

The Insolvency Act 1986

**Administrator's progress report****R2.38**

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company

Westcrowns Contracting Services Limited

Company number

SC045884

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

We (a)

B J Browne  
6 New Street Square  
London  
EC4A 3BFE G Mackay  
The Zenith Building  
26 Spring Gardens  
Manchester  
M2 1ABC M Williamson  
The Zenith Building  
26 Spring Gardens  
Manchester  
M2 1AB

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

from

to

(b) Insert date(s)

(b) 20 October 2017

(b) 19 April 2018

Signed

  
Joint Administrator

Dated

25.05.18

**Contact Details:**

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

The contact information that you give will be visible to searchers of the public record

P Butterfield  
AlixPartners  
The Zenith Building  
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DX Number

+44 (0) 161 838 4539  
DX Exchange

When you have completed and signed this form, please send it to the Registrar of Companies at:-  
**Companies House, 4<sup>th</sup> Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF**  
**DX 235 Edinburgh / LP 4 Edinburgh-2**

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COMPANIES HOUSE

# Administrators' Progress Report for the period 20 October 2017 to 19 April 2018

Westcrowns Contracting Services Limited  
In Administration

25 May 2018

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## **1. Why this report has been prepared**

- 1.1 As you will be aware, Benjamin Browne, Elizabeth Mackay and Catherine Williamson (the **Administrators**) were appointed on 20 October 2017.
- 1.2 In accordance with UK insolvency legislation, an administrator is required to provide a progress report covering the period of six months commencing on the date on which a company entered into administration and every subsequent period of six months. This progress report covers the period 20 October 2017 to 19 April 2018 (the **Period**) and should be read in conjunction with the Administrators' Statement of Proposals dated 22 November 2017 (the **Proposals**).
- 1.3 This report has been prepared in accordance with rule 2.38 of the Insolvency (Scotland) Rules 1986.
- 1.4 The purpose of this report is to provide statutory and financial information about the Company and to provide an update on the progress of the Administration, including details of assets realised during the Period, information regarding the Administrators' fees and the expected outcome for each class of creditor.
- 1.5 As a reminder, an administrator of a company must perform their functions with a view to achieving one of the following statutory objectives:
  - Objective 1: rescuing the company as a going concern;
  - Objective 2: 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
  - Objective 3: realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.6 In this case the Administrators are pursuing the third statutory objective. Further details on the actions taken to achieve that objective can be found in section 3 of this report.
- 1.7 Details of the Administrators' fees and costs incurred are provided at Appendices C and D.
- 1.8 More information relating to the Administration process, Administrators' fees and creditors' rights can be found on AlixPartners' creditor portal (**[www.alixpartnersinfoportal.com](http://www.alixpartnersinfoportal.com)**). Log in details to access this information can be found within the covering letter you have received.
- 1.9 If you require a hard copy of this report or have any queries in relation to its contents, or the Administration generally, please contact Paul Butterfield on 0161 838 4539, email **[creditorreports@alixpartners.com](mailto:creditorreports@alixpartners.com)** or write to AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.

## 2. Summary of information for creditors

### Estimated dividend for creditors

Description	Estimated debt £	Likely level of return £ or pence/£
Secured creditor	1,402,044	Approximately £800,000
Preferential creditors	46,418	100 pence in the pound
Unsecured creditors	2,816,612	Nil

### Notes:

#### Secured creditor

Full details of Clydesdale Bank Plc's (the **Bank**) security was provided in the Proposals. The anticipated level of return to the Bank has decreased since the outset of the Administration, primarily as a result of the level of interest in the Property (defined at paragraph 3.4) being lower than anticipated. Further details are provided in section 3 of this report.

#### Preferential creditors

Preferential claims in the Administration consist of arrears of holiday pay and the claim of the parent company in respect of the funding contribution it made into the Administration in respect of an outstanding pre-appointment payroll expense.

Based on current information, it is anticipated that preferential creditors will be paid in full.

#### Unsecured creditors

The estimated unsecured creditor claims have been taken from the director's Statement of Affairs. Based on current information, the Administrators do not anticipate there will be sufficient realisations to enable a dividend to be issued to the unsecured creditors.

### General

Funds available for distribution and dividend rates are detailed after taking into account the estimated costs of making the distribution. Please note that the likely levels of returns are based upon estimates of the total realisations and costs in the Administration, and are therefore subject to change.

In respect of preferential or unsecured creditors, UK insolvency legislation stipulates that creditors of the same class should be treated equally. Hence the funds available for distribution are split on a pro-rata basis amongst all creditors of each class, regardless of the size of their claims. Further information is provided in section 5 of this report.

### **3. Progress of the Administration**

- 3.1 In addition to their statutory objective, the Administrators have duties imposed by insolvency and other legislation and their regulating professional bodies. The Administrators have set out information in respect of the progress of these duties in addition to that of the realisation of assets and distribution of available funds. The detail provided is intended to provide users of this report with information to allow them to understand how the Administrators' fees and expenses as set out in Appendices C and D have been incurred, as well as the sensitivities that might be applicable to the Administrators' anticipated fees and expenses over the remainder of the Administration.
- 3.2 As detailed in the Proposals, the general strategy of the Administration was to remain in occupation of the Company's premises whilst realising the Company's other assets, which primarily consist of its debtor ledger, stock and work in progress (**WIP**). Following the completion of this process, the Property was to be vacated to minimise the ongoing costs of the Administration and subsequently sold. An update on the progress of this strategy is detailed below.

#### **Employees**

- 3.3 As detailed in the Proposals, the Administrators retained two employees to assist with an orderly wind-down of operations and the realisation of assets. The Administrators continue to monitor staffing requirements on an ongoing basis.

#### **Realisation of assets – standard security**

- 3.4 The Company owns the heritable premises at Ashbury House, 6 Ashton Road, Rutherglen, Glasgow, G73 1UB (the **Property**). DM Hall LLP was engaged by the Administrators to launch a marketing process and the closing date for offers was set at 27 March 2018. Following the conclusion of the marketing process, the Administrators have accepted a formal offer as approved by the Bank. In order to avoid prejudicing the ongoing sale, the Administrators are unable to disclose further information until completion, which is scheduled for early June 2018. Full details of the sale will be provided in the next report, subject to completion.
- 3.5 As a proportion of the costs of the Administration relate to realising the Property, certain of the costs incurred to date will be reallocated against standard security realisations once the sale of the Property completes.

#### **Realisation of assets – floating charge**

##### **Cash at bank**

- 3.6 In the Proposals, it was noted that cash totalling £6,753 was held in the Company's bank account. It has since been identified that this balance is made up of debtor payments and has therefore been reallocated in the Period.

## Debtors

- 3.7 The Administrators have worked with the retained employees and wider Westcrowns group to maximise collections from the Company's ledger. The Administrators have also engaged MacRoberts LLP (**MR**) to provide assistance with ongoing collections. As detailed in the Proposals, realisations from this source were anticipated to total approximately £417,000, and realisations to date total £140,636.
- 3.8 As a result of additional adjustments to the ledger following certain disputes being upheld and a number of debts being identified as relating to contracts not commenced, the Administrators anticipate that further balances of approximately £155,000 remain to collect, resulting in total collections in the region of £296,000. The Administrators continue to pursue the outstanding balances in conjunction with the retained staff, Company director and MR in full.

## Stock and WIP

- 3.9 The Company's stock and WIP comprises of glass and flooring materials, certain of which relate to live contracts. The Administrators have pursued sales of the stock relating to live contracts to the existing contractors as this represents the best outcome in respect of these assets. Realisations to date total £173,001, exceeding the Administrators' initial estimated realisable value of £89,000 as detailed in the Proposals.
- 3.10 Under the advice of Sweeney Kincaid Limited (**SKL**), the Administrators placed the Company's remaining stock and WIP into auction on 17 May 2018. SKL has provided an initial report which indicates that realisations in the region of £22,000 plus VAT have been achieved. The Administrators will finalise the position in the next reporting period and formulate an appropriate strategy for any residual stock and WIP in conjunction with SKL.
- 3.11 The Administrators received Retention of Title (**RoT**) claims from a number of the Company's suppliers, including its largest supplier of glass. The Administrators do not consider the claim to be valid, however, it was appropriate to enter into commercial settlements on a contract by contract basis in order to achieve realisations in respect of the assets subject to its RoT claim. A portion of the asset realisations achieved on each contract were paid to this supplier and following the sale of all items subject to this claim, no further sums are payable to the supplier.
- 3.12 The Administrators have settled all other RoT matters in the Period.

## Vehicles

- 3.13 The Company owned seven vehicles which were all sold in the Period by way of auction. The realisations in this regard total £17,925 and exceed the Administrators' initial estimated realisable value of £12,000 as detailed in the Proposals. The Company has received the proceeds in full.

### Plant, machinery and fixtures and fittings

- 3.14 The Company's plant and machinery (**P&M**) consists of tools, floor fitting apparatus and glass conditioning equipment, and SKL has completed a valuation and disposal report. The P&M and fixtures and fittings were placed into auction together with the residual stock on 17 May 2018. An update will be provided in the Administrators' next report once the results of the auction are finalised.

### Intellectual Property (IP)

- 3.15 The Administrators have taken advice from Hilco Global in relation to the Company's IP assets. In the Period, the Administrators have agreed a sale of certain of the Company's website domains for total consideration of £8,000 plus VAT, which has been received in full. The Administrators have also agreed a sale of other IP for total consideration of £40,000 plus VAT, payable in four equal instalments of £10,000 plus VAT. The deposit was received outside of the period of this report and is therefore not reflected in the Receipts and Payments Account. The Company is due to receive the full balance of the consideration by the end of July 2018.

### Consideration for transfer of losses

- 3.16 It was identified that the Company had incurred historic losses upon which the wider group could claim tax relief. The Administrators explored the potential for a commercial agreement to surrender the losses to the wider Westcrowns group. The Administrators worked in conjunction with the directors to bring the Company's tax position up to date in order to fully assess the loss position.
- 3.17 Following the completion of this process, the Administrators reached a commercial agreement with the wider group to surrender the losses for total consideration of £67,165, which has been received in full.

### Refunds

- 3.18 A non-domestic rates refund of £2,070 has been received in the Period relating to an overpayment made by the Company in the period prior to the Administrators' appointment. The Administrators have also received sundry refunds totalling £279.

### Bank interest

- 3.19 Bank interest of £28 has been received in the Period.



### **Administration (including statutory reporting)**

- 3.20 In addition to their duties relating to realising and distributing the assets of the Company, the Administrators must comply with certain statutory compliance matters in accordance with the Insolvency Act 1986. These include notifying the stakeholders of the appointment, preparing bi annual reports to creditors advising of the progress of the Administration and liaising with employees. The Administrators are responsible for liaising with HM Revenue and Customs to determine the final position in respect of corporation tax, PAYE, VAT and other taxes that may be owed by or to the Company, and for filing tax returns for the duration of the Administration.
- 3.21 In order to ensure the matters of the Administration are being progressed sufficiently, the Administrators have a duty to conduct periodic case reviews and complete case checklists. In addition, the Administrators' treasury function will also comply with cash accounting requirements including raising payments, processing journals and posting receipts, preparing bank reconciliations and statutory returns.
- 3.22 The time taken for statutory tasks is largely fixed, insofar as the cost of preparing a report to creditors or filing an annual return is similar for most cases, except where cases are very large or complex. Where the costs of statutory compliance and reporting to creditors exceeds the initial estimate, it will generally be because the duration of the case has been longer than expected, due to for example protracted realisation of assets, and therefore additional periodic reports have had to be prepared and distributed to stakeholders.

### **Creditors (claims and distribution)**

- 3.23 Details of the estimated outcome for creditors can be found in section 5.

## **4. Investigations**

- 4.1 The Administrators conducted investigations into the conduct of the directors and transactions entered into prior to the Company's insolvency, as required by the Company Directors Disqualification Act 1986, and Statement of Insolvency Practice 2 (Scotland) – Investigations by Office Holders in Administrations and Insolvent Liquidations. Based upon the outcome of the investigations, there were no matters identified that required further action.

## **5. Estimated outcome for creditors**

### **Secured creditor – Clydesdale Bank Plc**

- 5.1 The Company granted a standard security charge and a floating security charge to the Bank on 19 January 2006 and 13 November 1979, respectively. The Bank also holds an interlocking cross-guarantee structure with other entities within the wider Westcrowns group. However, the Administrators are advised by the Bank that the Company's contingent liability in this regard will not crystallise in the Administration.
- 5.2 At the date of appointment, the Bank was owed £1.4 million (including accrued interest and charges) under its security. Based on current information, it is estimated that the secured creditor is likely to receive total distributions of approximately £800,000. This position is based on current estimates and is therefore subject to change.

### **Preferential creditors**

- 5.3 Based on current information, the total value of preferential claims is £46,418. It is anticipated that the preferential creditors will be paid in full in the next reporting period.

### **Unsecured creditors' fund**

- 5.4 Where there is a floating charge which was created on or after 15 September 2003, the Administrators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (the **Unsecured Creditors' Fund**), commonly known as the 'Prescribed Part'.
- 5.5 However, as the floating charge granted by the Company pre-dates 15 September 2003, there is no requirement to create an Unsecured Creditors' Fund.

### **Unsecured creditors**

- 5.6 Based on current information, unsecured creditors are anticipated to total £2,816,612. It is not anticipated that there will be sufficient funds to enable a dividend to be paid to the unsecured creditors of the Company.

## **6. What happens next**

### **Next report**

- 6.1 The Administrators are required to provide a progress report within six weeks of the end of the next six months of the Administration, or the date they cease to act as Administrators, if earlier. For details of the proposed exit route please see Appendix E.

For and on behalf of  
Westcrowns Contracting Services Limited



**Benjamin Browne**  
Administrator

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## Appendix A. Statutory information

### Company information

Company name	Westcrowns Contracting Services Limited
Registered number	SC045884
Registered office	c/o AlixPartners, Cornerstone, 107 West Regent Street, Glasgow, G2 2BA
Former registered office	Quay House, Quay Road North, Rutherglen, Glasgow, G73 1LD
Trading address	Ashbury House, 6 Ashton Road, Rutherglen, Glasgow, G73 1UB
Trading names	Harndec Flooring Company Lumaglass Reglit Glass Architecture
Court details	Court of Session, 11 Parliament Square, Edinburgh, EH1 1RQ
Court Reference	None provided

### Appointor's information

Name	Address	Position
Mr John Fraser Haran	c/o Quay House, Quay Road North, Rutherglen, Glasgow, G73 1LD	Director

### Administrators' information

Name	Address	IP number	Name of Authorising Body
Benjamin James Browne	AlixPartners, 6 New Street Square, London, EC4A 3BF	014190	Insolvency Practitioners Association
Elizabeth Galbraith Mackay	AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	009569	Insolvency Practitioners Association
Catherine Mary Williamson	AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	015570	Insolvency Practitioners Association

In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

## Appendix B. Receipts and Payments Account for the period 20 October 2017 to 19 April 2018

Statement of Affairs £		£
	<b>Floating charge assets</b>	
	Receipts	
6,738	Motor vehicles	17,925
1,529,950	Stock and WIP	173,001
3,619,377	Book debts	140,636
	Rates refund	2,070
	Bank interest	28
	Consideration for transfer of losses	67,165
	Website domains	8,000
	Sundry refunds	279
		<b>409,104</b>
	Payments	
	Category 1 disbursements:	
	Stationery and postage	781
	Redirection of mail	303
	Statutory advertising	100
	Debt collection fees	8,399
	Agent's/valuer's fees	6,133
	Employee claim/payroll agent's fees	3,737
	Legal fees	8,050
	Legal disbursements	394
	Retention of Title settlement	25,915
	Shipping costs	450
	Hire of equipment	3,070
	Security costs	152
	Utilities	8,233
	Telephone costs	152
	Wages and salaries	30,874
	PAYE and National Insurance	13,576
	Bank charges	196
		<b>(110,515)</b>
	<b>Total balance</b>	<b>298,589</b>
	<b>Represented by</b>	
	Interest bearing accounts	333,945
	VAT payable	(35,356)
		<b>298,589</b>

Note: The above is subject to small rounding differences.

## Appendix C. Administrators' fees

### Fees

A copy of 'A Creditors' Guide to Administrations (Scotland)' can be downloaded from AlixPartners' creditor portal ([www.alixpartnersinfoportal.com](http://www.alixpartnersinfoportal.com)). If you would prefer this to be sent to you in hard copy please contact the Administrators and they will forward a copy to you.

Approval of the Administrators' fees has been sought in accordance with insolvency legislation. On 22 November 2017, the Administrators sought approval from the Company's secured and preferential creditors. On 8 December 2017, the preferential creditors approved that the basis of the Administrators' fees be fixed by reference to the time properly spent by the Administrators and their staff on matters arising in the Administration. The secured creditor has confirmed it will review the formal approval position once the sale of the Property completes and the Administrators are in receipt of the proceeds.

The Administrators have not drawn any fees to date.

### Details of time spent to date

The Administrators' time costs for the Period are £236,552. This represents 895 hours at an average rate of £264 per hour. Detailed below is a Time Analysis for the Period which provides details of the costs incurred by area of activity.

Activity category	Hours incurred	Blended rate per hour £	Time cost £
Realisation of assets	486	266	129,247
Administration (including statutory reporting)	339	269	91,153
Investigations	39	282	10,902
Creditors (claims and distribution)	31	168	5,250
<b>Total</b>	<b>895</b>	<b>264</b>	<b>236,552</b>

## **Appendix D. Additional information in relation to the Administrators' fees pursuant to Statement of Insolvency Practice 9 (Scotland)**

### **Policy**

Detailed below is AlixPartners' policy in relation to:

- staff allocation and the use of sub-contractors;
- professional advisors; and
- disbursements.

### **Staff allocation and the use of sub-contractors**

The Administrators' general approach to resourcing assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The case team will usually consist of a managing director, a director or senior vice president, a vice president and a consultant. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Administrators' charge-out rate schedule below provides details of all grades of staff and their experience level.

With regard to support staff, time spent by treasury in relation to specific tasks on an assignment is charged but secretarial time is only recovered if a large block of time is incurred, eg report compilation and distribution.

The following service is being provided on this assignment by an external sub contractor:

Service type	Service provider	Basis of fee arrangement	Cost to date £
Employee claim processing and payroll administration	INSOL Employee Solutions Limited	Fixed fee plus additional rate per employee	3,737



## Professional advisors

On this assignment the Administrators have used the professional advisors listed below. The Administrators have also indicated the basis of their fee arrangement with them, which is subject to review on a regular basis.

Name of professional advisor	Basis of fee arrangement
Burness Paull LLP (legal advice)	Hourly rate and disbursements
Willis Towers Watson Limited (insurance)	Risk based premium
Sweeney Kincaid Limited (valuation and disposal advice)	Percentage of realisations – 7.5% of realisations if less than or equal to £50,000; 5% if realisations exceed £50,000
DM Hall LLP (valuation and disposal advice)	1% of realisations in respect of the Property
MacRoberts LLP	Hourly rate and disbursements

The Administrators' choice was based on their perception of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the fee arrangement with them.

## Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case, eg postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by the Administrators and their staff.

Category 2 disbursements do require prior approval by creditors before they are paid. Any incurred in this case have been drawn in accordance with the Administrators' proposals, which approved Category 2 disbursements as follows:

- photocopying – charged at the rate of 10 pence per sheet for notifications and reports to creditors and other copying;
- printing – charged at the rate of 10 pence per sheet for black and white printing and 15 pence per sheet for colour; and
- business mileage for staff travel, charged at the rate of 45 pence per mile.

## Charge-out rates

A schedule of AlixPartners' hourly charge-out rates for this assignment effective from 1 January 2018, together with those applicable prior to this date, is detailed below. Time is charged by managing directors and case staff in units of six minutes.

Description	Rates from 1 January 2018 £	Rates pre 1 January 2018 £
Managing director	485-535	465-510
Director	465	445
Senior vice president*	405	385
Vice president*	285-320	270-305
Consultant*	155-250	155-270
Treasury and support	95-185	90-175

\* A firm-wide renaming of certain staffing grades of AlixPartners has been implemented with effect from 2 January 2018. The senior vice president grade was formerly vice president, vice president was formerly associate, and consultant was formerly analyst.

## **Appendix E. Exit route and discharge from liability**

### **Dissolution of the Company**

Based on present information, the Administrators think that the Company has no property which might permit a dividend to be paid to its unsecured creditors. In this situation, the Administrators will file a notice together with their final progress report at court and with the Registrar of Companies for the dissolution of the Company once all funds have been distributed. The Administrators will send copies of these documents to the Company and its creditors. The appointment will end following the registration of the notice by the Registrar of Companies.

### **Discharge from liability**

Subject to the approval of the relevant creditors, the Administrators will be discharged from liability under paragraph 98 of schedule B1 to the Insolvency Act 1986 directly after their appointment as Administrators ceases to have effect.