4 months +
AB024	Abbey Forged Products Ltd	03/12/2018	92,764.80			45,804.00	2,379.60	44,581.20
AJ002	Air Accessories (Sheffield) Ltd	28/01/2019	875.57	410.09	465.48			
AJ002	AJS Profiles	19/12/2018	3,822.80		90.00	165.60	72.00	3,295.20
AJ004	AJM Engineering Ltd	10/10/2018	3,264.00					3,264.00
AL060	Alatas Crane Services UK Ltd	19/12/2018	26,641.96		1,138.99	5,826.66	19,676.31	
AM012	AMB Stainless & Non Ferrous	13/09/2018	825.60					825.60
AR002	Arbor-eco Services	12/12/2018	560.00			560.00		
AR011	Arco (Manchester)	19/12/2018	125.77		62.24	63.53		
AR019	Surface Technology	22/01/2019	2,000.00	2,841.60	-841.60			
AS001	H Askey Transport	19/12/2018	984.00		492.00	492.00		
AS020	Ascento JGW Training	27/09/2018	2,160.00					2,160.00
AS033	Asquith Butler Ltd	09/01/2019	42,820.04		5,738.52			37,081.52
AS044	ASG Seals Ltd	17/09/2018	-41.10					-41.10
AU026	Autorama Group	28/01/2019	66.12	66.13				-0.01
BE002	Bedestone Ltd	20/12/2018	8,271.80		3,825.00		4,446.60	
BE080	Berendsen	14/11/2017	515.70					515.70
BL001	Blue Strawberry Elephant	03/12/2018	1,074.00			411.00		663.00
BM003	BMG Technologies Ltd	02/10/2018	291.60					291.60
BO001	BOC Gases Ltd	28/01/2019	1,807.02	235.20	510.42	1,061.40		
BR019	Bristol Metal Spraying & Protective Coatin	11/12/2018	4,368.00			1,665.60	2,702.40	
BR033	British Telecom	22/01/2019	3,233.83	1,623.42	1,610.41			
BR074	Broadblast Ltd	19/11/2018	216.00			216.00		
BR090	Bryt Energy Ltd	28/01/2019	39,403.29	15,570.32	23,832.97			
BS004	BSI Standard Ltd	28/01/2019		-325.20				325.20
CA078	Caledonian Machine Tools Ltd	09/01/2019	3,924.00		3,924.00			
CH005	Chem-Jet Ltd	11/10/2018	1,840.83				390.68	1,450.15
CH010	Chris Bennett (Heavy Haulage) Ltd	09/01/2019	300.00		300.00			
CH059	Chemodex Ltd	06/12/2018	174.00			174.00		
CI015	City Seals & Bearings Ltd	28/01/2019	154.92	146.52	8.40			
CL002	CLE Electrical Wholesale Ltd	21/12/2018	608.22		384.98	223.24		
CO001	Cognitive Publishing Ltd	13/09/2018	1,416.00					1,416.00
CO004	Coolair Services Limited	19/12/2018	576.00		576.00			
CO025	Cordstrap Ltd	29/08/2018	218.47					218.47
CO027	Constant Security Services	10/01/2019	1,020.00		420.00	330.00	180.00	90.00
CO095	Colour Anodising Ltd	14/11/2018	2,722.20				645.00	2,077.20
CQ001	CQ Strategic Marketing Ltd	23/11/2018	88.80			45.60	43.20	
CR004	Cromwell Tools Group	28/01/2019	7,647.82	483.04	1,392.62	2,606.94	1,398.46	1,766.76
CR047	Crown Labels	25/07/2018	326.41					326.41
DA034	Charles Day (Steels) Ltd	02/01/2019	17,917.20		8,816.40	9,100.80		
DA043	Data Plastics Ltd	15/11/2018	164.60			164.60		
DA056	Dacol Engineering Ltd	05/12/2018	9,886.14					9,886.14
DE099	Debit Card Purchases	28/01/2019	-20.30	88.18	-6.00	-119.28		16.80
DO006	Don Valley Packaging	09/01/2018	1,368.00					1,368.00
E3001	E3 Recruitment (UK) Ltd	25/10/2017	7,637.76					7,637.76
EL001	Elevation Recruitment Ltd	15/11/2018	4,800.00			4,800.00		
EL003	Element Materials Technology	06/11/2018	150.00				150.00	
EL045	Elite Cleaning & Env Ltd	06/06/2018	2,136.00					2,136.00
EM001	Emuge Franken UK Ltd	28/01/2019	6,578.79	458.71	1,360.32	2,293.90	1,105.07	1,360.79
EN034	Energy Alloys UK Ltd	05/12/2018	13,023.60				13,023.60	
EP003	E.P. Laboratories	29/08/2018	202.31					202.31
ER001	Eriks Industrial Services Ltd (WYKO)	11/10/2018	42.54				42.54	
ES005	E S P Laser Cutting Ltd	20/09/2018	198.24					198.24
EX002	Element Materials Technology Aerospace	08/11/2018	864.00				864.00	
FA002	Fanuc UK Ltd	02/01/2019	900.00		420.00			480.00
FI041	Rochling Fibracore Ltd	31/10/2018	4,468.13				2,140.13	2,328.00
FR001	Franklin & Co Solicitors	28/01/2019	2,703.80	2,703.80				
FR003	Fronius UK Ltd	19/12/2018	756.00		756.00			
FU001	Fumex Ltd	28/01/2019	291.60	144.00	147.60			
GA004	Gapi Ltd	03/09/2018						
GD001	GD Machinery Ltd	28/01/2019	2,550.00	408.00	408.00	408.00	408.00	918.00

Account		Date Last Tran	Total	Current	1 month	2 months	3 months	4 months
H2001	H2M Engineering Ltd	19/12/2018	2,340.00		2,340.00			
HA004	Hamlin Knight Ltd	15/11/2018	3,312.00			3,312.00		
HA050	Harley Haulage (Sheffield) Ltd	28/01/2019	8,508.00	108.00	948.00	2,052.00		5,400.00
HE054	Heiler Machine Tools Ltd	19/12/2018	7,404.95		3,187.87	3,880.22	336.86	
HI020	Highlander Computing Solutions Ltd	25/01/2019	8,855.04	620.54	543.62	1,542.52	5,074.58	1,073.78
HI038	Hillsborough Steelstock Ltd	11/12/2018	-388.50		-388.50			
HO064	Howco Group Plc	04/01/2019	11,875.78		-722.62	12,398.40		
HY020	Hygienic Plastics Ltd	14/11/2018	1,247.87			122.28	1,125.59	
IN014	Intertek Certification Ltd	08/10/2018	2,851.73					2,851.73
IR010	Irwin Mitchell Solicitors	09/01/2019	4,920.00		4,920.00			
IS003	Iscar Tools Ltd	28/01/2019	8,729.63	1,262.63	2,892.03	4,574.97		
JA012	Jacquet UK Ltd	02/01/2019	52,578.71		19,831.80	7,080.00	17,467.20	8,199.71
JJ001	JJ CASTINGS INVESTMENTS (HEAT TR	03/12/2018	8,629.80			6,629.80		
JO004	Johnson & Allen Ltd	03/12/2018	814.20			598.80		215.40
JO005	Johnsons Apparel Master Ltd	04/01/2019	1,278.91		1,278.91			
KO002	Kontroltek Ltd	19/12/2018	3,705.30		1,788.60	612.30	1,304.40	
KY002	Kyocera Unimerco Tooling Ltd	04/01/2019	58,278.09		9,039.04	18,031.12	15,559.26	15,846.67
LA070	Lasermark Services	28/09/2018	328.50					328.50
LE057	Lee Products Limited	10/10/2018	15,457.69				14,783.95	673.74
LI001	Lifting Gear Products	19/12/2018	39.74		39.74			
LI028	Lightowler Ltd	25/01/2019	14,701.29	2,044.65	2,290.48	2,078.56	2,078.56	6,209.04
MA015	Marcote (UK)	22/01/2019	2,766.00	1,416.00		1,350.00		
MA025	Machine Code Engineering Ltd	04/10/2018	2,334.00					2,334.00
MA049	Maher Ltd	06/12/2018	313.50			313.50		
MA095	Macom (UK) Ltd	23/11/2018	768.00			354.00	414.00	
ME045	Mewa Textil Management BV	10/01/2019	394.52		109.60	137.00	109.60	38.32
MI029	Microbore Tooling Systems Ltd	19/12/2018	505.29		105.98	204.78		194.53
MP001	The MPA Group Ltd	04/12/2018	4,388.46			4,388.46		
MS001	M & S Boxes & Packaging Ltd	06/12/2018	5,297.51			2,742.18	2,555.33	
MS007	MSA Foams Ltd	07/11/2018	1,600.99					1,600.99
MU001	Mudfords	31/10/2018	18.00				18.00	
NA019	Natwest Commercial Cards	02/01/2019	-3,245.71		-3,245.71			
ND002	NDI Ltd	08/11/2018	300.00				300.00	
ND004	NDT Consultants Ltd	06/12/2018	214.80			214.80		
NE030	Neopost Ltd	28/01/2019	458.67	1.10	10.82	446.75		
NE038	Neu-Servo Repairs Ltd	04/12/2018	5,544.00			1,128.00		4,416.00
NE040	Network Leasoplan	25/01/2019	4,954.82	2,070.07	2,468.41	416.34		
NE041	Neutronics NE Ltd	04/10/2018	1,965.60					1,965.60
NF001	NFU Mutual	28/01/2019	1,008.84	1,008.84				
NI008	Nikken Kosakusho Europe Limited	29/11/2018	154.80			154.80		
NI018	Nissan Finance	28/01/2019	2,142.44	1,070.84	535.80	535.80		
NQ001	NQA Certification	03/12/2018	3,836.80			2,726.80		1,110.00
NU002	Nutech Machinery Services	19/10/2018	751.80				751.80	
NY002	Nylaplas Engineering Ltd	28/09/2018	8,352.75					8,352.75
OC001	Oceanscan Ltd	04/12/2018	240.00			240.00		
OE001	Oemeta UK Ltd	19/12/2018	12,397.44		3,118.58	2,878.56	8,400.32	
OF006	Offshore Europe Partnership	22/01/2019	4,536.00	4,536.00				
ON005	On Route Fuel Cards	28/01/2019	2,475.87	1,121.25	1,354.62			
OU002	O2 (UK) Ltd	04/01/2019	1,132.07		1,132.07			
PE002	Pennine Lubricants	21/12/2018	1,342.50		792.24		104.40	445.86
PL004	Planit Software Ltd	26/09/2018	5,232.60					5,232.60
PL008	PLP Lift Trucks Ltd	10/01/2019	1,934.40		1,344.00		22.80	567.60
PR001	Progressive Safety Footwear	19/12/2018	369.39		154.21	63.04	152.14	
PR003	Print Works (Sheffield) Ltd	10/12/2018	148.00			148.00		
PR019	ProActive	03/12/2018	415.84			-404.14		819.98
QU008	Quality Heat Treatments Limited	10/09/2018	129.60					129.60
QU011	Quality Control Technology	11/10/2018	660.00				660.00	
RA002	Richard Austin Alloys	19/10/2018	991.20				991.20	
RE004	Rentokil Ltd	20/12/2018	213.74		213.74			
RE020	Reed Online Ltd	22/01/2019	493.20	164.40	164.40	164.40		
RI015	Rivermore Asset Finance Ltd	28/01/2019	339.30	339.30				
RI033	Ricoh Copiers (ex NR001)	19/12/2018	1,175.08		820.36	354.72		
RM001	R & M Bearings International	20/09/2018						
RO001	C Roberts Steel Services Ltd.	14/11/2018	562.75			81.60	329.35	151.80
RO003	Rope & Sling Specialists Ltd	19/12/2018	1,548.77		330.00	289.78	897.17	-31.82
RO011	Rother Gas Company	06/08/2018	-14.02					-14.02

Account		Date Last Tran	Total	Current	1 month	2 months	3 months	4 months +
RO031	Neville Roe Industries Ltd	22/01/2019	6,456.00	3,456.00	1,608.00	1,392.00		
RO082	Rotherham Waste Oils Ltd	12/12/2018	1,716.00			1,716.00		
RO064	Rotherham Metropolitan Council	28/01/2019	34,818.00	11,606.00	11,606.00	11,606.00		
RS001	R S Components Limited	03/12/2018	303.12			23.69	279.43	
SA001	Sandvik Coromant UK	19/12/2018	5,255.96		848.48	1,955.05	2,452.43	
SA004	Savills (UK) Ltd	19/12/2018	122,779.84		115,080.00			7,699.84
SC001	Scattergood & Johnson Ltd	05/12/2018	32.83			32.83		
SC006	ScanTech Inspection Services	16/11/2018	1,296.00			432.00	432.00	432.00
SE006	Search William G (Sheffield) Ltd	03/12/2018	2,754.73			407.42		2,347.31
SF001	SFC Europe	10/10/2018	684.00				684.00	
SH008	Sheffield Deep Bore Ltd	06/11/2018	11,637.14				11,637.14	
SH054	Sherwood Truck & Van Ltd	05/12/2018	431.56			10.02	421.54	
SH073	Shepherds Distribution Services	10/01/2019	731.23		366.00	305.39	59.84	
SH080	Sheffield Catering Supplies Ltd	03/12/2018	187.98			142.98		45.00
SI020	Sizer Ltd	06/12/2018	8,325.00			7,725.60	599.40	
SI030	Silchrome Plating Ltd	02/01/2019	1,707.26		1,707.26			
SI035	Signature Branding Ltd	19/09/2018	804.00					804.00
SO005	Softcat Ltd	04/01/2019	133.74		33.70	33.70	33.17	33.17
SP001	Speedy Freight	21/12/2018	900.00		900.00			
SP002	Special Testing Limited	24/07/2018	-234.00					-234.00
SP013	Spectrum Welding Supplies Ltd	06/09/2018	404.56					404.56
SP033	Special Steel Co. Ltd.	19/10/2018	180.00				180.00	
SQ001	Squire Patton Boggs (UK) LLP	19/12/2018	7,810.46		7,810.46			
SS001	SS Systems Limited	05/12/2018	351.02			351.02		
ST001	Steel City Bearings	10/12/2018	421.20			396.00		25.20
ST012	Starrag UK Ltd	02/01/2019	8,000.86		4,115.52		3,885.34	
ST099	Stauff Hydraulics Ltd	02/11/2018	2,855.57				2,855.57	
ST103	Steel Dynamics Ltd	05/12/2018	916.80					916.80
SU010	Subsea UK Ltd	05/12/2018	1,524.00			-156.00	1,680.00	
SW016	Swegon Service Ltd	10/12/2018	1,027.10			1,027.10		
TD003	TDT Technology	19/11/2018	277.50			277.50		
TE008	Technical Cranes Ltd	05/12/2018	13,330.84				1,833.30	11,497.54
TE050	Teks Sarl Ltd	01/08/2018	3,342.60					3,342.60
TH006	Threadmaster Gauges Limited	20/09/2018	96.72					96.72
TH008	Liberty Speciality Steels	04/01/2019	38,227.20		31,800.00			6,427.20
TH030	ThrillerMill CNC Precision Machining Ltd	05/12/2018	660.00			660.00		
TO002	Total Gas & Power	28/01/2019	239.82	239.82				
TO027	Total ID Ltd	19/10/2018	46.74				46.74	
TO032	Total Decom Ltd	05/12/2018	120.00			120.00		
TR001	Trescal Ltd	11/01/2019	1,581.46		422.26	482.88	57.80	618.72
TR049	Truflame (Welding Equipment) Ltd	03/12/2018	889.82			238.80	308.28	322.74
TS001	Technology Services Group	02/05/2017	6,078.00					6,078.00
TU014	TUV (UK) Ltd	04/10/2018	4,551.00					4,551.00
UN003	University Of Sheffield	20/12/2018	13,291.00		10,625.00		2,666.00	
VA019	Vanguard Foundry Ltd	28/01/2019	20,254.29	871.15	1,306.73	11,978.34		6,098.07
VE011	Veolia ES UK PLC	28/01/2019	1,346.40	11.90	2.98	206.34	408.90	716.28
WA052	T.W.Ward C.N.C.Machinery Ltd.	04/01/2019	4,999.79		757.91		4,241.88	
WA058	Watson-Towers Limited	15/11/2018	1,355.63			240.00	645.47	470.16
WE002	Westfield Health	28/01/2019	486.75	162.25	162.25	162.25		
WE014	Westpack Limited	19/12/2018	1,523.95		1,256.59	267.36		
WE043	Welding equipment & Cutting Services Ltd	21/11/2018	2,203.20					2,203.20
WE045	Welding Inspection Services Ltd	22/01/2019	7,860.00	900.00		5,640.00		1,320.00
WH002	White Rose Security Ltd	22/01/2019	13,757.13	87.00	154.50	4,538.23	268.50	8,708.90
WH003	Wharnccliffe Business Systems Ltd	11/01/2019	7,066.62		7,066.62			
WI002	Northern Power (ex Williams Fasteners) S	04/12/2018	201.00			201.00		
WI011	Wixroyd International Ltd.	10/10/2018	807.27				17.00	790.27
WK001	WKW Precision Engineering Co. Ltd	19/12/2018	10,264.80		732.00	9,532.80		
WN001	WNT (UK) Ltd	28/01/2019	7,258.67	337.00	1,482.87	2,709.14	2,729.66	
WO030	Work-Wise Foundation	10/10/2018	450.00				450.00	
WR003	Wrings Transport Ltd	06/12/2018	2,382.00			1,014.00	1,368.00	
XE003	Xerotec Document Ltd	28/01/2019	-85.29	3.64			4.55	-93.48
XE010	Xerox Finance Ltd	28/01/2019	420.00	420.00				
YO001	Yorkshire Office Group	19/12/2018	613.74		285.43		328.31	

Account	Date Last Tran	Total	Current	1 month	2 months	3 months	4 months +
		Total	Current	1 month	2 months	3 months	4 months +
Grand Totals		1,015,993.4	58,711.99	313,361.38	221,805.17	161,678.15	260,436.74

Analysis period	01/01/2019
A/C ref	All
Short name	All
Currency	All
Country	All
Balance	All
Date last amended	All
Date last tran	All
On hold	All
Payment group	All
Retrospective	No
Supplier Analysis 1	All
Supplier Analysis 2	All
Supplier Analysis 3	All

# Balance Sheet Report

Date 29/01/2019

Time 08:52:13

All Values are shown in Pound Sterling

Selected Period 1 ending 31/12/2018

	Selected Year	Previous Year
<b>Fixed Assets</b>		
Capital - Plant	1827384.38	1858357.38
Capital - Land & Buildings	166500.00	140000.00
Capital - Office Equipment	73068.03	75002.03
<b>Total Fixed Assets</b>	<b>2066952.41</b>	<b>2073359.41</b>
<b>Current Assets</b>		
Cash	(36118.52)	42791.06
Stock & WIP	664000.69	664000.69
Trade Debtors	1321800.17	1177187.68
Prepayments	262099.02	262099.02
Grant - Servitisation Project	39420.81	39420.81
NECL		
<b>Total Current Assets</b>	<b>2251202.17</b>	<b>2185499.26</b>
<b>Current Liabilities</b>		
Trade Creditors	957281.44	772072.38
Accruals	66293.78	69363.89
Other Creditors	(123853.04)	35562.35
VAT Control Account	87223.75	155228.12
HMRC	73406.68	73406.68
Bank Overdraft		
RBS Invoice Finance	900779.82	900779.82
NECL		
Group Companies - Newburgh Holdings	140000.00	140000.00
<b>Total Current Liabilities</b>	<b>2101132.43</b>	<b>2146411.24</b>
<b>Net Current Assets</b>	<b>2217022.15</b>	<b>2112447.43</b>
<b>Long Term Liabilities</b>		
Lease Asset Finance	868208.36	875904.80
Inter company Loans	1649214.01	1649214.01
Deferred Taxation		
Corporation Tax		
<b>Total Long Term Liabilities</b>	<b>2517422.37</b>	<b>2525118.81</b>
<b>Total Assets Less Liabilities</b>	<b>(300400.22)</b>	<b>(412671.38)</b>
<b>Financed By</b>		
<b>Represented by:</b>		
Share Capital	1.00	1.00
Accumulated Profit/(Loss) Reserves	(412672.38)	198455.16
This Periods Profit/Loss	112271.16	(61127.54)
<b>Capital Employed</b>	<b>(300400.22)</b>	<b>(412671.38)</b>

Report name Balance Sheet YR17/18 Version 1  
 Cost centre All  
 Department All  
 Currency Pound Sterling

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## DIRECTOR'S STATEMENT OF AFFAIRS

### Notes to the Director's Statement of Affairs

1. The book debts are subject to an invoice discounting agreement with RBSIF. As at 22 January 2019, RBSIF were owed £370,000 against a debtors' ledger of £803,000. In the interests of prudence, the director has advised that he has applied a 20% provision to the debtors' ledger balance when determining the likely level of realisations. However, we are confident that realisation *will ultimately exceed this projection*.
2. The assets subject to Lombard security (both finance agreements and chattel mortgages) are shown with an estimated to realise balance equivalent to the value attributed to these assets within the breakdown of the sales consideration. The Company's indebtedness to Lombard is estimated at £837,000 which we believe is accurate.
3. The Statement of Affairs does not make reference to the other financed assets. However, as detailed in the main body of this report, the Purchaser has advised that these agreements will be novated shortly.
4. The bank balance is included as at 22 January 2019. We expect to receive these funds shortly.
5. All other assets are shown with an estimated to realise figure equivalent to the value attributed to these assets with the breakdown of the sale consideration.
6. We understand that the book values for the Company's stock and work in progress have been taken from the most recent accounts. Please refer to the SIP 16 Disclosure for detailed narrative on the realisations achieved in respect of these assets.
7. As detailed in our report, preferential claims re estimated at £16,054 in circumstances where the pension provider pursues a claim within the Administration.
8. The Statement of Affairs provided by the director included a schedule of the outstanding pension contributions. This schedule included each employee's name, National Insurance number and date of birth. We believe circulating this information to all creditors would be in breach of the Data Protection Act 1998 and we have therefore redacted this schedule.
9. Section 176A(2) of the Act requires the joint administrators to set aside the prescribed part of the Company's net property for the satisfaction of unsecured debts. "Net property" means the amount which would, if it were not for this provision, be available to floating charge holders (i.e. after accounting for preferential debts and the costs of realisation). The prescribed part is 50% of the first £10,000 and 20% of the remaining net property (up to a maximum of £600,000).

We will not be required to set aside the prescribed part of net property if:

- a. The net property is less than £10,000 and we think that the cost of distributing the prescribed part would be disproportionate to the benefit;
- b. Or if the net property is more than £10,000, if the provision is disapplied by the Court on the application of the joint administrators on cost-benefit grounds.



10. As detailed within our report, in these circumstances, we do not believe the provisions of the Prescribed Part will be applicable as it is anticipated that RBSIF will be repaid under their fixed charge over the Company's book debts.
11. Unsecured creditor claims included in the director's schedule total £3,143,872. Our comments on the claims included within this estimate are as follows:
  - NECL's projected claim does not take into account the historic debt write off which we understand is currently under review by the NECL Liquidators. It is therefore likely that NECL's final claim will be significantly more than the estimate provided.
  - Within the trade creditors' summary, Savills (UK) Limited (the landlord's agents) are included at an amount of £122,779.84. As the lease has now been assigned (and we understand all outstanding sums paid to the landlord) we do not anticipate receiving a claim.
  - We have not yet received a breakdown of the sums due to HM Revenue & Customs so cannot comment at this stage on what period these liabilities relate to. Although we understand they have accrued during the current tax year.
  - The claim of Royal London Pension relates to the outstanding pension contributions and is therefore currently being included as both a preferential and unsecured claim. Clearly, Royal London Pension can only make one claim within the administration and we understand that, should they submit a claim, it will be classed as a preferential claim.
  - We have not been provided with any details in relation to the claims included for Hope Valley Industrial Limited and Hope Valley Residential Limited. We understand that these entities are connected parties to the Company and are ultimately under the control and ownership of the Company's former director, Vincent Middleton, and his relatives.
12. Creditors' claims are subject to agreement and will not be prejudiced by omission from the statement of affairs or by inclusion in a different amount from that claimed.
13. The estimated total deficiency is subject to the costs of Administration and distribution for which no provision is made in the statement of affairs.

## REMUNERATION AND EXPENSES

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Total time spent to the date of this report on this assignment amounts to 79.9 hours, at an average composite rate of £338.47 per hour resulting in total time costs to 31 January 2019 of £27,044.00.

To assist creditors in determining this matter, the following further information appears in this appendix:

- ☐ Begbies Traynor (SY) LLP's charging policy;
- ☐ Pre-Administration time costs summary with pre-Administration time costs analysis attached;
- ☐ Narrative summary of time costs incurred;
- ☐ Table of time spent and charge-out value;
- ☐ The joint administrators' fees estimate;
- ☐ Details of the expenses that the joint administrators consider will be, or are likely to be, incurred.

In addition, a copy of 'A Creditors Guide to Administrators' Fees (E&W) 2017' which provides guidance on creditors' rights can be obtained online at [www.begbies-traynor.com/creditorsguides](http://www.begbies-traynor.com/creditorsguides). Alternatively, if you require a hard copy of the Guide, please contact my office and I will arrange to send you a copy.

Finally, the Association of Business Recovery Professionals (R3) has set up a website that contains a step-by-step guide designed to help creditors navigate their way through an insolvency process which includes information in relation to remuneration. You can access the website at the following address: <http://www.creditorinsolvencyguide.co.uk/>

## **BEGBIES TRAYNOR CHARGING POLICY**

### **INTRODUCTION**

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance<sup>1</sup> requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. It also applies where payments are to be made to parties other than the firm, but in relation to which the office holder, the firm or any associate has an interest. Best practice guidance<sup>2</sup> indicates that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

### **OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES**

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed below.

### **EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES**

Best practice guidance classifies expenses into two broad categories:

- *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case and referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- *Category 2 disbursements (approval required)* - items of expenditure that are directly related to the case which include an element of shared or allocated cost and are based on a reasonable method of calculation, but which are not payable to an independent third party.

(A) The following items of expenditure are charged to the case (subject to approval):

- Internal meeting room usage for the purpose of physical meetings of creditors is charged at the rate of £100 (London £150) per meeting;
- Car mileage is charged at the rate of 45 pence per mile;
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates;
- Postage at the actual rate incurred.

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

<sup>2</sup> Ibid 1

*Expenses which should be treated as Category 2 disbursements (approval required)* – in addition to the two categories referred to above, best practice guidance indicates that where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest, these should be treated as Category 2 disbursements.

**Services provided by other entities within the Begbies Traynor group**

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

Instruction of Eddisons Commercial Limited to provide valuations of the Company's assets. Their charges will be calculated on a time costs basis at the prevailing hourly rates for their various grades of staff which are currently as follows:

<b>Grade of staff</b>	<b>Charge-out rate (£ per hour)</b>
Director	£275
Associate	£180
Surveyor	£120
Graduate	£100
Administration	£80
Porters	£35

Eddisons Commercial Limited estimate that their valuation fee will be £2,500 plus VAT.

In addition, Eddisons Commercial Limited will charge a fixed fee of £15,000 in relation to the sale of the Company's fixed charge assets, and a further 10% of realisations achieved in relation to the sale of all other assets.

Instruction of BTG Corporate Solutions to provide assistance with the collection of the Company's debtor ledger once this has been assigned from RBS Invoice Finance Limited. Their charges will be equivalent to 5% of realisations.

In addition to the services detailed above, it may become necessary to instruct Eddisons Commercial Limited to provide additional services, not currently anticipated, during the course of the case. In such circumstances and to avoid the costs associated with seeking further approval, the charges for such services will be calculated on a time costs basis at the prevailing hourly rates for their various grades of staff which are currently as follows:

<b>Grade of staff</b>	<b>Charge-out rate (£ per hour)</b>
Director	£275
Associate	£180
Surveyor	£120
Graduate	£100
Administration	£80
Porters	£35

Instruction of Eddisons Insurance Services Limited ("EIS") to provide insurance broking services and specifically open cover insurance for the insurable risks relating to the case. The cost of open cover insurance will vary during the course of the case depending upon the value of the assets and liability risks. The forecasted cost of insurance for the 3 month period immediately following appointment is £616 inclusive of Insurance Premium Tax. The costs of insurance cover for subsequent quarter periods will be dependent upon prevailing insurance market conditions and the ongoing insurable risks on the case.

In accordance with standard insurance industry practice, EIS will receive payment of commission for the services it provides from the insurer. The commission is calculated as a percentage of the insurance premiums payable and such percentage will depend upon the class or classes of assets being insured.

EIS will invoice the insolvent estate for the premium(s) due on the insurer's behalf and receive payment from the estate. EIS will in turn, account to the insurer for the premium(s) payable after deducting any commission payable by the insurer.

(B) The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*.

- Telephone and facsimile
- Printing and photocopying
- Stationery

#### **BEGBIES TRAYNOR CHARGE-OUT RATES**

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the Sheffield office as at the date of this report are as follows:

<b>Grade of staff</b>	<b>Charge-out rate (£ per hour) 1 December 2018 – until further notice</b>
Partner	495
Director	445
Senior Manager	395
Manager	345
Assistant Manager	250
Senior Administrator	225
Administrator	175
Junior Administrator	140
Support	140
 Manager	 265
Assistant Manager	205
Senior Administrator	175
Administrator	135
Junior Administrator	110
Support	60 - 110

Time spent by support staff such as secretarial, administrative and cashiering staff is charged directly to cases. It is not carried as an overhead.

Time is recorded in 6 minute units.

## PRE ADMINISTRATION TIME COSTS SUMMARY

CASE NAME: Newburgh Precision Limited

CASE TYPE: Administration

OFFICE HOLDERS: Joanne Louise Hammond and Claire Elizabeth Dowson

DATE OF APPOINTMENT: 22 January 2019

### 1 CASE OVERVIEW

1.1 This overview is intended to provide sufficient information to enable the body responsible for the approval of pre-Administration costs to consider the level of those costs in the context of the case.

#### 1.2 Time costs information

Details of the time spent by each grade of staff prior to the appointment of the joint administrators and the overall average hourly charge out rate for the pre-Administration work are set out in the attached table. Full details of the work undertaken by the joint administrators and their staff prior to appointment are set out below and in the joint administrators' statement of proposals.

#### 1.3 Overview of work undertaken prior to appointment

Whilst Kris Wigfield, Managing Partner of Begbies Traynor (SY) LLP's Sheffield office and a Licensed Insolvency Practitioner, was initially approached by the Company in late November 2018, the pre-appointment time costs included within our Proposals only relate to the period following our formal engagement on 10 December 2018 when the directors concluded that the Company needed to enter into administration. No fee has been charged for the general advisory work undertaken prior to 10 December 2018.

As creditors will note from the SIP 16 Disclosure, a marketing campaign was undertaken over a period of approximately 6 weeks during which time the proposed administrators and their colleagues oversaw the Company's financial position, negotiations with interested parties and liaised with key stakeholders. Given the nature of the business, the outcome of the marketing campaign, the seasonal shutdown period and complex nature of the negotiations which took place, a considerable amount of time was incurred to secure the sale of the business for the benefit of creditors as a whole.

As detailed in the SIP 16 Disclosure and the Proposals, the proposed joint administrators prepared an Estimated Outcome Statement which was updated regularly throughout the pre-appointment period which compared the level of realisations projected to be achieved on a pre-pack sale basis to a break up sale. The level of our pre-appointment time costs was reviewed as part of this exercise to ensure that incurring those costs was still in the best overall interest of creditors.

By facilitating a sale of the business and assets on a going concern basis, we believe we have enhanced the projected dividend available to unsecured creditors from 3p in the £ on a break up basis to an estimated 19p in the £. Creditors should note that these estimates are indicative only and subject to the agreement of claims and liquidation costs.

Should any creditor require a more detailed narrative of the work undertaken pre-appointment, they should refer to the SIP 16 Disclosure which is also appended to the Proposals.

#### **1.4 Complexity of work undertaken prior to appointment**

The work involved during the pre-appointment phase was complex with significant time being spent by the proposed joint administrators and Mr Wigfield. This included the following:

##### **Appointment of Administrators**

The proposed joint administrators advised the directors on the mechanics of appointing administrators, the impact of the moratorium, the required notice periods and the suggested optimum timeframe for appointing administrators.

##### **Monitoring Cashflow and Essential Payments**

During the pre-appointment period, the proposed joint administrators monitored the Company's cashflow forecasts and proposed payments to ensure that only essential supplies were ordered and paid for. In addition, they liaised with RBSIF regarding a draw down from the invoice discounting facility to facilitate the payment of December's salaries.

The directors received specific advice in relation to protecting the position of creditors as a whole during the pre-administration period.

##### **Marketing/Assets of the Business**

The proposed joint administrators engaged Eddisons Commercial Limited ("Eddisons") to undertake a valuation of the business and assets and take steps to market the business for sale. Furthermore, they liaised closely with Eddisons during the marketing period, dealing with any matters which arose in a proficient manner.

With assistance from Eddisons and the directors, the proposed joint administrators produced a sales teaser document, non-disclosure agreements and sales pack as well as formulating an appropriate marketing campaign. The joint administrators and Eddisons compiled a list of known potential third parties, competitors and customers to target regarding any potential sale of the business as a going concern during this significant pre-appointment stage.

The proposed joint administrators reviewed preliminary offers for the business and its assets prior to finally agreeing to an offer from the purchaser.

As the business was openly marketed, a significant number of the Company's trade creditors became aware of the proposed Administration and the joint administrators have dealt with a spike of creditor enquiries, which were dealt with appropriately.

After negotiating with the proposed purchaser, the proposed joint administrators also spent time liaising with the purchaser, Eddisons and solicitors in order for the terms of the sale contract to be agreed as well as a concurrent licence to occupy the trading premises be drafted and agreed.

During the marketing period the proposed joint administrators also worked with the directors to engage with customers in an attempt to secure early settlement of outstanding balances due to the Company.

##### **Secured creditor**

Royal Bank of Scotland Invoice Finance ("RBSIF") and Lombard North Central ("Lombard") were contacted regarding the proposed appointment and anticipated sale of the business and were continually updated as necessary during the pre-appointment period.

Further time was spent working with Lombard to further appraise the quality of the assets subject to their charge and to gain a complete understanding of their position.

During the pre-appointment period the proposed joint administrators also worked in conjunction with the directors and RBSIF to monitor book debt receipts and maximise collections for the benefit of the Administration estate.

#### Other matters

In addition to the above, the proposed joint administrators complied with all statutory and regulatory pre-appointment requirements, including the lodging of three separate Notice of Intention applications with Court.

The management team was provided with full details of Statement of Insolvency Practice 16 and the Pre-Pack Pool. Ultimately, they took an independent decision not to approach the same. Furthermore, they liaised closely with Eddisons during the marketing period, dealing with any matters which arose in a proficient manner.

Throughout the pre-appointment negotiations, the joint administrators kept key stakeholders informed of the proposed sale and sale process.

#### **1.5 Exceptional responsibilities**

In order to ensure the best possible outcome for creditors, an Estimated Outcome Statement was prepared and reviewed regularly to ensure that the optimum strategy was being adopted for the benefit of creditors. Detailed discussions and negotiations took place to ensure that the sale to the purchaser is projected to result in a sufficiently enhanced return to unsecured creditors when compared to a break up sale.

#### **1.6 The proposed Administrators' effectiveness**

As a result of the pre-appointment work we have undertaken, a sale of the Company's business and assets was completed. This has resulted in maximising realisations for the benefit of the Administration estate and, importantly, the safeguarding jobs for 66 highly-skilled workers. The overall level of creditor claims expected to be received has also been reduced.

The works are anticipated to result in the stated purpose of the Administration being achieved and details of the expected return to creditors (when compared to a break up sale) is detailed above.

#### **1.7 The views of the creditors**

The Company's secured creditors were kept fully up to date during the period leading up to the appointment of the joint administrators and were provided with details of our anticipated costs.

The interactions with other creditors are detailed in full in the SIP 16 Disclosure.

We have not sought to draw any fees directly from the Company prior to our appointment and as we consider it appropriate for the creditors to provide their approval to the level of these costs.

#### **1.8 Approval of fees, expenses and disbursements incurred in the period prior to appointment**

The joint administrators are seeking a resolution in relation to their pre-Administration costs as follows: *"That the unpaid pre-Administration costs detailed in the joint administrators' statement of proposals for achieving the purpose of Administration, be approved for payment."*



The Company's are being asked to provide their consent to these costs being drawn from realisations within the administration estate.

**1.9 Expenses and disbursements incurred in the period prior to appointment where payment is proposed to be made to Begbies Traynor and/or another entity with Begbies Traynor Group**

**Category 2 Disbursements**

Pursuant to the resolution being sought in relation to the unpaid pre-Administration costs, the following Category 2 disbursements and disbursements which should be treated as Category 2 disbursements are proposed to be charged in relation to the period prior to appointment:

<b>Other amounts paid or payable to the office holder's firm</b>	
<b>Type and purpose</b>	<b>Amount £</b>
Begbies Traynor (SY) LLP	9.80 plus VAT
<b>TOTAL</b>	<b>9.80 plus VAT</b>

**Disbursements treated as Category 2 disbursements**

<b>Other amounts paid or payable to any party in which the office holder or his firm or any associate has an interest</b>	
<b>Type and purpose</b>	<b>Amount £</b>
Eddisons – valuation fee	2,500.00 plus VAT
<b>TOTAL</b>	<b>2,500.00 plus VAT</b>

**1.10 Other professionals employed & their costs**

Eddisons were chosen to assist the proposed joint administrators with the task of appraising and reporting on the Company's asset base. Eddisons were chosen due to their extensive knowledge of the insolvency sector as well as their experience of dealing with sales of businesses as a going concern. Eddisons pre-appointment costs relate to the valuation fee of £2,500 plus VAT.

Irwin Mitchell ("IM") were chosen to assist the proposed joint administrators with the preparation of Court applications, advise on the legal matters to consider in formulating the sale agreement and other advice relating to the appointment. IM were considered appropriate for this instruction due to their experience in dealing with insolvency matters. IM have incurred costs the sum of £23,301.00 plus VAT and disbursements of £205.70 in assisting with matter at the pre-appointment stage.

**1.11 Staffing and management**

The pre-appointment phase has been managed predominantly by the proposed joint administrators with assistance from administrative staff where necessary.

**2 EXPLANATION OF OFFICE HOLDERS' CHARGING AND DISBURSEMENT RECOVERY POLICIES**

**2.1 Begbies Traynor (SY) LLP's policy for charging fees and expenses incurred by office holders is attached at Appendix 3.**



**Newburgh Precision Limited****SUMMARY OF TIME COSTS AND EXPENSES**

This summary, which should be read in conjunction with the Time Costs Analysis for the period of the report attached, is intended to provide sufficient information to enable the body responsible for the approval of our fees to consider the level of our fees and expenses in the context of the case.

**What work has been done since we were appointed, why was that work necessary and what has been the financial benefit (if any) to creditors?**

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

The costs incurred in relation to each heading are set out in the Time Costs Analysis which is attached. There is an analysis for the period of the report and also an analysis of time spent on the case since the date of our appointment. The details below relate to the work undertaken in the period of the report only.

General case administration and planning

The joint administrators' have arranged for the Company's statutory information that is within their possession to be reviewed and updated onto their systems to enable the relevant statutory documentation to be issued. In addition, the statutory checklist has been completed to ensure that the necessary paperwork following the joint administrators' appointment has been issued where relevant.

An estate bank account has been opened in readiness for future realisations to be collected.

A case specific diary template has been added to the system which assists the joint administrators in keeping all statutory matters up to date.

Also, correspondence has been issued to the directors for information which remains outstanding to enable the joint administrators to comply with their statutory duties.

Time has been spent updating internal systems to ensure that all information required to allow the joint administrators to effectively manage the administration of the case, has been obtained and held.

We have formulated an appropriate strategy and monitored and reviewed that strategy; including meetings with internal and external parties to agree the same. We are required to maintain records to demonstrate how the case is administered and to document the reasons for any decisions that materially affect the case. This includes regular updates with staff and regular case management and reviewing of progress. Time spent also includes complying with internal filing and information recording practices, including documenting strategy decisions.

Whilst this does not necessarily benefit creditors financially, it is necessary in accordance with insolvency legislation and best practice and ensures that the case has been administered effectively both to date and going forward.

#### Compliance with the Insolvency Act, Rules and best practice

Upon appointment, the joint administrators issued statutory notices of their appointment to the Company's creditors, members, HM Revenue & Customs and to the Registrar of Companies. In addition, they requested an advert of their appointment be placed in the London Gazette.

A statutory bond has been requested to cover the realisations received into the case for the benefit of the Company's creditors.

Creditors have been provided with the attached report and SIP16 disclosure notice. Requests for the approval to various resolutions as detailed within this report have also been issued.

The joint administrators have requested that the Company's registered office be changed to that of the practice.

Whilst the above will not result in a better return to the Company's creditors, the works are required by statute and therefore the costs of completing the same cannot be avoided.

#### Investigations

Due to the limited time which has passed since their appointment, the joint administrators have not undertaken any investigation works. They have however requested the required information to enable their investigations to begin imminently. This will be required to allow the joint administrators' to undertake their investigations in due course.

The above may ultimately result in increased realisations for the benefit of the estate.

#### Realisation of assets

As stated in the attached proposals and in the SIP16 disclosure, the major assets of the business were sold as a going concern on the date of our appointment. Time has therefore been spent finalising this sale with the assistance from our solicitors, Irwin Mitchell.

The joint administrators have taken out appropriate insurance pending the payment of the balance of the sales consideration and transfer of title to the assets to the Purchaser.

The joint administrators have also agreed the assignment of the lease to the landlord.

Creditors will financially benefit from this work as it is anticipated that realisations will be sufficient to facilitate a distribution to unsecured creditors.

#### Dealing with all creditors' claims, correspondence and distributions

We have provided the secured creditors with regular updates on the progress made in the Administration and provided an update in relation to the Administration strategy and, in particular, the strategy in relation to the realisation of the Company's assets.

As detailed in the Proposals, the joint administrators have liaise with the Company's majority creditor, NECL.

We have also dealt with significant creditor queries and concerns generally since the date of our appointment.

This work will not result in a direct financial benefit to creditors but dealing with their claims is necessary to facilitate any dividend which may be appropriate in the future.

Other matters which include seeking decisions from creditors (via DCP and/or via Decision Procedures), meetings, tax, litigation, pensions and travel

The joint administrators have issued form VAT 769 to HM Revenue & Customs in order to provide the Crown with formal notification of the insolvency proceedings.

The Pension Protection Fund and The Pensions Regulator have been notified of the joint administrators' appointment.

The joint administrators have issued the necessary documentation to the Company's creditors with regards to a decision by correspondence procedure for approval of their Proposals and other required resolutions as circularised to creditors on 29 January 2019.

Such works are essential to progress and administer the administration, but will not result in a better return for the Company's creditors.

**Time Costs Analysis**

An analysis of time costs for the period of the report is attached showing the time spent by each grade of staff on the different types of work involved in the case, and giving the total costs and average hourly rate charged for each work type.

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

Details of the pre-administration costs incurred and the approval of which are sought, are detailed within the statement of proposals to which this summary of time costs and expenses is attached.

**Why have subcontractors been used?**

Eddisons were used to value the Company's business and assets and to market the business for sale as a going concern due to their knowledge and qualifications in relation to doing the same. The joint administrators do not hold the relevant qualifications to value assets.

Irwin Mitchell provided pre-appointment advice to the proposed joint administrators and will continue to act for them post-appointment. Such advice was required to facilitate a valid appointment and to prepare the necessary sale contract for the disposal of the Company's business. Irwin Mitchell have been chosen based on their experience of dealing with similar Administrations.

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

General case administration and planning

As the Administration progresses, updates will need to be made to the strategy dependent upon the outcome of the realisations and investigations. This will include meetings between members of staff to formulate the strategy moving forward and ensure that the strategy is achieved.

Regular case reviews will be undertaken to ensure that the case is progressed proficiently.

Regular bond reviews will also be undertaken to ensure that the level of the statutory bond remains sufficient.

General banking duties, including the banking of cheques and payments will be undertaken. The account will also be reconciled regularly to ensure that our systems are up to date.

As detailed above, we are required to maintain records to demonstrate how the case was administered and to document the reasons for any decisions that materially affect the case on an ongoing basis. Periodic reviews will be carried out and this will include compliance reviews, internal checklist updates and diary reviews.

The above will not result in a better return for the Company's creditors but will ensure that the case progresses in an efficient manner.

#### Compliance with the Insolvency Act, Rules and best practice

The Insolvency Act, Rules and best practice require us to undertake various activities during the course of the Administration, which include the following:

1. Providing creditors with confirmation that the joint administrators proposals have been approved;
2. Providing creditors with a six monthly progress report if the Company has not moved into Liquidation before this point;
3. Producing a final report once we have concluded the Administration.

Copies of the above will also be issued to the Registrar of Companies with the relevant attachments.

Whilst creditors will not financially benefit from the above, they will benefit from the information that they receive.

#### Investigations

The joint administrators are required to undertake an initial investigation into the directors' actions in respect of the Company and to determine whether or not further detailed investigations are required. This investigation will include a review of the Company's books and records, the Company's accounting system, bank statements, management and filed accounts and any payments made to connected parties.

A confidential report on the directors' conduct will then be prepared and issued to the Department for Business, Energy & Industrial Strategy.

Unless any antecedent transactions are uncovered as a result of our findings, there will not be any financial benefit to the creditors of this work being undertaken. However, as this work is a statutory requirement these costs cannot be avoided.

#### Realisation of assets

The joint administrators will monitor receipt of payment of the consideration due under the sale and purchase agreement and if payment is not received within the agreed 21 day period commence a sale of the assets on a break up basis.

Collection of the Company's debtor ledger will also be monitored closely to ensure any appropriate realisations are maximised, if appropriate.

The above works are anticipated to result in additional realisations for the estate and therefore will be beneficial to the Company's creditors as a whole.

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

The joint administrators will undoubtedly receive enquiries and correspondence from the Company's creditors and we aim to respond to all such communications in both a timely and effective manner.

We will continue to correspond with loan and hire purchase creditors to ascertain the position and any potential claims and deal with any Retention of Title claims we receive.

The above work will not financially benefit the Company's, however, will assist in allowing creditors to understand the position and also in relation to collating creditor claim information, which will be required before any claims can be agreed for dividend purposes.

Other matters which include seeking decisions from creditors (via DCP and/or via Decision Procedures) tax, litigation, pensions and travel

Depending on the outcome of our investigations mentioned above, the following matters may or may not be required during the course of the Administration:

1. Submitting final tax returns and assessing whether there are any funds due to the Company;
2. Attending meetings with the Company's directors, creditors and other stakeholders;
3. Travel to any meetings;
4. Dealing with any media enquiries;
5. Continuing to deal with any pension scheme formalities;
6. Collection of the Company's books and records.

Any benefit to creditors will be dependent upon the nature of the work required. An update in this regard will therefore be provided in our next report to creditors.

**How much will this further work cost?**

As detailed in the fee estimate attached as part of this Appendix, we estimate the total time costs for the Administration to total £89,232.00 (this includes time incurred to date). Please be advised that this is just an estimate based upon the time spent on similar historic cases and includes provisions for circumstances where we have to proceed with a break up sale.

**Expenses**

Details of the expenses that we expect to incur in connection with the work that remains to be done referred to above, as well as expenses that we have already incurred, are set out in the estimate of anticipated expenses attached at Appendix 3.

## NEWBURGH PRECISION LIMITED

### THE JOINT ADMINISTRATORS' FEES ESTIMATE

Further to our appointment as joint administrators, we are seeking to be remunerated on a time costs basis. Details of our firm's hourly charge-out rates are set out in the charging policy which accompanies this estimate. Prior to creditors determining the basis upon which we are to be remunerated, we are obliged to produce a fees estimate and to provide it to each creditor of whose details we are aware so that it can be approved at the same time as the basis of our remuneration.

Our fees estimate for this Administration is set out below. Please note that blended hourly rates have been used which take account of the various levels of staff that are likely to undertake each area of work. These can be seen in the average hourly rate column.

Details of the work that the administrators and their staff propose to undertake	Hours	Time cost £	Average hourly rate £
General case administration and planning	102.6	31,258.00	304.66
Compliance with the Insolvency Act, Rules and best practice	128.7	28,562.00	221.93
Investigations	34.5	6,540.00	189.57
Realisation of assets	26.4	8,876.00	332.80
Trading	Nil	Nil	Nil
Dealing with all creditors' claims (including employees), correspondence and distributions	10.3	2,034.00	197.48
Other matters which include seeking decisions from creditors (via DCP and/or via Decision Procedures), meetings, tax, litigation, pensions and travel	37.7	12,052.00	360.00
<b>Total hours</b>	<b>340.2</b>		
<b>Total time costs</b>		<b>89,232.00</b>	
<b>Overall average hourly rate    £</b>			<b>262.29</b>

For the avoidance of any doubt, the above estimate relates to the period of Administration only, it does not relate to any work that is to be undertaken in any insolvency procedure following the Administration.

Should creditors require further information on how this estimate has been produced this can be obtained from our website at <http://www.begbies-traynorgroup.com/fee-estimates>.

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

Dated: 31 January 2019



Staff Grade	Consultant/Partner	Director	Sr Mgr	Mgr	Asst Mgr	Sr Admin	Admin	Jr Admin	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	12	0.6								1.8	861.00	478.33
Administration	3.7	2.2				9.1		2.5		17.5	5,208.00	297.60
Total for General Case Administration and Planning	4.9	2.8				9.1		2.5		19.3	6,069.00	314.46
Compliance with the Insolvency Act, Rules and best practice						11.8				11.8	2,655.00	225.00
Appointment												
Banking and Bonding									0.3	0.3	42.00	140.00
Case Closure												0.00
Statutory reporting and statement of affairs	4.6	24.4				15.9				44.9	16,712.50	372.22
Total for Compliance with the Insolvency Act, Rules and best practice	4.6	24.4				27.7			0.3	37.0	19,408.50	540.52
Investigations												0.00
GDPA and investigations												0.00
Total for Investigations												0.00
Realisation of assets	1.1									1.1	541.50	495.00
Debt collection												
Property, business and asset sales		1.3								1.3	578.50	445.00
Retention of Title/third party assets												0.00
Total for Realisation of assets	1.1	1.3								2.4	1,120.00	467.52
Trading												0.00
Trading												0.00
Total for Trading												0.00
Dealing with all creditors claims (including employees), correspondence and distributions												0.00
Secured												0.00
Others		0.8						0.3		1.2	442.50	368.75
Creditors committee												0.00
Total for Dealing with all creditors claims (including employees), correspondence and distributions		0.8						0.3		1.2	442.50	368.75
Other matters which includes seeking decisions of creditors, meetings, tax, litigation, pensions and travel												0.00
Seeking decisions of creditors												0.00
Meetings												0.00
Other												0.00
Tax												0.00
Litigation												0.00
Total for Other matters												0.00
Total hours by staff grade:	10.8	29.4				36.8		2.8	0.3	79.9		0.00
Total time cost by staff grade:	5,247.00	13,083.00				8,280.00		392.00	42.00	27,044.00		
Average hourly rate £:	485.00	445.00		0.00	0.00	223.00	0.00	140.00	140.00			338.47
Total fees drawn to date £:											0.00	

# **NEWBURGH PRECISION LIMITED**

## **DETAILS OF THE EXPENSES THAT THE JOINT ADMINISTRATORS CONSIDER WILL BE, OR ARE LIKELY TO BE INCURRED DURING THE COURSE OF THE ADMINISTRATION**

No.	Type of expense	Description	Estimate £
1.	Advertisements	Of appointment, dividends etc.	£216 plus VAT
2.	Bond	An Insolvency Practitioner is required to have a bond in place to protect the estate from misappropriation of funds.	£420 plus VAT
3.	Insurance	An Insolvency Practitioner is required to ensure that there is sufficient insurance cover over the assets of the insolvent entity.	£616 (inc. IPT)
4.	Storage costs	An Insolvency Practitioner is required to retain relevant books and records of the insolvent entity in order to carry out his/her duties as office holder. In addition, following case closure the Insolvency Practitioner will retain his/her working papers to allow any queries or issues raised to be dealt with.	£100 plus VAT
5.	Agents fees and disbursements	The fees of any external agents instructed by the Insolvency Practitioner to assist with the realisation of assets of the Company	A fixed fee of £15,000 in respect of the sale of the fixed charge assets and 10% plus Vat in relation to the sale of the unencumbered assets
6.	Legal fees and disbursements	The fees of any solicitors and/or barristers instructed to assist the Insolvency Practitioner and their anticipated disbursements.	Approximately £5,000 plus VAT for assisting with the assignment of the lease, completing the Deeds of Release and overseeing the completion of the sale
7.	Bank charges	An Insolvency Practitioner is required to operate a separate bank account in relation to the insolvent entity's estate.	£50
8.	Investigation expenses	Any sums paid to any third party that assists the Insolvency Practitioner with investigating the affairs of the insolvent entity.	£1,000 plus VAT
9.	Postage costs	In relation to the issue of circulars to the Company's creditors.	£250 plus VAT
10.	Debt Collection Costs	The fees of our debt collection specialists, BTG Corporate Solutions, for collecting the residual balance of the debtors' ledger when RBSIF are repaid in full	5% of realisations plus VAT

For the avoidance of any doubt, the above estimate relates to the period of Administration only, it does not relate to any expenses that will or may be incurred in any insolvency procedure following the Administration.

## **APPENDIX**

### **SIP 16 Statement**

**NEWBURGH PRECISION LIMITED (In Administration) ("the Company")**

**INFORMATION ABOUT THE COMPANY AND THE PRE-PACKAGED SALE OF THE COMPANY'S ASSETS AND UNDERTAKING ON 22 JANUARY 2019**

#### **Background Information**

Our proposals for achieving the purpose of the administration will provide detailed information in relation to the Company. The following background information is provided to assist creditors who may have limited knowledge of the Company and its affairs to better understand the reasons for the pre-packaged sale.

The Company was incorporated in January 2014 and traded as a specialist precision engineer from a leasehold facility situated at Bessemer Way, Rotherham, South Yorkshire, S60 1FB.

The business was originally operated by Newburgh Engineering Co. Limited ("NECL") but was transferred to the Company in 2014 when the two divisions of NECL split. NECL retained the Bradwell, Peak District site which focussed on the nuclear power generation market with the Company taking the Rotherham site which at the time specialised in the oil and gas sectors.

NECL retained ownership of the Rotherham trading premises and the Company was granted a lease to remain in occupation. We understand that approximately a year ago, NECL sold the premises to the current landlord subject to the existing lease with the Company.

Shortly after the Company's incorporation, there was a severe drop in the price of oil and the Company's turnover dropped by approximately 60%. Significant losses were incurred and the Company therefore sought and received financial support from NECL.

In addition to receiving support from NECL, the Company obtained an invoice discounting facility from RBS Invoice Finance Limited ("RBSIF") in April 2014 and secured chattel mortgages from Lombard North Central Limited ("Lombard") on 9 April 2018 to assist with the purchase of essential plant and machinery.

In order to return the Company to profitability, the business diversified into alternative markets including defence and, more recently, nuclear. This diversification slowly started to have a positive impact on turnover and in 2017 a small profit was generated. To aid the Company's recovery, NECL agreed to write off £4,450,000 of the intercompany loan account balance in November 2017.

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During 2018 the Company continued to see an increase in its turnover, but towards the end of the year the directors became concerned about the Company's ability to meet its ongoing liabilities as a result of increased supplier costs and a number of customers delaying pipeline work.

NECL, entered into administration on 19 October 2018. The Company is indebted to NECL in respect of the intercompany loan account, which is estimated to total approximately £1,300,000. Please note that the directors have advised that this is after the balance of £4,450,000 was written off in November 2017.

Following NECL's administration the directors took professional advice and reviewed alternative sources of funding and restructuring options. Full details of the options considered and the advice that the directors received are set out later in this document.

### **The reasons for the Company's insolvency**

As stated above, despite its earlier cashflow problems, the Company had taken steps to increase its turnover during early 2018. Unfortunately, due to increasing costs and delays in securing payments from customers, at the time of receiving our instruction on 10 December 2018, the Company had begun to suffer cashflow difficulties and had built up arrears with a number of trade creditors. A small number of creditors were aggressively chasing payment and had threatened to commence precipitous action against the Company.

The directors had received an offer of funding from The Isaac Middleton Settlement Trust ("TIMST") (the Company's shareholder and a connected party to a former director of the Company, Vincent Middleton) which would assist in alleviating short term cashflow pressure and allow the Company to meet its liabilities through the traditional Christmas shut down period. The offer was conditional upon TIMST obtaining security over the unencumbered plant and machinery.

Having produced cashflow projections for 2019, which were reviewed in conjunction with Begbies Traynor (SY) LLP, the directors concluded that it was not in creditors' best interests to accept the funding offer from TIMST. The level of funding available would only have alleviated cashflow pressures for a short period of time and the business was projected to make further losses during January and February 2019. In addition, the level of funding available would not have been sufficient to enable the Company to make a viable offer to the administrators of NECL to settle the balance of the intercompany debt.

When taking into account the arrears that had accrued to the trade creditors, the projected future trading losses and the balance of the inter company loan, the Company was insolvent on both a cashflow and balance sheet basis. It could not discharge its liabilities as and when they fell due for payment and its liabilities significantly exceeded its assets.

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It was therefore considered highly likely that the business would have failed even if the directors had chosen to proceed with the proposed finance offer from TIMST and that, in those circumstances, the return to creditors would have been significantly lower than what is currently projected to be available as a result of the sale, which has completed. This is on the basis that TIMST would have obtained security over the Company's unencumbered assets, thereby placing such assets out of reach of unsecured creditors should the funding and security have been entered into.

Without any other viable sources of finance, it was therefore agreed that the Company needed to enter into an insolvency procedure and the following options were considered:

#### **Company Voluntary Arrangement ("CVA")**

A CVA would only have been a viable option if sufficient funds could have been raised or set aside from future trading profits to enable an offer to be made to NECL's administrators which would have exceeded the value they could have extracted by commencing winding up proceedings against the Company. The directors did not believe that this would be possible as the cashflows produced did not forecast sufficient profits and a CVA would have restricted any funding options available to the business. In addition, the directors did not believe they would be able to maintain the existing customer base as, given the sectors the business operates within, it is unlikely that some key customers would have been able to trade with a company subject to a CVA.

#### **Creditors Voluntary Liquidation ("CVL")**

Had the Company proceeded into CVL it would have resulted in an immediate cessation of trade which would have materially impacted upon the level of realisations achieved in respect of the book debts and (as detailed below) the net proceeds from the sale of the chattel assets. In addition, a CVL would have resulted in the loss of 66 jobs, which would have led to preferential claims within the Liquidation of circa £90,000 and additional unsecured claims of £200,000.

With lower anticipated realisations and higher claims from both secured and preferential creditors, CVL was not considered the most appropriate option.

#### **Administration with a sale of the business following a period of trading**

Due to the nature of the Company's business, it was not anticipated that customers would have wished to continue to trade with the Company in Administration. Should this have been the case, it was believed that the value of the business would have reduced and that increased difficulties would have been encountered in relation to the collection of the debtor ledger.

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Notwithstanding the above, the cost of funding the Administration trading period was anticipated to be significant.

Without a benefit to creditors being anticipated, trading the Company in Administration was not deemed viable.

#### **Administration with a sale of the business via a pre-packaged sale**

The directors believed that with the right management and investment, the business could have a viable future. A pre-packaged sale would secure the ongoing employment of the Company's workforce and protect the value in the book debts without the costs and risks associated with a period of trading.

Such a sale was also anticipated to maximise realisation in relation to the Company's tangible assets.

#### **Administration with an orderly wind down of the business and a sale of the assets on a break up basis**

Having reviewed the valuations obtained for the business, an orderly wind down and a sale of the assets on a break up basis was considered to be the only viable alternative to a pre-packaged sale. However, due to the size of the plant and machinery assets held on site and the attachment of these machines to the trading premises, the length of time needed to secure a sale and remove these from site was estimated to be in the region of 90-180 days (depending on the size of the assets). The costs associated with this course of action were also anticipated to be of a level which would have been prohibitive.

An Estimated Outcome Statement was prepared which compared the level of return to creditors on both a going concern and break up basis. This was updated and reviewed throughout the pre-appointment period to ensure the best outcome was achieved. To assist creditors in understanding the merits of the sale, the anticipated return to unsecured creditors in a break-up and going concern scenarios were 3p in the £ and 19p in the £ respectively. However, creditors should be aware that these projections are indicative only at this stage and are subject to the quantum of agreed creditor claims and liquidation costs.

As a result of the Company's insolvency, and the considerations set out above, the directors concluded that it was necessary for the Company to be placed into Administration. They further concluded that it was in the best interests of creditors as a while for a purchaser of the business to be located. As such, the directors instructed Eddisons Commercial Limited ("Eddisons"), a party which is part of the Begbies Traynor Group and is therefore connected to Begbies Traynor (SY) LLP, to market the business for sale as a going concern.

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

The business employed 66 highly skilled staff and had a strong reputation within the precision engineering industry. It had a number of key customers who used the Company to manufacture vital components for the defence and nuclear sectors. There were limited alternative facilities available within the industry that could easily pick up and take on this work. The directors therefore believed that the business had a viable future with the right investment and wanted to secure a sale of the business if at all possible.

Eddisons were instructed to meet with the directors, review a valuation that had been undertaken by Hilco Valuation Services on behalf of the directors in November 2018, provide an updated valuation on an insolvency sale basis and provide their recommendations for a disposal strategy. Such a meeting took place on 12 December 2018.

Eddisons concurred with the directors thoughts on the future viability of the business but, given the sectors in which it operated, advised that it was considered unlikely that the customers would have supported the marketing of the business whilst in administration. It was therefore concluded that agreeing a sale prior to administration would secure the maximum return to creditors.

The Company's directors and management team were not shareholders in the Company and considered themselves employees with the title of director. When we were initially engaged to begin the marketing campaign they advised that, due to personal circumstances, they were not interested in formulating an offer to acquire the business and assets themselves but would work alongside the proposed administrators to try to secure the best possible offer and would be willing to continue working for a purchaser if they were asked to do so.

In conjunction with the directors and Eddisons, we compiled a list of all known potential interested parties, competitors and customers to target during the marketing period.

As the business was to be marketed for sale in such an open manner, and given the threats of precipitous action the Company had received from creditors, the directors decided to lodge a Notice of Intention to Appoint an Administrator ("NOI") to protect the Company during the marketing period. A first NOI was lodged on 12 December 2018. Due to the seasonal Christmas shutdown within the precision engineering sector, a second NOI was lodged on 29 December 2018 to continue the period of protection until the business (and the key interested parties) opened up again on 7 January 2019.

During the period the Company was protected, we worked with the directors to ensure that only essential payments were made and that, wherever possible, the creditors' positions remained the same. RBSIF allowed a draw down from the invoice discounting facility to facilitate the payment of December's salaries. We have worked with both RBSIF and the directors to monitor book debt receipts and maximise collections. When we were initially instructed, the Company's book debt ledger totalled £1,310,000 million, with £1,020,000 million due to RBSIF. A review of the book debt collections was undertaken yesterday and the ledger currently stands at £670,000, with £275,000 due to RBSIF.

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Having reviewed the debtors' ledger, it was clear that a sale of the business and assets on a going concern basis would result in the maximum level of realisations (and the repayment of RBSIF) as the Company's customers would continue to receive an ongoing supply of goods and any remedial issues would be dealt with. During the marketing period we worked with the directors to engage with the customers and try to secure the early settlement of all outstanding balances.

Had the business entered into administration and then been marketed for sale, it was considered highly likely that the customers would have held off making any payments in respect of the outstanding debts until such point in time as we could advise that the ongoing supply of goods had been secured. The pre-packaged sale was therefore beneficial to creditors as a whole.

A large quantity of the Company's plant and machinery was subject to finance agreements. It was uncertain whether or not the finance companies would have allowed their assets to remain on site during a period of marketing post administration.

For all of the reasons highlighted above, it was decided that a transfer of the business and assets via pre-packaged sale would be the most appropriate strategy in these circumstances.

#### **The statutory purpose of administration that is being pursued**

The joint administrators must seek to achieve one of the three following purposes of administration:-

- (a) rescuing the company as a going concern, or
- (b) achieving a better result for the company's creditors as a whole than would have been likely if the company had been wound up (without first being in administration), or
- (c) realising property in order to make a distribution to one or more secured or preferential creditors.

Due to the extent of the Company's insolvency it was not anticipated that the Company could be rescued as a going concern.

As a result of the sale concluded it is anticipated that realisations will be sufficient to allow a distribution to be made to the Company's unsecured creditors. As such, the purpose of the administration is to achieve a better result for the Company's creditors as a whole than would have been likely if the Company had been wound up (without first being in administration).

Notwithstanding the above, it is also envisaged that the Company's secured creditors, RBSIF and Lombard (an entity within the RBS Group) will be repaid in full. The objective of realising property in order to make a distribution to one or more secured or preferential creditors will therefore also be achieved. Please however note that based on current information, and a result of the Company's employees transferring to the purchasing company, no preferential claims are anticipated to be received.

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## **FURTHER INFORMATION IN RELATION TO THE PRE-PACKAGED SALE**

### **Who was the source of Begbies Traynor (SY) LLP's initial introduction to the Company?**

Kris Wigfield, Managing Partner of Begbies Traynor (SY) LLP's Sheffield office and licenced insolvency practitioner, was first introduced to the Company's directors on 30 November 2018 by Tom Paton, a partner in Irwin Mitchell LLP. Mr Wigfield provided initial advice in relation to the proposed re-finance of the Company's plant and machinery and alternative options that may have been available to the Company.

This initial period of advice culminated in the directors contacting Begbies Traynor (SY) LLP on 10 December 2018 to request that they take steps to begin the process of placing the Company into administration and trying to find a third party buyer for the business and assets.

### **What was the extent of Joanne Louise Hammond and Claire Elizabeth Dowson, their associates and Begbies Traynor (SY) LLP's involvement with the Company before appointment?**

As stated above, Kris Wigfield was introduced to the directors by Irwin Mitchell on 30 November 2018. An initial meeting took place at which Mr Wigfield provided advice on the proposed refinance of the Company's plant and machinery assets, the Company's financial position and the alternative options available to the directors.

Joanne Louise Hammond and Claire Elizabeth Dowson were engaged by the Company on 10 December 2018 to provide advice in relation to the proposed administration, assist with lodging a NOI and to review any offers received as a result of the marketing undertaken with a view to identifying a purchaser for the business and assets.

Eddisons were engaged to undertake a valuation of the business and assets and to take steps to market the business for sale. In conjunction with the directors and Eddisons, a list of key interested parties was compiled, a Sales Teaser Document, NDA and Sales Pack were prepared and a marketing campaign was undertaken. We liaised with all interested parties and latterly the directors and X-Cel Superturn in relation to their interest in the business and assets

We liaised with the Company's secured creditors regarding the proposed appointment and sale of the business. From our discussions with the directors, it was clear that the assets subject to finance agreements with Lombard were critical to the ongoing operation of the business. Lombard indicated early in our discussions that their preference would be for a purchaser to acquire the assets rather than seek to novate the agreements. Lombard's internal valuers attended site and advised that, as the machines were in a good condition, they would not provide their consent to a sale of the business and transfer of these assets unless they were repaid their principal indebtedness of c.£840,000 in full.

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As detailed below, other stakeholders were consulted throughout the marketing period and any creditor queries were dealt with.

In conjunction with Eddisons, we liaised with all interested parties but ultimately no viable offer was received for the business and assets. We therefore commenced negotiations with the directors who, at this stage, had indicated that they would formulate an offer as a backstop in the event that a sale to a third party could not be achieved.

We produced an Estimated Outcome Statement which compared the level of realisations we believed were achievable on both a pre-packaged sale basis and on a break up basis. This was updated throughout the pre-appointment period and updates on the projected return were provided to key stakeholders.

Once an acceptable offer was received, we liaised with Purchaser, Eddisons and our solicitors to agree the terms of the sale contract (including the anti-embarrassment clause referred to below) and the licence to occupy the trading premises.

In addition to the work detailed above, we complied with all statutory and regulatory pre-appointment matters.

Prior to their appointment the proposed administrators advised the Company and not the directors on their personal position, the directors were encouraged to take independent advice.

Please note that negotiations with the purchaser in relation to the pre-packaged sale were conducted by Joanne Louise Hammond and Claire Elizabeth Dowson prior to their formal appointment as administrators and not by the director[s] of the Company. It was made clear to the directors that once Joanne Louise Hammond and Claire Elizabeth Dowson were appointed as administrators that their responsibilities would be to act in the best interests of the Company's creditors. This would mean that they could no longer provide advice to the Company and that their duties to the Company would cease. They would be required to take custody or control of the Company's property and assets and to manage the affairs, business and property of the Company in accordance with the approved proposals of the administrators.

Prior to their engagement on 10 December 2018, neither Claire Elizabeth Dowson or Joanne Louise Hammond had any prior professional relationship with the Company or its directors.

**Was the business or were the assets of the Company acquired from an insolvency practitioner prior to this pre-packaged sale?**

We do not believe that the Company's business and/or assets were acquired from an insolvency practitioner. As detailed above, the business and assets were transferred from NECL when the business was divided. This was prior to NECL entering into administration.

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## **Details of the marketing of the business and assets of the Company that were undertaken prior to the pre-packaged sale**

As detailed above, Eddisons were engaged to undertake a valuation of the business and assets and take steps to market the business for sale.

In conjunction with the directors and Eddisons, a list of 30 key interested parties was compiled and a Sales Teaser Document was prepared. This was distributed to all known or potential interested parties and a copy was circulated to Eddisons' database of 35,000 contacts plus a dedicated Machine Tools list of 3,000 parties. In addition an advertisement was placed on IP-Bid and Eddisons' website. Details of the business for sale were also circulated within the Begbies Traynor Group.

In response to the marketing campaign, we received 50 enquiries and Non Disclosure Agreements were sent to all. We received 29 signed NDA's and a Sales Pack was prepared and sent out to these parties.

Two of the Company's key customers expressed an interest in a joint venture with the existing Company but, due to time restrictions, they advised that it would not be possible for them to proceed within the required timeframe

We received two offers for the Company's shares based on a nominal payment to the shareholder but neither of these were supported by funding or any deposit and were heavily reliant upon new credit facilities being obtained with security against the Company's unencumbered assets. Neither were considered serious offers as they would have resulted in a deterioration of the value in the business for creditors and were unlikely to be acceptable to either the secured creditors or the shareholder.

An offer for the business and assets of the Company in the sum of £250,000 was received from a third party but this fell well below the valuation of the assets and was therefore rejected.

At the end of the marketing period, no viable offer had been received and the directors therefore intimated that they may consider some form of a management buyout to ensure the survival of the business. The directors were introduced to 7 Legal & Finance Limited (specialist corporate financiers and legal advisers) to review whether or not it might be possible for them to obtain sufficient investment and funding to make an offer for the business.

An offer was subsequently received in the sum of £986,001, but it was rejected as the total level of realisations achieved would not have been sufficiently above break up value for Eddisons to be comfortable recommending that we proceed with a pre-packaged sale. A revised offer of £1,175,001 was received on the day the second NOI expired, but again, we rejected this as the value attributable to the unencumbered plant and machinery was not sufficient.

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At this juncture, we recommended that the directors take steps to appoint administrators with a view to mothballing operations on site for one week under administration to give the directors one last opportunity to formulate an acceptable offer. Failing which, we would have proceeded with a break up sale.

The directors advised that they were not willing to make the appointment on this basis.

We were subsequently approached by X-Cel Superturn Limited ("X-Cel Superturn") who intimated that they may be interested in all or part of the business but they would require the ongoing co-operation of the directors.

On their own, the directors were not able to put forward an offer at a sufficient level to justify a sale on a pre-packaged basis when compared to the estimated realisations on a break up basis. However, X-Cel Superturn contacted the directors and together they submitted a revised offer. After further negotiations, a final offer of £1,275,001 was received, which was £289,000 higher than the first offer submitted by the directors.

Having produced an Estimated Outcome Statement, and when taking into account the significant costs associated with a break up sale, the revised offer was projected to result in a substantially higher return to unsecured creditors. Eddisons therefore recommended that the offer be accepted.

We provided the RBS Group with a copy of the Estimated Outcome Statement and details of the revised offer. They too concurred with the decision to accept the offer and provided their consent to the transaction.

To facilitate the appointment of administrators and the completion of the sale, a third NOI was lodged on 14 January 2019. Whilst we would not normally agree to a third NOI being lodged, there was no alternative in these circumstances given the directors had failed to make the appointment within the period of the second NOI.

#### **What valuations of the Company's undertaking and assets were obtained?**

Prior to our engagement the business and assets had been valued by Hilco in November 2018 who had indicated the likely realisations on both a going concern and break up basis (although not specifically as a sale through an insolvency procedure). Hilco's valuations on a break up basis assumed a 90 day sale period although it was noted that the assets subject to Lombard's security may take up to 180 days to achieve sale and removal from site.

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Hilco valued the assets as follows:

<b>Categories of Assets</b>	<b>Valuation £ (going concern basis)</b>	<b>Valuation £ (break-up basis)</b>
Assets subject to Lombard finance agreements	1,007,000	675,000
Assets subject to Lombard chattel mortgages	437,000	277,000
Chattel Assets	692,600	423,325

As detailed above, having received our instruction to review the Company's financial position, Eddisons were instructed to undertake a review of the Hilco valuation and re-value the business and assets on both a going concern and break up basis (on the assumption of a sale through an insolvency procedure).

The valuers assigned to this matter were Malcolm Good FNAVA and Stephen Milner MNAVA, both of whom have significant experience in the sale of plant and machinery assets within the precision engineering sector. Both valuers have confirmed they have no conflict of interest in the preparation of the valuation and have sufficient professional indemnity cover in place.

Eddisons valued the assets as follows:

<b>Categories of Assets</b>	<b>Valuation £ (going concern basis)</b>	<b>Valuation £ (break-up basis)</b>
Assets subject to Lombard finance agreements	880,500	544,600
Assets subject to Lombard chattel mortgages	335,200	200,500
Chattel Assets	688,250	357,300

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The anticipated costs of sale on a break up basis were assessed and should be deducted from the valuation set out above to give the net realisable value on a break up sale. The anticipated costs include rent and rates for a projected 90 day period at approximately £130,000, portage at approximately £25,000, marketing and costs of sale at approximately £10,000, dilapidations at approximately £20,000 and holding costs at approximately £10,000. This resulted in anticipated net realisations on a break up basis of £907,400.

Lombard advised that whilst they had obtained a landlord's waiver to allow access to site to uplift the assets in the event of a break up sale, there was no provision made in respect of the costs of doing so and therefore any element of the costs incurred by Lombard would have been added to their indebtedness and they would have sought to recover this against the chattel mortgages they hold over other assets. Both Hilco and Eddisons had suggested that it may take up to 180 days to remove these assets from site and therefore additional rent, rates and holding costs may have been incurred.

As detailed above, Lombard had advised that they would only consent to a sale of the assets on the basis that they were repaid in full.

Given Eddisons is an entity with the Begbies Traynor Group, where they have assisted with a sale of a business on a pre-pack basis and where the purchaser is a connected party, we ask Eddisons to obtain a second opinion from a qualified and registered valuer before proceeding with the transaction. This second opinion is provided at Eddisons' expense.

Ian Maycock of Charterfields Limited (an RICS registered valuer) was instructed to review the valuations obtained, the marketing process that had been undertaken and the offers received. Mr Maycock concurred that the offer received from the Purchaser should be given positive consideration and that the alternative of a sale on a break up basis would have resulted in a depleted realisation.

#### **What security (if any) has the Company provided to its creditors?**

RBSIF hold a fixed and floating debenture dated 28 April 2014.

Lombard hold chattel mortgages over certain items of plant and machinery dated 9 April 2014. These mortgages cover any shortfall to Lombard in respect of the existing finance agreements.

#### **What alternative courses of action were considered by Joanne Louise Hammond and Claire Elizabeth Dowson?**

Full details of the alternative options considered are set out above.

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**Why was it not appropriate to trade the business during the administration in order to offer it for sale as a going concern?**

Details of why it was not considered appropriate to trade the business in administration in order to offer it for sale as a going concern are already explained above. However, the principle reasons are as follows:

- Given the sector in which the Company operates, it was not considered likely that the customers would have continued to place orders with the Company during an administration trading period;
- Neither the Company or the administrators would have been able to offer warranties and/or remedial services in respect of any goods produced during the trading period;
- The Company was already projected to make trading losses in January and February 2019 and therefore there was no justification or financial ability to trade;
- It was highly likely that the Company's debtors would have stopped making payments during any period of uncertainty thereby eroding the value in the debtors' ledger and increasing the exposure to RBSIF; and
- Having discussed the available options with the secured creditor, a pre-packaged sale of the business and assets was the most favourable option.

**What requests were made to potential funders to fund working capital requirements during the administration?**

As the Company was not traded in administration, no requests for finance were made

**What efforts were made to consult major creditors?**

As detailed above, the Company's secured creditors are RBSIF (who hold a fixed and floating charge debenture to secure the invoice discounting facility) and Lombard (in relation to the chattel mortgages held over key items of plant and machinery) ("the RBS Group").

RBS Group was therefore approached immediately following our engagement and has been provided with full details of the marketing campaign, sale strategy and the offers received from the Purchaser. RBS Group was actively engaged in discussions regarding the negotiations we undertook with the Purchaser to seek to increase the level of consideration payable and the return to creditors.

NECL's administrators were aware of our involvement and the proposed transaction. Shortly following our appointment and the completion of the sale, NECL moved to Creditors' Voluntary Liquidation. We have subsequently liaised with NECL's Liquidators.

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NECL's major creditor, The Pension Protection Fund ("PPF"), was provided with details of our engagement, the marketing process that had been undertaken, the proposed transaction and were given a copy of our Estimated Outcome Statement detailing the projected enhanced return to unsecured creditors on the basis that we proceeded with the pre-packaged sale. The PPF were contacted when we became aware that the inter-company loan account due to NECL and the debt subject to historic write off may have partially accrued as a result of pension related liabilities. The directors have advised that the Company itself does not operate a defined benefit pension scheme and the only outstanding liability upon our appointment is December's contributions which had not been paid over to the pension provider.

As the business was openly marketed and key customers and suppliers were contacted as part of this process to determine whether or not they had any interest in an acquisition, a significant number of the Company's trade creditors became aware of the proposed administration. All creditor queries we received were dealt with appropriately.

The Purchaser opened dialogue with the Company's landlord prior to the completion of the sale to ensure that they would be agreeable to allowing the Purchaser to remain in occupation of the site. We are advised that full details of the proposed administration and sale to the Purchaser were provided.

The Company's employees, who would have held significant preferential and unsecured claims in the event of the business ceasing to trade, were kept informed of the sale process and the proposed sale.

**What was the date of the transaction?**

22 January 2019

**What were the assets sold and what was the nature of the transaction?**

The sale was a sale of the Company's business and assets as a going concern. The following assets were included in the sale:-

Goodwill, IP and ancillaries  
Assets subject to Lombard finance agreements  
Chattel assets  
Stock and work in progress

All assets other than those specifically stated above have been excluded from the sale. This includes, but is not limited to, the Company's book debts, any inter company balances, any assets subject to third party ownership (other than those subject to the Lombard agreements) and any cash at bank.

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**What was the consideration for the sale, including payment terms, and other conditions of the contract that could materially affect the consideration?**

The total sales consideration is £1,275,001 A breakdown of the same is provided below:-

<b><u>Categories of Assets</u></b>	<b><u>Valuation (going concern basis)£</u></b>	<b><u>Valuation (break-up basis) £</u></b>	<b><u>Sum realised £</u></b>	<b><u>Fixed or Floating charge realisation</u></b>
Goodwill, IP & ancillaries	N/A	N/A	1	Fixed
Assets subject to Lombard Finance Agreements	880,500	544,600	737,000	Fixed
Chattel Assets	1,023,450	557,800	488,000	Certain assets are subject to chattel mortgages in favour of Lombard
Stock and WIP	N/A	N/A	50,000	Floating

Under the terms of the sale agreement, a 10% deposit of £127,500 was paid upon completion, with the balance being due for payment within 21 days. We have retained title to all assets until the Purchaser has settled the sales consideration in full thereby preserving the break-up value of all assets in the event payment is not received as agreed.

We have obtained an anti-embarrassment provision as part of the sale agreement, whereby the Purchaser will pay to the Company 50% of any profit made on the sale of the business and assets should it/they be sold on within 6 months of completion. Whilst we asked for the anti-embarrassment provisions to remain in place for a longer period, the Purchaser's principle investor, X-Cel Superturn, intends to invest heavily in the development of the business and the expansion of the manufacturing facility over the next 12 – 24 months and therefore advised that they would be willing to consider a longer restrictive period. Given the offer received was the best overall option for creditors, the sale completed on this basis.

The Sale Agreement includes a clause requiring the Purchaser to undertake any remedial works required to secure the collection of the Company's book debts thereby maximising the level of realisations anticipated to be received.

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In addition to the sale of the business and assets, the Purchaser has been granted a six month licence to occupy the Company's trading premises whilst negotiations with the landlord to assign the lease are concluded. These negotiations have taken significantly less time than anticipated and terms have now been agreed to assign the lease. Completion of the assignment is scheduled to take place imminently.

The Purchaser paid a licence fee equivalent to the anticipated rent for the period up to and including 28 February 2019 at completion. As a condition of the assignment, these funds will be remitted to the landlord with no further payments being due to the landlord from the Company.

Whilst Eddisons did not value the goodwill, stock and work in progress, they have confirmed the following in relation to value attributed to these assets by the purchaser:

**Goodwill:-**

- The value in the business is intrinsically linked to the collection of machines on site;
- The purchaser advised that they did not intend to use the name 'Newburgh'; and
- The Company had made historic trading losses and was forecast to make further losses in 2019.

**Stock:-**

- Stock levels were significantly depleted at the time of our appointment as they directors advised that only essential supplies had been ordered during December 2018 and January 2019.

**Work in Progress:-**

- The directors had ensured that wherever possible work in progress had been finished and converted to invoicing; and
- Due to the uncertainty, only essential orders had been started during the marketing period.

**Is the sale part of a wider transaction? If so a description of the other aspects of the transaction**

No

**Who was the purchaser?**

The Purchaser is Ledantech Limited ("the Purchaser") (CRN: 11752404) whose registered office is Newburgh House, Bessemer Way, Rotherham, South Yorkshire, S60 1FB). We are advised that the Purchaser has subsequently changed its name to Vector X-Cel Limited with effect from 23 January 2019.

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The directors of the Purchaser are:

Neil Michael Booth  
David Phillip Greenan  
Christopher John Staves  
Lee Kevin David Townsend

We are advised that 51% of the Purchaser's shares are held by Woodward Holdings Limited (CRN: 11774108) whose ultimate shareholder is X-Cel Superturn Limited (CRN: 01710788). The remaining 49% of the shares are held by the directors detailed above in equal proportions.

**Is there a connection between the purchaser and the directors, shareholders or secured creditors of the Company or their associates?**

David Phillip Greenan, Christopher John Staves and Lee Kevin David Townsend are directors of the Company and directors and shareholders of the Purchaser.

**Are any directors, or former directors, of the Company or their associates involved in the management, financing or ownership of the purchaser, or of any other entity into which any of the assets have been transferred? If so, who are they?**

All of the Company's current directors are involved in the management of the Purchaser.

As detailed above, David Phillip Greenan, Christopher John Staves and Lee Kevin David Townsend are directors of the Company and directors and shareholders of the Purchaser.

We are advised that the Purchaser's funding is coming from its directors' personal funds, X-Cel Superturn Limited and an unconnected asset finance facility which is still in the process of being finalised.

For the avoidance of any doubt, we are advised that neither the Company's former director, Vincent Middleton, nor TIMST are involved with the Purchaser in any capacity. However, in the interest of providing creditors with all information regarding the transaction, we understand that TIMST made an offer to the Company's directors to fund an acquisition of the business but they chose to proceed with a joint venture with X-Cel Superturn instead.

### **The pre-pack pool**

The management team was provided with full details of Statement of Insolvency Practice 16 and the Pre-Pack Pool. Whilst we recommended that the Purchaser approach the Pre-Pack Pool, they ultimately decided not to do so.

The Purchaser's advisor provided the following summary of the management team's rationale for deciding not to approach the Pre-Pack Pool:

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*I have just come off a conference call with the management team where we discussed your email and the requirements of SIP16.*

*The management team have decided that they will not be contacting the pre-pack pool and feel that this would not be relevant in this situation taking account of how the process has been conducted and the expected final outcome.*

*They specifically point to:*

- 1. The management team that are looking to acquire the assets have never previously been involved in the ownership of the company which is going into Administration.*
- 2. Initially as a team they did not pursue a purchase and have actively supported a marketing exercise of the business to try and secure a buyer for the business to ensure business continuity.*
- 3. The management team have only picked up the gauntlet when no alternative was clear.*
- 4. The expected structure of the acquiring company, will see a third party, with no previous involvement with the company entering administration, what so ever, holding a majority shareholding position in the acquiring company. The management team will hold a minority stake in the acquiring company.*

### **The purchaser's viability statement**

A copy of the Purchaser's viability statement has been requested, but not provided to date.

However, the Purchaser's advisor has provided the following information in relation to the Purchaser's business plans and the ongoing investment from X-Cel Superturn Limited:

- The funds for the 10% deposit were provided by the Purchaser's directors and X-Cel Superturn;
- X-Cel Superturn provided an immediate working capital facility to the Purchaser upon the completion of the sale;
- X-Cel Superturn intends to invest significant further funds into the business over the next 12 – 24 months with a view to expanding the manufacturing facilities and increasing production capacity;
- The Purchaser has now agreed terms with the Company's landlord to remain in occupation of the trading premises and take an assignment of the lease;
- The Purchaser is at an advanced stage of negotiations with a third party assets based lender to enter into a new invoice discounting facility and/or asset finance; and
- The directors have been able to build on their existing relationships with the Company's customers and believe they will be able to secure sufficient ongoing work to maintain production capacity on site.

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**Had any directors of the Company given guarantees for amounts due from the Company to a prior financier? Is that financier financing the new business?**

The directors have advised that they have given no guarantees to a prior financier.

**What options, buy-back arrangements, deferred consideration or other conditions are attached to the contract of sale?**

As detailed above, we have retained title to all assets until payment is received in full within 21 days of completion. In the event payment is not received, we will proceed with a sale of the assets on a break up basis.

We have also received agreement to an anti-embarrassment clause to secure 50% of any gain if the business/assets are sold on within 6 months of the sale.

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