

## The Insolvency (Northern Ireland) Order 1989

**Administrator's progress report****2.24B**

Name of Company H. Ritchie & Sons (Electrical Wholesalers) Limited	Company number NI 013601
In the High Court of Justice Northern Ireland Chancery Division	Court Number 8506 of 2011

(a) Insert full name(s) and address(es) of administrators

I (a) John J Cavanagh of Cavanagh Kelly Chartered Accountants and Insolvency Practitioner, 36-38 Northland Row, Dungannon, Tyrone, BT71 6AP

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

(b) Insert date

From	To
(a) 30 <sup>th</sup> September 2011	(b) 30 <sup>th</sup> March 2012

Signed


  
Joint Administrator(s)
Dated 27<sup>th</sup> April 2012**Contact Details:**

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

Michael Reid  
Cavanagh Kelly  
36-38 Northland Row  
Dungannon  
Tyrone  
BT71 6AP

Tel: 028 87 752990



When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, BELFAST, BT2 8BG

**H. Ritchie & Sons (Electrical Wholesalers) Limited – In Administration**  
**Administrators' progress report for the period to 30 March 2012**

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**H. Ritchie & Sons (Electrical Wholesalers) Limited – In Administration**

**Case No. 8506 of 2011**  
**High Court of Justice in Northern Ireland Chancery Division**

**Administrators' progress report for period to 30<sup>th</sup> March 2012**

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## **1. Introduction**

- 1.1** I, John J Cavanagh, of Cavanagh Kelly Chartered Accountants & Licensed Insolvency Practitioner, 36-38 Northland Row, Dungannon, Co. Tyrone BT71 6AP, was appointed Administrator of H. Ritchie & Sons (Electrical Wholesalers) Limited ("the Company") by the Company Directors on 30<sup>th</sup> September 2011.
- 1.2** I sent my proposals to all known creditors on 25<sup>th</sup> November 2011 and held a formal meeting of creditors on 8<sup>th</sup> December 2011 where the requisite majority of voting creditors accepted my proposals.
- 1.3** The objective of this Administration is to achieve a better result for the creditors as a whole than would be likely if the company was wound up (without first being in Administration) and I can confirm that this objective is still being pursued.
- 1.4** In accordance with Rule 2.048 of the Insolvency (Amendment) Rules (Northern Ireland) 2006 ("IR06"), I now provide creditors with details of the progress of the Administration of the Company for the six months ended 30<sup>th</sup> March 2012.
- 1.5** This report should be read in conjunction with my proposals dated 25<sup>th</sup> November 2011.

## **2. Progress Summary**

### **2.1 Background information & initial action by the Administrator**

I set out the circumstances which led to my appointment and my initial actions in my proposals dated 25<sup>th</sup> November 2011.

Since my appointment I have dealt with and progressed the following matters:

### **2.2 Sale of Business**

It was initially decided to continue to trade the business at a reduced level with a view to selling the business as a going concern. The Enniskillen Branch subsequently opened on 7<sup>th</sup> October 2011 with the Belfast Branch opening on 11<sup>th</sup> October 2011.

During this time I initiated contact with a number of interested parties, released an information memorandum and progressed discussions in respect of a sale of the business and remaining assets of the Company. I also engaged Wilsons Auctions to carry out a valuation of assets in order to ensure I achieved full value for same.

This process led to the Enniskillen branch being sold on 20<sup>th</sup> October 2011. The consideration of £30k included stock, fixtures and fittings and goodwill.

Despite our best efforts it was not possible to find a buyer for the Belfast branch. I took the decision to close the trading element of the Belfast branch on 17th October 2011. I am now in the process of selling all remaining assets on a 'bit part' basis.

### **2.3 Book Debts**

At the date of my appointment there was a debtors ledger on the company's books with a value of approximately £1.3m. Upon an initial review of this ledger it became clear that over £300k was bad debt as a result of insolvencies, contras, disputes & irrecoverable inter-company transactions.

Since the date of appointment my staff have been corresponding with all debtors in relation to balances owing. At 30th March 2012 I had collected £518k of the remaining book.

It is my understanding that an additional £23k has also been paid into the Company's old Ulster Bank account since the date of Administration. As discussed at para. 4.1 below, the Ulster Bank hold a fixed and floating charge over the company. These realisations will be deducted from their debt.

My staff, along with our appointed solicitor, are in the process of seeking to recover the remaining debts where it is possible and commercial to do so and work is ongoing in this respect.

### **2.4 Sale of Assets**

As noted above, when it was not possible to sell the Belfast branch as a going concern I decided to sell all remaining assets on bit part basis.

### **2.5 Motor Vehicle**

I realized £6,050 from the sale of a motor vehicle.

### **2.6 Stock**

There were substantial retention of title claims in relation to stock being held by the company on my appointment. This led to a large percentage of stock being returned to suppliers in the first 12 weeks of the administration.

The result of this was that over £320k (gross) of stock was returned to suppliers. To date I have received £280k of credit notes in relation to the above thus reducing the amount of unsecured creditor claims in the administration.

My appointed agents then carried out a valuation of all remaining stock and I invited bids from the interested parties discussed above.

On review of the offers I agreed to sell the remaining stock to Ritchies Electrical & Lighting Solutions (NI) Limited, a company connected to the directors of H. Ritchie & Sons (Electrical Wholesalers) Limited. The consideration of £40k was the highest bid received and also significantly higher than Wilson's estimate of forced sale value in an auction scenario. I have received £24k to date.

## **2.7 Plant and Machinery and Fixtures and Fittings**

I engaged Wilsons to sell the remaining assets in an auction. The auction was held on the company premises at Musgrave Industrial Park, Belfast on 9<sup>th</sup> February 2012 and total realisations were £27k.

A further £6,700 was realised from asset sales not included in the auction.

## **2.8 Property at Musgrave Park Industrial Estate, Belfast**

Since my appointment I have engaged Ardmore Commercial Property Consultants to assist in the sale of the above property and have now agreed a realisation strategy in respect of same.

The property is built in an established industrial location, just 3 miles south of Belfast city centre, adjacent to the M1 motorway. The property comprises of a modern warehouse, showroom and offices on a 1.7 acre self-contained and secure site.

The property is currently on the market and I invite offers in relation to same.

It is also my understanding that the company owns the right to collect ground rents from various units at the above Industrial Estate. My investigations into this are currently ongoing.

## **2.9 Other ongoing matters**

I have also progressed the following matters since my previous update to creditors:

- Return of remaining leased assets to their relevant owner;
- Dealing with all issues and queries raised by creditors and creditor correspondence;
- Application for vacant rates at Musgrave Park and acceptance of same;
- Dealing with queries from employees and RPS, including submission of forms in relation to same.

### **3. Receipts and Payments Account**

An account of the receipts and payments for the period to 30 March 2012 is set out in Appendix 2 of this report. Some of the figures are discussed in my progress summary above. In addition to this I would make the following comments:

#### ***Receipts***

- Net trading receipts during the administration for the Belfast and Enniskillen branches amounted to £15,480;

#### ***Payments***

- Purchases of £4,227 relate to cost of sales in the trading period. These were payments to suppliers with valid retention of title for goods which were required during the trading period;
- Wages and Salaries costs of £20,977 were incurred in relation to both the trading period and also sorting the retention of title claims discussed above.
- I engaged Mr Henry Ritchie, a director of the company to assist my team in the collection of debtors. His bill of costs for this assistance amounted to £3,689.
- Auctioneer fees of £1,932 were incurred in relation to the auction of assets at the Company premises in February.
- Legal and Professional fees of £7k were incurred, mostly in relation to the sale of the Enniskillen branch and advices taken in relation to retention of title issues.

#### ***Value Added Tax***

- The company is registered for VAT and I continue to account to HMRC in respect of same. All receipts and payments included in appendix 2 are shown net of VAT.

**4. Estimated outcome for creditors**

**4.1 Secured creditors**

At the date of appointment the secured creditor, the Ulster Bank, was owed £501k. This debt is secured by way of a fixed and floating charge over the Company's assets. As noted below at para. 4.3 the debenture predates March 2006 and accordingly there will be no Prescribed Part in this case.

To date I have distributed £300k to the Ulster Bank. It is expected that this debt will be paid in full from future realisations.

**4.2 Preferential creditors**

As outlined in my proposals a total of 46 employees were made redundant in the early stages of the administration whilst 3 members of staff were transferred as part of the sale of the Enniskillen Branch.

I expect to receive a preferential claim from the Redundancy Payments Service for outstanding holiday pay but have yet to receive documentation in respect of same.

**4.3 Unsecured creditors**

As noted in my proposals the prescribed part will not apply in this case as the company granted a floating charge to Ulster Bank Limited on 19<sup>th</sup> January 1990.

Whilst I expect there to be a dividend to unsecured creditors I am unable to provide a reliable estimate of the timing and quantum as there are significant uncertainties regarding both future net realisations and the ultimate quantum of creditor claims.



**5. Investigation into conduct of Directors**

- 5.1 I am obliged to submit reports to the Department of Enterprise, Trade and Investment (DETI) in respect of any person who acted as director of the Company during the three years prior to the date of the Administration.
- 5.2 At the date of this report I have submitted an interim report to DETI. Matters continue to be investigated and my final report will be filed in due course.
- 5.3 If any creditors have information which they believe may assist me with my report, I would appreciate if they would provide me with full details at the earliest possible opportunity.

**6. Administrator's Remuneration**

The Administrator's remuneration has been approved by creditors on a time and cost basis. The sum of £67,587.88 plus VAT has been drawn down to date. I attach, at Appendix 3, an analysis of the time taken by myself and my staff in this matter.

**7. Next report**

I will report on progress again in approximately six months or at the conclusion of the Administration, whichever is the sooner.

Should you have any queries on the contents of this report please contact Michael Drumm on (028) 8772 1194.



John J Cavanagh  
Administrator of  
H. Ritchie & Sons (Electrical Wholesalers) Limited

27 April 2012

The affairs, business and property of H. Ritchie & Sons (Electrical Wholesalers) Limited are being managed by John J Cavanagh of Cavanagh Kelly, 36-38 Northland Row, Dungannon, Co Tyrone, BT71 6AP. John J Cavanagh is a licensed Insolvency Practitioner authorised by Chartered Accountants Ireland, and acts as Agent of H. Ritchie & Sons (Electrical Wholesalers) Limited without personal liability.

**H. Ritchie & Sons (Electrical Wholesalers) Limited – In Administration**  
Administrators' progress report for the period to 30 March 2012

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**APPENDIX 1**

**STATUTORY AND OTHER INFORMATION**

Court details for the Administration:	High Court of Justice, Chancery Division No 8506 of 2011.
Full Name:	H. Ritchie & Sons (Electrical Wholesalers) Limited
Registered Number:	NI 013601
Activity:	Electrical Wholesale
Directors:	Mr. Henry Ritchie Mrs. Philomena Ritchie Mr. Michael Ritchie
Secretary:	Mrs. Philomena Ritchie
Date of Administration:	30 <sup>th</sup> September 2011
Proposed end of the Administration:	30 <sup>th</sup> September 2012 or sooner if possible
Administrator:	John J Cavanagh (GB NI 005) Cavanagh   Kelly, 36-38 Northland Row, Dungannon, Co. Tyrone, BT71 6AP
Appointer:	Directors
Objective pursued by the Administrator:	To achieve a better result for the creditors as a whole than would be likely if the Company were wound up (without first being in Administration).
The European Regulation on Insolvency Proceedings:	The EC Regulation on Insolvency Proceedings will apply to this Administration, and these proceedings will be the main proceedings because the Company's centre of main interest is in the UK.
Whether the Administrator intends to apply to Court under Article 150A(5):	Not applicable

**H. Ritchie & Sons (Electrical Wholesalers) Limited – In Administration**  
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**APPENDIX 2**

**RECEIPTS & PAYMENTS ACCOUNT TO 30 MARCH 2012**

<b>RECEIPTS</b>	<b>£</b>	<b>£</b>
<b>Trading</b>		
Sales	15,480.81	15,480.81
<b>Non-Trading</b>		
Bank Interest	115.51	
Book Debts	518,088.05	
Fixtures & Fittings	26,925.00	
Motor Vehicle	6,050.00	
Plant & Machinery	6,700.00	
Sale of Enniskillen Branch	30,000.00	
Stock	23,666.66	
Vat Repayment	10,379.98	
Vat Payable	14,654.49	636,579.69
	<u>652,060.50</u>	<u>652,060.50</u>
<b>PAYMENTS</b>		
<b>Trading</b>		
Purchases	4,227.46	
Wages & Salaries	20,977.04	25,204.50
<b>Non-Trading</b>		
Advertising	359.91	
Auctioneer Fees	1,932.70	
Bank Charges	676.28	
Debt Collection Commission	3,689.52	
Heat & Light	2,368.45	
Insurance of Assets	1,162.50	
Legal Fees	7,531.75	
Office Holders Expenses	357.51	
Office Holders Fees	69,489.43	
Professional Fees	7,009.00	
Repairs & Maintenance	3,216.97	
Secured Creditors	300,000.00	
Security Costs	15,573.00	
Sundry Expenses	1,094.41	
Telephone	182.05	
Vat Receivable	22,465.53	437,109.01
	<u>462,313.51</u>	<u>462,313.51</u>
<b>CASH AT BANK</b>	<b><u>189,746.99</u></b>	<b><u>189,746.99</u></b>

**H. Ritchie & Sons (Electrical Wholesalers) Limited – In Administration**  
Administrators' progress report for the period to 30 March 2012

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**APPENDIX 3**

**ANALYSIS OF ADMINISTRATOR'S TIME COSTS**

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**H Ritchie & Sons (Electrical Wholesalers) Limited**

**Summary of Time Spent for the Period**

Classification Of Work	HOURS					Time Cost	Average Hourly Rate £
	Partner/Director	Managers	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Administration & Planning	15.50	7.43	41.28	254.65	318.86	18,982.15	59.53
Investigations	3.25		7.50	1.17	11.92	1,190.00	99.86
Realisation of Assets	17.85	0.50	73.88	58.04	150.27	11,508.66	76.59
Trading	0.33	3.00	48.92	19.58	71.83	4,222.92	58.79
Creditors	1.00		115.50	262.40	378.91	21,154.99	55.83
Dividend Review							
Meetings	52.67		5.00	0.75	58.42	10,529.16	180.24
Special Investigations							
Specific Costs							
Total Hours	90.60	10.93	292.08	596.59	990.20		
Total Fees Claimed £	17,438.24	1,281.00	20,640.32	28,228.32		67,587.88	
Average Rate	125.00 - 250.00	100.00 - 125.00	65.00 - 100.00	45.00 - 65.00			

**Category 1 Disbursements**

	Amount £
Advertising	226.62
Mileage	1,428.80
Other	594.64
Company Searches	9.00

2,259.06

Standard Activity	Examples of Work
Administration & Planning	Case Planning Administration Set up Appointment Notification Maintenance of Records Statutory Reporting Cashiering
Investigations	SIP 2 review Directors Disqualification Unit Reports Investigating Transactions
Realisation of Assets	Identifying, securing, insuring goods ROT Debt Collection Property / Business Asset sales
Trading	Management of operations Accounting for trading Ongoing employee issues
Creditors	Communication with Creditors Creditor's claims including employees