

# AM03 (Scot)

## Notice of administrator's proposals



Companies House

For further information, please  
refer to our guidance at  
[www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)

### 1 Company details

Company number	S	C	1	0	9	0	3	8
Company name in full	Electro-Flow Controls Limited							

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

### 2 Administrator's name

Full forename(s)	Michelle
Surname	Elliot

### 3 Administrator's address

Building name/number	Leonard Curtis
Street	4th Floor
	58 Waterloo Street
Post town	Glasgow
County/Region	
Postcode	G 2 7 D A
Country	

### 4 Administrator's name ①

Full forename(s)	Stuart
Surname	Robb

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

### 5 Administrator's address ②

Building name/number	Leonard Curtis
Street	4th Floor
	58 Waterloo Street
Post town	Glasgow
County/Region	
Postcode	G 2 7 D A
Country	

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

AM03 (Scot)  
Notice of Administrator's Proposals

6		Statement of proposals	
		<input checked="" type="checkbox"/> I attach a copy of the statement of proposals	
7		Sign and date	
Administrator's Signature	Signature ✕ <i>Ad E/Hot</i> ✕		
Signature date	<div><div><div>d</div><div>1</div><div>d</div><div>8</div></div><div><div>m</div><div>1</div><div>m</div><div>2</div></div><div><div>y</div><div>2</div><div>y</div><div>0</div></div><div><div>y</div><div>2</div><div>y</div><div>0</div></div></div>		

# AM03 (Scot)

## 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	Emma Cameron							
Company name	Leonard Curtis							
Address	4th Floor							
	58 Waterloo Street							
	Glasgow							
Post town								
County/Region								
Postcode	G	2		7	D	A		
Country								
DX								
Telephone	0141 212 2060							



### 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,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh.



### 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)



**LEONARD CURTIS**  
BUSINESS RESCUE & RECOVERY

**ELECTRO-FLOW CONTROLS LIMITED  
(IN ADMINISTRATION)**

Registered Number: SC109038  
Court Ref: P1055/20

**Joint Administrators' Report and Statement of Proposals in accordance  
with Para 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of  
the Insolvency (Scotland) (Company Voluntary Arrangement and  
Administration) Rules 2018**

**Report date: 18 December 2020**

**Date report sent to creditors: 18 December 2020**

**Date report deemed to be delivered to creditors: 18 December 2020**

Leonard Curtis contact details:

4th Floor, 58 Waterloo Street, Glasgow,  
G2 7DA

Tel: 0141 212 2060

General email: [recovery@leonardcurtis.co.uk](mailto:recovery@leonardcurtis.co.uk)

Email for requests for a physical meeting: [Glasgow.meetingreq@leonardcurtis.co.uk](mailto:Glasgow.meetingreq@leonardcurtis.co.uk)

Ref: G/51/ACO/E018G/1040

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TO: THE REGISTRAR OF COMPANIES  
ALL CREDITORS  
ALL EMPLOYEES  
ALL MEMBERS

## 1 INTRODUCTION

### General information

- 1.1 Michelle Elliot and Stuart Robb were appointed as Joint administrators (**Administrators**) of Electro-Flow Controls Limited (**Company**) on 14 December 2020. The purpose of this letter is to provide the Administrators' proposals (**Proposals**) for the Company pursuant to the Insolvency Act 1986 (**Act**). The Proposals are enclosed at Appendix A to this letter.
- 1.2 Para 3 of Schedule B1 to the Act requires the Administrators to perform their functions with the objective of:
- Rescuing the company as a going concern; or
  - 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
  - Realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.3 Para 51(1) of Schedule B1 to the Act ordinarily requires a company's administrator to seek a decision from the company's creditors as to whether they approve the proposals. However, this does not apply where the administrators state that they think:
- That the company has sufficient property to enable each creditor of the company to be paid in full; or
  - That the company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of a distribution of the prescribed part fund; or
  - That neither of the objectives specified in 1.2(a) and 1.2(b) above can be achieved.
- 1.4 The Administrators confirm that, in this case, the Administrators are of the opinion that the Company has insufficient property to enable a distribution to be made to unsecured creditors and, accordingly, neither of the objectives specified in 1.2(a) or 1.2(b) above can be achieved. A dividend is, however, expected to be paid to preferential creditors in line with the objective set out at 1.2(c) above. As a result, there is no requirement to seek a decision from the Company's general body of creditors as to whether they approve the Proposals.
- 1.5 Creditors whose debts amount to at least 10% of the total debts of the Company may, however, request the Administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. Such a request must be delivered to the Administrators within eight business days of the date on which this report was delivered and comprise the following:
- A statement of the purpose of the proposed decision; and EITHER
  - A statement of the requesting creditor's claim, together with:
    - A list of the creditors concurring with the request and the amount of their respective claims or values; and
    - Confirmation of concurrence from each creditor concurring; OR
  - A statement of the requesting creditor's debt and that that alone is sufficient without the concurrence of other creditors.

The deemed date of delivery of this report is given on the front page of this report. Please note that security must be given for the costs of convening the requisitioned decision.

- 1.6 In the event that no such request is received, the Proposals will be deemed to have been approved in accordance with Rule 3.38(4) of the Insolvency (Scotland) (Company Voluntary Arrangement and Administration) Rules 2018

(**Rules**). Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the expiry of the period for requisitioning a decision referred to in 1.5 above.

## **2 STATUTORY INFORMATION**

2.1 The administration proceedings are under the jurisdiction of the Court of Session under Court reference P1055/20.

2.2 During the period in which the Administration Order is in force, any act or function required or authorised to be done by the Administrators may be exercised by both or either of them.

2.3 The Company's registered office will be changed from 6 Queens Road, Aberdeen, AB15 4ZT to the Administrators' office at 4th Floor, 58 Waterloo Street, Glasgow, G2 7DA. The Company's registered number is SC109038 and the Company traded as 'EFC Group'.

2.4 The Company operated from leased premises at:

- Hareness Road, Altens Industrial Estate, Aberdeen;
- Unit 1A, Station Court, Station Rd, Guiseley, Leeds LS20 8EY; and
- Unit 11, the Enterprise Park, Forres, Moray, IV36 2AB.

2.5 The Company's current directors are:

<b>Name</b>	<b>Role</b>	<b>Date Appointed</b>
Craig Clarke	Director	4 July 2019
Emma Duncan	Director	4 July 2019
Tom Dixon	Director	30 November 2018

2.6 The Company's authorised share capital is £34,000. The issued share capital comprises 34,000 ordinary shares, the shares being owned as follows:

<b>Name</b>	<b>Class of Share</b>	<b>No. of Shares</b>	<b>% of Total Owned</b>
EFC Group Limited	Ordinary	34,000	100%
		<u>34000</u>	<u>100%</u>

2.7 According to information recorded at Companies House, the Company has no outstanding charges.

2.8 The EC Regulation on Insolvency Proceedings 2015 applies to this administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.

## **3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION**

3.1 Electro-Flow Controls Limited (**Company** or **EFC**) was established over 30 years ago, and operates as a global design, manufacturing and installation provider of tailor-made monitoring, control and mechanical handling systems for the oil and gas sector.

3.2 The Company operates from leasehold premises in Aberdeen and Forres (both in northern Scotland). It has a third leasehold site in Leeds (central England), which it has not occupied since the UK's coronavirus lockdown commenced in March 2020.

3.3 The business operates across four key service lines:

- i) Instrumentation and Control;
  - ii) Mechanical Handling;
  - iii) Subsea Control; and
  - iv) Aftermarket Field Support.
- 3.4 The Company operates globally, with a significant proportion of its engagements (generally over 60%) undertaken for clients domiciled overseas. At the time of the administration, the Company had customers in the USA, Middle East and Australia, as well as in the UK.
- 3.5 Due to a global downturn in the oil and gas sector, the Company had struggled for a number of years incurring losses of £7.78 million, £3.87 million and £2.08 million in FY17, FY18 and FY19 respectively. As the Company had no existing bank debt facilities, these losses were funded by shareholders, with shareholder equity injections of £3.83 million over the period December 2018 to November 2019.
- 3.6 The Company's directors have advised that difficult trading conditions were exacerbated further with the onset of the present global health pandemic, resulting in it being unable to mobilise staff to service its overseas customers. The global health pandemic also significantly impacted demand within the oil and gas sector, with a corresponding reduction in demand for the Company's services. The Administrators note that, in the seven months to 31 October 2020, the Company generated a notional profit of circa £30,000 (unaudited management accounts).
- 3.7 Whilst the Company successfully obtained funding of £50,000 by way of a Bounce Back Loan in April 2020, it identified a further significant funding requirement would occur late October/early November 2020. In the absence of an existing bank funding facility, the Company sought to secure funding from the Coronavirus Business Interruption Loan Scheme (**CBILS**). However, the Company's CBILS application was rejected, the providing bank citing it did not have an appetite to invest in the fossil fuels industry at the time of the health pandemic with the corresponding impact on global demand for oil. Having already provided further funds of £3.83 million, the Company's shareholders were not willing or able to advance additional funding to the Company absent a formal restructure.
- 3.8 The directors identified that the business required a significant restructure to enable it to continue on a reduced scale, focusing on its core service offerings, until sector activity returned to a more normal level. Consequently, the business implemented a redundancy process during the summer and autumn of 2020, reducing its workforce by a third from 32 employees to 21.
- 3.9 As noted above, the Company's short term cash flow forecast prepared in summer 2020 indicated that a cashflow funding requirement may arise by late October 2020/early November 2020. Funds received from customers earlier than anticipated provided the Company with an additional period of time to consider its options. However, by early December it had become clear that the business did not have sufficient cash to meet its ongoing liabilities, including its December payroll of circa £90,000, trade creditors of approximately £415,000 and accrued amounts owing to HMRC of circa £470,000.
- 3.10 Recognising the trading difficulties, the Company appointed LCBSG on 23 October 2020 to undertake an accelerated sale process (**AMA**). The marketing process generated interest from three parties, E-Flow Control Limited (**Purchaser**) and two unrelated parties.
- 3.11 Due to the ongoing uncertainty arising from the global pandemic and the Company's significant cashflow pressures, the directors filed a Notice of Appointment of Administrators' (**NOA**) at the Court of Session 14 December 2020. Immediately thereafter, a sale of the Company's business and assets was completed with the Purchaser. Further information regarding the AMA process is available at Appendix H.
- 3.15 A NOA for the Company's parent Company, EFC Group Limited, was also filed at the Court of Session 14 December 2020.



#### 4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

- 4.1 The Company's trading results for the year ended 31 March 2018 and 31 March 2019 and period to 31 October 2020 are detailed below:

	Mgmt Period ended 31 Oct '20 £	Signed Year ended 31 Mar '19 £	Signed Year ended 31 Mar '18 £
Turnover	3,660,044	5,329,564	7,225,345
Cost of sales	(2,278,758)	(4,572,743)	(6,125,370)
<b>Gross Profit</b>	<b>1,381,286</b>	<b>756,821</b>	<b>1,099,975</b>
Administrative expenses	(1,333,216)	(2,693,030)	(4,432,894)
Other operating income	-	220,061	19,439
Redundancy costs	-	-	(514,934)
Restructuring costs	-	(339,045)	-
<b>Operating Profit/(Loss)</b>	<b>(1,333,216)</b>	<b>(2,055,193)</b>	<b>(3,828,414)</b>
Interest and charges	(16,153)	(22,780)	(44,606)
<b>Profit/(Loss) before tax</b>	<b>31,917</b>	<b>(2,077,973)</b>	<b>(3,873,020)</b>
Taxation	-	-	-
<b>Profit/(Loss) for the year</b>	<b>31,917</b>	<b>(2,077,973)</b>	<b>(3,873,020)</b>

- 4.3 The balance sheets as at 31 March 2018, 31 March 2019 and 30 November 2020 are detailed below:

	Mgmt 30 Nov '20 £	Signed 31 Mar '19 £	Signed 31 Mar '18 £
<b>Fixed Assets</b>			
Intangible Assets	-	-	29,000
Tangible Assets	112,112	141,153	198,000
Investments	704	704	704
	<u>112,826</u>	<u>141,857</u>	<u>227,704</u>
<b>Current Assets</b>			
Debtors	306,050	6,378,351	7,720,000
Cash	16,144	241,571	434,000
Stock	23,011	-	-
Other current assets	869,436		
	<u>1,214,641</u>	<u>6,619,922</u>	<u>8,154,000</u>
Creditors: Amounts Falling due within one year	(3,282,540)	(4,517,006)	(4,419,000)
	<u>(2,067,899)</u>	<u>2,102,916</u>	<u>3,735,000</u>
<b>Net Current Assets/(Liabilities)</b>	<b>(2,067,899)</b>	<b>2,102,916</b>	<b>3,735,000</b>
<b>Total Assets less Current Liabilities</b>	<b>(1,955,073)</b>	<b>2,244,773</b>	<b>3,962,704</b>

Creditors: Amounts falling due after more than year	-	(4,393,042)	(4,033,000)
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<b>Net Assets/(Liabilities)</b>	<u>(1,955,073)</u>	<u>(2,148,269)</u>	<u>(70,296)</u>
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**Represented by**

Called up share capital (£100)	-	34,000	34,000
Other reserves	-	500,000	500,000
Profit and Loss account	(1,970,911)	(2,682,269)	(604,296)
EFC America retained profit	(123,869)	-	-
Retained profit	139,787	-	-

<b>Shareholders' Funds</b>	<u>(1,955,073)</u>	<u>(2,148,269)</u>	<u>(70,296)</u>
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The Administrators note that the Company's balance sheet as at 30 November 2020 shows other current assets with a balance of £869,436. The Administrators understand that this balance relates to a historic intercompany amount payable by its US subsidiary and may not be recoverable. The Administrators are presently considering the position in relation to the US subsidiary and its ability to repay this amount, and will update creditors in their next report.

**Statement of Affairs**

- 4.5 The directors are required to lodge a statement of affairs as at 14 December 2020 (being the date of the Administrators' appointment), which has to be filed with the Registrar of Companies. The directors have 11 days to complete this document and, consequently, it has not yet been received. In the meantime, an estimate of the financial position for the Company as at the date of the Administrators' appointment is enclosed at Appendix B, together with a list of creditors including their names, addresses and details of their debts, including any security held.

Please note that no provision has been made in the Estimated Financial Position for the costs and expenses of realisation, the costs of the administration and any corporation tax which may be payable.

**Secured Creditor**

- 4.6 The Company had no secured creditors at the date of the Administrators' appointment.

**Prescribed Part**

- 4.7 As the Company has no unsatisfied post-Enterprise Act charges, there is no requirement to set aside a prescribed part in this case.

**Preferential Claims**

- 4.8 The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay and certain pension contributions. We do not anticipate that there will be any preferential creditors in this case.

**Secondary Preferential Creditors**

- 4.9 With respect to insolvencies commencing on or after 1 December 2020, HMRC ranks ahead of floating charge holders and unsecured creditors for certain unpaid taxes that the relevant company collects on behalf of HMRC. These taxes are known as Priority Taxes and include:
- VAT;
  - PAYE (including student loan repayments);

- Construction Industry Scheme deductions; and
- Employees' NI contributions.

Based on the Company's records, the Administrators anticipate that the secondary preferential claims in this case will be circa £473,000.

### Unsecured Claims

- 4.10 At present, it is considered unlikely that there will be sufficient funds available to enable any form of distribution to unsecured creditors. Creditors should, however, continue to submit details of their claims using the proof of debt form attached at Appendix G. These claims will be collated and passed to any subsequently appointed liquidator, if the position changes.

### Receipts and Payments

- 4.11 A receipts and payments account for the period of administration to date is enclosed at Appendix C.

## 5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT

### Pre-packaged sale

- 5.1 As detailed in the Administrators' SIP 16 Memorandum which is attached at Appendix H, the business and assets of the Company were sold to E Flow Control Limited (**Purchaser**) under a pre-packaged sale (**pre-pack**) for consideration of £294,000. The consideration was apportioned as follows:

£'000	Apportionment	
	Book	Floating
Debtors	290.6	240.0
Work in progress	-	-
Stock	22.9	4.0
Plant and equipment	126.0	45.0
Intellectual property	-	5.0
<b>Total consideration</b>	<b>-</b>	<b>294.0</b>

- 5.2 Please refer to the information contained in Appendix H for a detailed explanation of the sale.
- 5.3 All business and assets of the Company were sold as part of the Transaction, with the exception of the Company's 100% shareholding in EFC Americas Inc, (**EFC America**), a US based entity.
- 5.4 The Administrators understand that EFC America exists purely as a vehicle for employing one non-American citizen, by holding a visa for the employee to reside and work in the USA. The employee provides operational support to key American customers of EFC.
- 5.5 Based on discussions with the directors and a review of EFC America's financial records, the Administrators understand EFC America is not an independent entity and has no assets of its own, generates no external income nor does it undertake any trading functions, other than providing operational support via the one employee to customers of EFC. EFC America is solely a service company for EFC, with all customer contracts and projects held in the name of EFC based in the UK.
- 5.6 The Administrators are presently assessing the potential realisable value of the entity (if any), and will update creditors in due course.

- 5.7 As part of the transaction a short term, 6 month, licence to occupy was agreed with the Purchaser for the Forres leasehold site.

### **Professional Advisors**

- 5.8 On this assignment the Joint Administrators have or are proposing to use the advisors detailed below.

<b>Name of Professional Advisor</b>	<b>Service Provided</b>	<b>Basis of Fees</b>
CMS Cameron McKenna Nabarro Olswang LLP	Legal advice	Time costs
GMG Asset Valuation Limited	Asset valuation advice	Fixed fee
Hilco Streambank	Goodwill valuation advice	Fixed fee

Details of this firm's policy regarding the choice of advisors and the basis for their fees are given in Appendix F.

## **6 ACHIEVING THE PURPOSE OF ADMINISTRATION**

- 6.1 The Administrators must perform their functions with the purpose of achieving one of the following objectives:
- (a) rescuing the Company as a going concern, or (if this cannot be achieved);
  - (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 (if (a) and (b) cannot be achieved);
  - (c) realising property in order to make a distribution to one or more secured or preferential creditors.
- 6.2 The first objective is not considered to be capable of being achieved given the extent of the historic liabilities.
- 6.3 The second objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were to be wound up (without first being in administration). The Administrators believe that this objective is unlikely to be achieved as there is no prospect of a dividend being available to unsecured creditors.
- 6.4 The third objective is to realise property in order to make a distribution to secured and/or preferential creditors. The Administrators consider that the third objective will be achieved as, whilst the sale of the business and assets of the Company delivered by way of a pre-pack transaction will provide a better return to creditors, due to the level of secondary preferential creditors (i.e. HMRC), it is not expected that there will be return to ordinary unsecured creditors
- 6.5 The administration has been, and will continue to be financed by monies received from asset realisations.

## **7 PROPOSALS AND EXIT ROUTE**

- 7.1 The Administrators' Proposals for achieving the objective of administration are attached at Appendix A.
- 7.2 Ordinarily the Administrators would seek a decision from the Company's creditors as to whether they approve the Proposals. However, in this case, as there is little likelihood of a dividend being available for unsecured creditors, there is no requirement to seek such a decision from creditors.
- 7.3 Creditors whose debts amount to at least 10% of the total debts of the Company may, however, request the Administrators to seek a decision from the Company's creditors as to whether they approve the Proposals. Such a request must be delivered to the Administrators within 8 business days of the date on which this report was delivered. The deemed date of delivery of this report is given on the front page of this report. Please note that security must be given for the costs of convening the requisitioned decision.
- 7.4 If such a decision is requisitioned, creditors will be invited to consider the appointment of a creditors' committee and to vote on the Proposals as set out at Appendix A.

- 7.5 In the event that no such request is received, the Proposals will be deemed to have been approved in accordance with Rule 3.38(4) of the Rules. Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the expiry of the period for requisitioning a decision referred to in 1.5 above.
- 7.6 Once approved, the affairs of the Company will be managed in accordance with the Proposals and financed out of asset realisations.
- 7.7 Once the administration has been finalised, and if there are insufficient funds available to allow a distribution to unsecured creditors, the Administrators will file a Notice with the Registrar of Companies that the Company be dissolved. Alternatively, if there are assets still to be realised or investigations concluded but there will be no return to unsecured creditors, the Company may be placed into liquidation.

## **8 EXTENSION OF ADMINISTRATION**

- 8.1 In certain circumstances it may be necessary to extend the Administrators' term of office. In the circumstances of this case, this may be done for a specified period not exceeding twelve months with the consent of:
- each secured creditor of the Company; and
  - if the Company has unsecured debts, the unsecured creditors of the Company.
- 8.3 The Administrators do not believe that an extension to the administration will be necessary in this case.

## **9 PRE-ADMINISTRATION COSTS**

- 9.1 Pre-administration costs are defined as:
- Fees charged; and
  - Expenses incurred

by the Administrators, or another person qualified to act as an insolvency practitioner before the company entered administration (but with a view to its doing so). "Unpaid pre-administration costs" are pre-administration costs which had not been paid when the company entered administration.

- 9.2 Time charged and expenses incurred by the Administrators and their agents and solicitors in the period prior to their appointment are summarised below:

Charged by	Services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Leonard Curtis Recovery Limited	Negotiations for sale of business and assets, sale of assets, contingency planning and preparation for administration appointment.	68,594.50	0.00	N/A	68,594.50
GMG Asset Valuation Limited	Valuation of plant & machinery	1,222.00	0.00	N/A	1,222.00
CMS Cameron McKenna Nabarro Olswang LLP	Dealing with sale contract and with the Settlement Agreement, arranging for the appointment of the Joint Administrators.	25,500.00	0.00	N/A	25,500.00

## Electro-Flow Controls Limited - in Administration

Hilco Streambank	Valuation of intellectual property	2,500	Nil	N/A	2,500
<b>Total</b>		<b>97,816.50</b>	<b>0.00</b>	<b>N/A</b>	<b>97,816.50</b>

- 9.3 A valuation of the Company's WIP and debtors was prepared by Acasta Consulting (Scotland) Limited. The costs relating to this work were paid by the Company prior to the administration appointment.

Enclosed at Appendix D is an analysis of the Administrators' pre-administration costs. The analysis shows that total pre-administration time costs of £68,594.50 have been incurred which represents 133.9 hours at an average rate of £512.28.

- 9.4 The payment of unpaid pre-administration costs (set out above) as an expense of the administration is subject to the approval of the appropriate class of creditors, separately to the approval of the Proposals as set out at section 9.13.
- 9.5 The Administrators' pre-appointment time costs reflect work undertaken in negotiating and agreeing the sale of the business and assets up to 14 December 2020. In October 2020, LCBSG undertook a contingency planning exercise, including a review of all restructuring options available to the Company. Thereafter, LCBSG was engaged by the Company to undertake an AMA with a view to sourcing a buyer for the Company's business and assets. On completion of the AMA, LCBSG entered into negotiations with the Purchaser to agree and complete a sale of the Company's business and assets. The work relating to the pre-administration time costs was necessary in order to secure the pre-pack sale to the purchaser. LCBSG time costs relate to work undertaken from 30 November 2020 (i.e. after conclusion of the AMA).
- 9.6 For our work and time costs incurred prior to 30 November 2020 LCBSG was paid by the Company under the terms of its engagement letters.

### Statement of Pre-Administration costs

- 9.7 LCBSG provided assistance to the Company on a number of matters including, but not limited to:
- Progressing the interest of the party which expressed an interest in purchasing the business and assets via a pre-packaged administration;
  - Detailed discussions and negotiations with the purchaser on the terms of its offer, and in relation to the terms included within the Sale & Purchase Agreement (**SPA**);
  - Instructing legal agents, CMS Cameron McKenna Nabarro Olswang LLP (**CMS**) to draft the SPA, reviewing and agreeing the legal documents for a proposed asset sale, reviewing and agreeing the legal documents including licence to occupy for Forres site;
  - Completion and execution of the SPA and payment of the agreed purchase price; and
  - Preparing for the administration appointment and pre-packed sale, including drafting all related forms and preparing communications to employees to be issued after the appointment and sale transaction

### Legal agent's costs

- 9.8 CMS's gross time costs incurred relate to work undertaken from completion of the SPA with the Purchaser to the date of the appointment of Administrators. CMS's costs include time incurred in relation to the following matters:
- Providing legal assistance and advice to LCBSG in preparing the pre-pack sale prior to appointment;
  - Drafting and agreeing the SPA in relation to both a sale of business and a sale of assets and all other ancillary documents with LCBSG, the Purchaser and their solicitor;
  - Providing LCBSG with assistance and advice on negotiations with the Purchaser and their solicitors; and
  - Drafting, finalising and submitting to Court the Administration appointment documentation.

**Asset valuation agent's costs**

- 9.9 GMG's costs relate to work undertaken in valuing the Company's moveable assets

**Intellectual property agent's costs**

- 9.10 Hilco's costs relate to work undertaken to value the Company's intellectual property assets.

**Summary**

- 9.12 The costs set out above were all incurred on work undertaken to implement the strategy which was most beneficial for the creditors, being the administration appointments and immediate pre-pack sale of the Company's assets.
- 9.13 The payment of unpaid pre-administration costs (set out above) as an expense of the administration is subject to the approval of the appropriate class of creditors, separately to the approval of the Administrators' Proposals. This approval will be the responsibility of the Creditors' Committee if one is appointed or alternatively will be by a decision of the general body of creditors.
- 9.14 The payment of unpaid pre-administration costs (set out above) is not part of the proposals subject to approval under paragraph 53 of Schedule B1 IA86.

**10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS**

**General**

- 10.1 The basis of the Administrators' remuneration may be fixed either as a percentage of the value with which they have to deal ('a percentage basis'), as a set amount, or by reference to the time properly given by the Administrators and their staff in attending to matters arising in the administration. A combination of these bases may be fixed, with different bases being fixed in respect of different things done by the Administrators. Additionally, where a percentage basis is fixed, different percentages may be fixed in respect of different things done by the Administrators.

**Approval by appropriate body**

- 10.2 The Administrators think that the Company has sufficient property to enable a distribution to be made to preferential creditors as detailed at Section 1.3 of this report. In such circumstances, it is for the Creditors' Committee to determine the basis of remuneration. If there is no Committee, or if the Committee fails to make the requisite determination, then the basis of remuneration must be fixed by a decision of the creditors.
- 10.3 The outcome of this decision will be reported to all creditors in due course.

**Information to be given to creditors**

- 10.4 The Administrators wish, in this case, to seek the creditors' agreement to their remuneration being fixed by reference to the time properly given by them and their staff in attending to matters arising in the administration.
- 10.5 Details of the Administrators' firm's charge-out rates and policy regarding the recharge of disbursements, staff allocation, support staff and the use of subcontractors are enclosed at Appendix H.
- 10.6 Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded using the following link:

<https://www.icas.com/technical-resources/creditor-guides-to-office-holder-remuneration>

If you would prefer this to be sent to you in hard copy please email [recovery@leonardcurtis.co.uk](mailto:recovery@leonardcurtis.co.uk) or contact Andrew Cochrane of this office on 0141 212 2060.

- 10.7 The Administrators also require approval in respect of the basis upon which they recharge internal disbursements that include an element of allocated costs. These are known as Category 2 costs and the basis of the calculation of their recharge is also detailed in Appendix F. Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as a "category 1 disbursement". Category 1 disbursements will generally comprise items such as case advertising and travel costs. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and storage of company records.
- 10.8 No disbursements have been incurred on the case since appointment.
- 10.9 The outcome of the voting on remuneration will be communicated to creditors in due course.

## **11 RELEASE OF ADMINISTRATORS FROM LIABILITY**

- 11.1 As soon as all outstanding matters in the administration have been attended to it is anticipated that we will file a notice with the Registrar of Companies in order that the administration will cease and the Company will move automatically to dissolution.
- 11.2 The Administrators' appointment will cease as soon as this notice is issued.
- 11.3 It is for the creditors to fix the date upon which the Joint Administrators are discharged from liability in respect of any action of theirs during the Administration. The appropriate creditors will be contacted directly in this regard.

## **12 CONCLUSION**

- 12.1 It is important that you give careful attention to this report and its Appendices.
- 12.2 Creditors will be advised of the outcome on the deemed approval of the Proposals in due course.

If you have any queries, or require any further clarification, please contact Andrew Cochrane, **in writing**. Electronic communications should also include a full postal address.

for and on behalf of  
**ELECTRO FLOW CONTROLS LIMITED**



**MICHELLE ELLIOT**  
**JOINT ADMINISTRATOR**

Michelle Elliot is authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants of Scotland under office holder number 22750 and Stuart Robb is authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants of Scotland under office holder number 19450.

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability.



**JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS**

It is proposed that:

1. The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration.
2. If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company.
3. If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation ("CVL"). It is further proposed that the Joint Administrators in office at the date of conversion to CVL will become the Joint Liquidators of the Company, and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them. NB. Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved.
4. Alternatively, if appropriate, the Joint Administrators apply to Court under Para 65 (3) of Schedule B1 to the Insolvency Act 1986 (as amended) for permission to make a distribution to the unsecured creditors within the Administration.
5. In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved.
6. The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company.
7. The Company may be placed into compulsory liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that Michelle Elliot and/or Stuart Robb be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them.
8. The Joint Administrators shall do all such other things and generally exercise all of his powers as contained in Schedule 1 of the Insolvency Act 1986, as he considers desirable or expedient to achieve the statutory purpose of the Administration.
9. The Joint Administrators be authorised to distribute funds to the secured or preferential creditors as and when claims are agreed and funds permit.
10. Subject to any order of the court required under Paragraph 65 of Schedule B1 to the Insolvency Act 1986 (as amended), the Joint Administrators be authorised to distribute funds to the unsecured creditors as and when claims are agreed and funds permit.

## APPENDIX B

## ESTIMATED FINANCIAL POSITION AS AT 14 DECEMBER 2020

	Notes	Book value (30 Nov '20) £'000	In Administration £'000
<b>Assets not specifically pledged</b>			
Intellectual Property	1	-	5
Debtors	2	306	240
Work in progress	3	-	-
Stock	4	23	4
Plant and equipment	5	112	45
Cash at bank	6	16	2
EFC Inc Intercompany	7	867	-
Prepayments	8	2	-
Investments	9	1	-
		1,326	296
Preferential creditors	10		-
Secondary Preferential Creditors	11		(473)
<b>Available for unsecured creditors</b>			(177)
<b>Unsecured creditors</b>			
H M Revenue & Customs	12		(473)
Trade and expense creditors	13		(420)
Bounce Bank Loan	14		(50)
<b>Total value of unsecured creditors</b>			(2,585)
<b>Estimated deficiency as regards unsecured creditors</b>			(2,762)

## NOTES TO THE ESTIMATED FINANCIAL POSITION

All book values have been taken from the Company's latest financial information or from valuations obtained upon administration by independent valuers. It should be noted that no provision has been made for the costs and expenses of the administration.

**1. Intellectual property**

Book value per the Company's Management Accounts as at 30 November 2020. Please see our SIP 16 statement at Appendix H for a detailed explanation of the valuation of the intellectual property.

**2. Debtors**

Book value per the Company's records prior to our appointment. Please see our SIP 16 statement at Appendix H for a detailed explanation of the valuation of the debtors.

**3. Work in progress**

Book value per the Company's records. Please see our SIP 16 statement at Appendix H for a detailed explanation of the valuation of the work in progress.

**4. Stock**

Book value per the Company's Management Accounts to 30 November 2020. Please see our SIP 16 statement at Appendix H for a detailed explanation of the valuation of the stock

**5. Plant and equipment**

Book value per the Company's Management Accounts to 30 November 2020. Please see our SIP 16 statement at Appendix H for a detailed explanation of the valuation of the stock

**6. Cash at bank**

Book value per the Company's Management Accounts as at 30 November 2020. We understand that there was £2,000 in the Company's bank account at the date of appointment.

**7. EFC Inc Intercompany**

Book value per the Company's Management Accounts as at 30 November 2020. Please see our comments at Section 5 regarding the US entity.

**8. Prepayments**

Book value per the Company's Management Accounts as at 30 November 2020. Please see our SIP 16 statement at Appendix H for further comments.

**9. Investments**

Investment in US entity.

**10. Preferential Creditors**

It is not anticipated that there will be any preferential creditors.

**11. Secondary Preferential Creditors**

Per the Company's records.

**12. H M Revenue & Customs**

It is not anticipated that HM Revenue and Customs will have a claim over and above its secondary preferential claim.

**13. Trade and expense creditors**

Per the information provided by the Company. Further detail provided below.

**14. Bounce Bank Loan**

The Company obtained funding of £50,000 by way of a Bounce Back Loan in April 2020.

## APPENDIX B (CONTINUED)

## CREDITORS LIST FOR THE ESTIMATED FINANCIAL POSITION

## NO SECURITY HELD

Name	Name	Balance	Address	Address 2	Address 3	City	Post Code
ABERCITY	ABERDEEN CITY COUNCIL	104,412.00	BUSINESS RATES TEAM	BUSINESS HUB 16	MARISCHAL COLLEGE, BROAD STREET	ABERDEEN	AB10 1AB
WAREHOUS	WAREHOUSE 13 LIMITED	69,768.00	13 WESTERTON ROAD	CULTS		ABERDEEN	AB15 9NR
GRAHAM &	GRAHAM & SIBBALD	46,096.62	1 GREENMARKET			DUNDEE	DD1 4QB
LOCKTON	LOCKTON COMPANIES LLP	36,461.69	SUITE C, PAVILION 7	VENTURE DRIVE	KINGSHILL BUSINESS PARK	WESTHILL	AB32 6FL
MAKO OIL	MAKO OILFIELD SERVICES	25,830.31	12249 - B ELGIN COUNCIL OFFICES	NORTHWOODS PARK DR		HOUSTON	77041
THE MORA	THE MORAY COUNCIL	19,894.00		HIGH STREET		ELGIN	IV30 1BX
WILLIS T	WILLIS TOWERS WATSON	14,175.90	51 LIME STREET			LONDON	EC3M 7DQ
DELOITTE	DELOITTE LLP	10,035.84	THE PINNACLE	150 MIDSUMMER BOULEVARD		MILTON KEYNES	MK9 1FD
PHILIP E	PHILIP ENGINEERING	7,749.12	20 PERIMETER ROAD	PINEFIELD INDUSTRIAL ESTATE		ELGIN	IV30 6AF
SRI ENER	SRI ENERGY	7,000.00	12950 S. KIRKWOOD ROAD	SUITE 150		STAFFORD	77477
CROWLE W	CROWLE WHARFE ENGINEERS LIMITED	6,358.80	WHARF ROAD	EALAND BADENTOY INDUSTRIAL ESTATE		SCUNTHORPE	DN17 4JW
STAUFF	STAUFF UK LTD	6,258.33	BADENTOY AVENUE		PORTLETHEN	ABERDEEN	AB12 4YB
DYNAMIC	DYNAMIC EDGE SOLUTIONS LTD	5,256.00	ST MARY'S COURT	HUNTLY STREET		ABERDEEN	AB10 1TH
STOCKTON	STOCKTON MACHINE COMPANY LTD	4,555.20	4 ROYCE AVENUE	COWPEN BEWLEY INDUSTRIAL ESTATE		BILLINHAM	TS23 4BX
WANDFLUH	WANDFLUH UK LTD	4,120.75	NORTHFIELD ROAD			SOUTHAM	CV47 0FG

## Electro-Flow Controls Limited - in Administration

INTERFAC	INTERFACE FORCE		GROUND FLOOR, UNIT		WELLINGTON		
HYDTRON	MEASUREMENTS LTD	3,235.20	19	DUKE'S RIDE	BUSINESS PARK	CROWTHORNE	RG45 6LS
TIS HYDR	HYDRATRON LTD	3,141.96	STUART ROAD			BROADHEATH	WA14 5GJ
DNV GL U	TIS HYDRAULICS	2,796.64	KIRKHILL PLACE	KIRKHILL IND ESTATE	DYCE	ABERDEEN	AB21 0GU
	DNV GL LTD (ABERDEEN)	2,628.00	CROMARTY HOUSE	67-72 REGENT QUAY		ABERDEEN	AB11 5AR
RISEHOLM	RISEHOLM INVESTMENTS						
LEEDS CI	LTD	2,259.80	MONKS FOLLY	HILL TOP LANE	PANNAL	HARROGATE	HG3 1PA
NPOWER	LEEDS CITY COUNCIL	1,946.00	PO BOX 60			LEEDS	LS2 8JR
WILLIS L	NPOWER BUSINESS	1,738.11	PO BOX 82017			OLDBURY	B69 2AQ
	WILLIS LIMITED	1,624.02	4 ALBYN TERRACE			ABERDEEN	AB10 1YP
INDEX EN	INDEX ENCLOSURES			HENWOOD INDUSTRIAL			TN24
	LIMITED	1,329.45	UNIT 5 WYVERN WAY	ESTATE		ASHFORD	8DW
PEGASUS	PEGASUS HYDRAULICS LTD	1,301.74	UNIT 5 ARBOUR PLACE	ARBOUR LANE	KNOWSLEY	LIVERPOOL	L33 7XG
BEKA	BEKA ASSOCIATES LTD	1,167.84	OLD CHARLTON ROAD		INDUSTRIAL PARK	HITCHIN	SG5 2DA
HYDRASUN	HYDRASUN LTD	1,166.42	GATEWAY BUSINESS				
Carbon G	CARBON GROUP	1,077.60	PARK	MOSS ROAD		ABERDEEN	AB12 3GQ
			28 ALBYN PLACE			ABERDEEN	AB10 1YL
HUTCHEON	HUTCHEON SERVICES LTD	1,020.00	BOURTREE HOUSE	MINTO DRIVE	ALTENS		
PRESSURE	PRESSURE TECH	972.54	UNIT 24	GRAPHITE WAY	INDUSTRIAL	ABERDEEN	AB12 3LW
CHAMBER	ABERDEEN CHAMBER OF	775.20	THE HUB	EXPLORATION DRIVE	ESTATE		
REALM FI	COMMERCE	765.90	GROVE LODGE	MUGIEMOSS ROAD	HADFIELD	GLOSSOP	SK13 1QH
HYDAC	REALM FIRE & SECURITY				ABERDEEN	ABERDEEN	AB23 8GX
	HYDAC TECHNOLOGY	763.22	DE HAVILLAND WAY	WINDRUSH PARK	ENERGY PARK,		
AMPHENOL	LIMITED	706.00	WAREHOUSE C1-16		BRIDGE OF DON	ABERDEEN	AB21 9NP
ADTFIRE	AMPHENOL MIDDLE EAST	624.25	PO BOX 69			WITNEY	OX29 0YG
	ENTERPRISES FZE						
	ADT FIRE & SECURITY PLC				GATE #1	AJMAN	21107
						MANCHESTER	M40 4BH

## Electro-Flow Controls Limited - in Administration

DHL INTE	DHL INTERNATIONAL (UK) LTD	615.23	PO BOX			SLOUGH	SL3 0BB
PR ELECT	PR ELECTRONICS (UK) LTD	537.48	MIDDLE BARN	OAK LANE		CHICHESTER	PO20 7FD
MATTIOLI	MATTIOLI WOODS PLC	501.02	8 QUEENS TERRACE			ABERDEEN	AB10 1XL
			HORSLEY HOUSE				
SYMETRI	SYMETRI LTD	426.00	NORTH	REGENT CENTRE		GOSFORTH	NE3 3TZ
RSCOMP	RS COMPONENTS LTD	397.00	PO BOX 888			CORBY	NN17 5UB
					ALTENS INDUSTRIAL ESTATE		
R&M ELEC	R&M ELECTRICAL GROUP LTD	365.89	UNIT 6	HARENESS ROAD		ABERDEEN	AB11 3LE
				ALTENS INDUSTRIAL ESTATE		ABERDEEN	AB12 3JG
SHELLRED	SHELL REDMOSS	333.17	WELLINGTON ROAD				
BRAMMER	BRAMMER BUCK & HICKMAN	273.16	2 HARBOUR ROAD	LONGMAN INDUSTRIAL ESTATE		INVERNESS	IV1 1SY
CLEARBUS	CLEARBUSINESS	249.04					
				WESTHILL INDUSTRIAL ESTATE	WESTHILL	ABERDEEN	AB32 6TQ
AIR PROD	AIR PRODUCTS PLC	245.50	ENTERPRISE DRIVE				
JWF PROC	JWF PROCESS SOLUTIONS LTD	224.40	85 SEAWARD STREET			GLASGOW	G41 1HJ
				BLACKHILL INDUSTRIAL ESTATE	FINDON, PORTLETHEN	ABERDEEN	AB12 4RL
GR FASTE	GR FASTENERS LTD	224.25	UNIT 14				
			SITES 9 & 9A DALES INDUSTRIAL ESTATE			PETERHEAD	AB42 3JF
DAVIDSON	DAVIDSON BLAST SERVICES	222.00			DENMORE ROAD BRIDGE OF DON	ABERDEEN	AB23 8JX
AEL	AEL (ABERDEEN) LTD	158.64	UNIT A, HYDROPARK	TERN PLACE			
	GNF CLEANING (ELGIN) LTD	139.20	RIVENDELL	LINKWOOD ROAD		ELGIN	IV30 6DJ
GNF CLEA		127.92	DEER PARK COURT	DONNINGTON WOOD		TELFORD	TF2 7NB
LYRECO U	LYRECO UK LIMITED						
CALDER P	CALDER PRESSURE SYSTEMS	126.92	PRESCOTT DRIVE			WARNDON	WR4 9NE
				ALTENS INDUSTRIAL ESTATE		ABERDEEN	AB12 3LW
K & L RO	REDWING UK LTD	110.40	MINTO DRIVE				

# Electro-Flow Controls Limited - in Administration

CATHEDRL	CATHEDRAL LEASING LIMITED	93.60	CATHEDRAL HYGIENE	300 RELAY POINT	RELAY DRIVE	TAMWORTH	B77 5PA
ANDREW L	ANDREW LORD	64.00	14 HALLFIELD DRIVE	BILDON		BRADFORD	BD17 6NH
MACGREGO	MACGREGOR INDUSTRIAL SUPPLIES LTD	54.17	15-17 HENDERSON ROAD	LONGMAN INDUSTRIAL ESTATE		INVERNESS	IV1 1SN
QHP	QUALITY HYDRAULIC POWER LTD	54.00	TAYLOR HOUSE	MINERVA AVENUE		CHESTER	CH1 4QL
HIGHLAND	HIGHLAND NETWORK LTD	43.80	CRADLEHALL BUSINESS PARK			INVERNESS	IV2 5GH
HENDERSO	HENDERSON & DICK DESIGNS	43.20	CRAIGSHAW ROAD	WEST TULLOS		ABERDEEN	AB12 3AP
ASSOCIAT	ASSOCIATED WASTE MANAGEMENT LTD	31.93	ST BERNARD'S MILL	GELDERD ROAD		LEEDS	LS27 7NA
CMYK DIG	CMYK DIGITAL SOLUTIONS LIMITED	28.16	UNIT 9	BUTLERFIELD INDUSTRIAL ESTATE	BONNYRIGG	EDINBURGH	EH19 3JQ
PWG SIGN	PWG SIGNS LTD	27.32	114 COWGATE			DUNDEE	DD1 2JU
LANG	LANGSTANE PRESS LTD	18.30	1 LINKS PLACE			ABERDEEN	AB11 5DY
IFB	INTERNET FOR BUSINESS	12.00	BUILDING 54	54 HARENESS ROAD	ALTENS	ABERDEEN	AB12 3LE
ACCESS L	ACCESS LADDERS UK LTD	0.01	208 DURHAM ROAD			STOCKTON ON TEES	TS19 0PT
TINSLEY	TINSLEY BRIDGE SERVICES LIMITED	15,289.20	335 SHEPCOTE LANE			SHEFFIELD	S9 1TG
ELGIN RE	ELGIN REFRIGERATION SERVICES LTD	98.70	UNIT 1	LINKWOOD INDUSTRIAL ESTATE		ELGIN	IV30 1HY
RAINBOW	RAINBOW CITY TAXIS	25.20	RAINBOW HOUSE	CRAIGSHAW ROAD	WEST TULLOS	ABERDEEN	AB12 3AR
<b>Total</b>		<b>420,173.26</b>					



**APPENDIX C**

**SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS FROM 14 DECEMBER 2020  
TO 18 DECEMBER 2020**

Statement Of Affairs	From 14/12/2020 To 18/12/2021
<u>0.00</u>	<u>0.00</u>

**SUMMARY OF JOINT ADMINISTRATORS PRE-ADMINISTRATION COSTS  
FROM 30 NOVEMBER 2020 TO 3 DECEMBER 2020**

	Director		Manager 1		Total		Average Hourly Rate
	Units	Cost £	Units	Cost £	Units	Cost £	
Financial assessment	447	23,467.50	-	-	447	23,467.50	525.00
Strategy & purpose evaluation	523	27,457.50	233	9,203.50	756	36,661.00	484.93
Preparation of documents	188	9,870.00	3	118.50	191	9,988.50	522.96
Court related issues	50	2,625.00	-	-	50	2,625.00	525.00
Total	1,208	63,420.00	236	9,322.00	1,444	72,742.00	
Average Hourly Rate (£)		<u>525.00</u>		<u>395.00</u>		<u>503.75</u>	
All Units are 6 minutes							

## DETAILED ANALYSIS OF PRE-ADMINISTRATION COSTS

### Financial Assessment

Concluding that a pre-pack and Administration was the most beneficial outcome for creditors:

- Preparation of comparison Estimated Outcome Statement ('EOS') to assess the potential recovery to creditors on a going concern and wind down basis;
- Correspondence with the directors; and
- Reviewing management account and various cash flows provided by the directors.

### Strategy & Purpose Evaluation

In the period prior to the Administration, LCBSG provided assistance to the Company on a number of matters including, but not limited to:

- Meetings and calls with the directors;
- Calls and emails with GMG;
- Calls and emails with Acasta;
- Correspondence with Hilco regarding the value of the intellectual property;
- Instructing legal agents, CMS to draft the SPA, reviewing and agreeing the legal documents;
- Completion and execution of the SPA;
- Preparing for the Administration appointment and pre-packed sale, including drafting all related forms and preparing communications to employees to be issued after the appointment and sale transaction; and
- TUPE and holiday pay considerations.

### Preparation of Documents

- Preparing for the Administration appointment and pre-pack, including drafting all related forms to be issued after the appointment and transaction.

### Court Related Issues

- Liaising with CMS regarding the appointment including arranging for all documents to be signed.

## SUMMARY OF JOINT ADMINISTRATORS' TIME COSTS FROM 14 DECEMBER 2020 TO 17 DECEMBER 2020

	Director		Manager 1		Manager 2		Total		Average
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Hourly Rate £
Assets	75	3,937.50	9	355.50	-	-	84	4,293.00	511.07
Liabilities		-	58	2,291.00	3	103.50	61	2,394.50	392.54
General Administration		-	25	987.50	25	862.50	50	1,850.00	370.00
Appointment	20	1,050.00	25	987.50	31	1,069.50	76	3,107.00	408.82
Post Appointment Creds Mtngs	20	1,050.00	-	-	-	-	20	1,050.00	525.00
<hr/>									
Total	115	6,038	117	4,622	59	2,036	291	12,695	
<hr/>									
Average Hourly Rate (£)		<u>525.00</u>		<u>395.00</u>		<u>345.00</u>		<u>436.24</u>	
<hr/>									
All Units are 6 minutes									

## APPENDIX E (CONTINUED)

### DETAILED ANALYSIS OF TIME SPENT

#### Statutory and Review

This category of activity encompasses work undertaken for both statutory and case management purposes. Whilst this work will not directly result in any monetary value for creditors, it will ensure that the case is managed efficiently and resourced appropriately, which will be of benefit to all creditors. The work to be carried out under this category will comprise the following:

- Case management reviews. These will be carried out periodically throughout the life of the case. In the early stages of the case this will involve weekly team meetings to discuss and agree case strategy and a month 1 review by the firm's Compliance team to ensure that all statutory and best practice matters have been dealt with appropriately. As the case progresses we will as a minimum carry out three monthly and six monthly reviews to ensure that the case is progressing as planned.
- Allocation of staff, management of staff, case resourcing and budgeting.
- Review of work carried out by more junior members of staff to ensure quality of work and adherence to standards, legislation and best practice.
- .

#### Receipts and Payments

This category of work will not result in a direct financial benefit for creditors. However, close monitoring of case bank accounts is essential to ensure that bank interest is maximised where possible, estate expenses are properly managed and kept to a minimum and amounts payable to creditors are identified and distributed promptly.

- Opening of case bank accounts ;
- Management of case bank account(s) to ensure compliance with relevant risk management procedures;

#### Insurance, Bonding and Pensions

Insolvency Practitioners are obliged to comply with certain statutory requirements when conducting their cases. Some of these requirements are in place to protect company assets (see insurance and bonding matters below), whilst requirements in respect of company pension schemes are there to protect the pension funds of Company employees. Whilst there is no direct financial benefit to Company creditors in dealing with these, close control of case expenditure is crucial to delivering maximum returns to the appropriate class of creditor.

- Arranging open cover insurance:
- Calculation and request of joint administrators' bond in accordance with the Insolvency Practitioners' Regulations 2005. A Bond is a legal requirement on all administrations and is essentially an insurance policy to protect creditors against the fraud or dishonesty of the Insolvency Practitioner. The bond is calculated by reference to the value of assets which are estimated before costs to be available to unsecured creditors;

#### Assets

- Instruction of and liaising with agents as required
- Liaising with Company's bankers re pre-appointment bank accounts;

#### Liabilities

This category of time includes both statutory and non-statutory matters.

*Statutory*

- Processing of claims from the Company's creditors

*Non-statutory*

Dealing with enquiries from the Company's creditors

**Landlords**

- Review of current leases in respect of Company premises; and
- Liaising with landlords in respect of premises.

**General Administration**

- General planning matters;
- Setting up and maintaining the administrators' records;
- Dealing with general correspondence and communicating with directors and shareholders.

**Appointment**

- Statutory notifications to creditors and other interested parties following the administrators' appointment;
- Preparation of case plan; and
- Formulation of case strategy, including recording of any strategic decisions.

**Post Appointment Creditors' Meetings**

- Preparation of Joint Administrators' Proposals for achieving a statutory purpose of the administration.

**LEONARD CURTIS POLICY REGARDING FEES, EXPENSES AND DISBURSEMENTS**

The following Leonard Curtis policy information is considered to be relevant to creditors:

**Staff Allocation and Charge Out Rates**

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by the appropriate body of creditors that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters as set out in a fees estimate, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below. In cases of exceptional complexity or risk, the insolvency practitioner reserves the right to obtain authority from the appropriate body of creditors that their remuneration on such time shall be charged at the higher complex rates given below.

The following hourly charge out rates apply to all assignments undertaken by Leonard Curtis:

<b>6 Jan 2014 onwards</b>	<b>Standard</b>	<b>Complex</b>	<b>1 Aug 2019 onwards</b>	<b>Standard</b>	<b>Complex</b>
	<b>£</b>	<b>£</b>		<b>£</b>	<b>£</b>
Director	450	562	Director	525	656
Senior Manager	410	512	Senior Manager	445	556
Manager 1	365	456	Manager 1	395	494
Manager 2	320	400	Manager 2	345	431
Administrator 1	260	325	Administrator 1	280	350
Administrator 2	230	287	Administrator 2	250	313
Administrator 3	210	262	Administrator 3	230	288
Administrator 4	150	187	Administrator 4	165	206
Support	0	0	Support	0	0

Office holders' remuneration may include costs incurred by the firm's in-house legal team, which may be used for non-contentious matters pertaining to the insolvency appointment.

**Subcontractors**

Where we subcontract out work that could otherwise be carried out by the office holder or his/her staff, this will be drawn to the attention of creditors in any report which incorporates a request for approval of the basis upon which remuneration may be charged. An explanation of why the work has been subcontracted out will also be provided.

**Professional Advisors**

Details of any professional advisor(s) used will be given in reports to creditors. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements.

The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

**Expenses**

We are required to provide creditors with an estimate of the expenses we expect to be incurred in respect of an assignment and report back to them on actual expenses incurred and paid in our periodic progress reports. There are two broad categories of expenses: standard expenses and case specific expenses. These are explained in more detail below:

- a) Standard Expenses – this category includes expenses which are payable in order to comply with legal or regulatory requirements and therefore will generally be incurred on every case. They will include:

<b>Type</b>	<b>Description</b>	<b>Amount</b>
AML checks	Electronic client verification in compliance with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017	£5.00 plus VAT per search

## Electro-Flow Controls Limited - in Administration

Bond / Bordereau fee	Insurance bond to protect the insolvent entity against any losses suffered as a result of the fraud or dishonesty of the IP	£10.00 to £1,200.00 dependent on value of assets within case																								
Company searches	Extraction of company information from Companies House	£1.00 per document unless document can be accessed via the free service																								
Document hosting	Hosting of documents for creditors/shareholders. Cost per upload, plus VAT.	<table> <tr> <th>Type</th><th>First 100</th><th>Every addtl 10</th></tr> <tr> <td>ADM</td><td>£14.00</td><td>£1.40</td></tr> <tr> <td>CVL</td><td>£7.00</td><td>£0.70</td></tr> <tr> <td>MVL</td><td>£7.00</td><td>£0.70</td></tr> <tr> <td>CPL</td><td>£7.00</td><td>£0.70</td></tr> <tr> <td>CVA</td><td>£10.00</td><td>£1.00</td></tr> <tr> <td>BKY</td><td>£10.00</td><td>£1.00</td></tr> <tr> <td>IVA</td><td colspan="2">£10 p.a. or £25 for life of case</td></tr> </table>	Type	First 100	Every addtl 10	ADM	£14.00	£1.40	CVL	£7.00	£0.70	MVL	£7.00	£0.70	CPL	£7.00	£0.70	CVA	£10.00	£1.00	BKY	£10.00	£1.00	IVA	£10 p.a. or £25 for life of case	
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CVA	£10.00	£1.00																								
BKY	£10.00	£1.00																								
IVA	£10 p.a. or £25 for life of case																									
Postage	Cost of posting documents in connection with a case to external recipients	Calculated in accordance with Royal Mail Hybrid Mail rates and dependent on whether the document is sent by first or second class post.																								
Post re-direction	Redirection of post from Company's premises to office-holders' address	0-3 months £216.00 3-6 months £321.00 6-12 months £519.00																								
Software Licence fee	Payable to software provider for use of case management system	£87.00 plus VAT per case																								
Statutory advertising	Advertising of appointment, notice of meetings etc. - London Gazette - Other	£91.80 - £102.00 plus VAT per advert Dependent upon advert and publication																								
Storage costs	Costs of storage of case books and records	£5.07 plus VAT per box per annum plus handling charges																								

- b) Case-specific expenses – this category includes expenses (other than office-holders' fees) which are likely to be payable on every case but which will vary depending upon the nature and complexity of the case and the assets to be realised. They will include:

Type	Description	Amount
Agents' fees	Costs of appointed agents in valuing and realising assets	Time costs plus disbursements plus VAT
Debt Collection fees	Costs of appointed debt collectors in realising debts	Generally agreed as a % of realisations plus disbursements plus VAT
Legal fees	Costs of externally appointed solicitors. Will generally comprise advice on validity of appointment, drafting of sale contracts, advice on retention of title issues and advice on any reviewable transactions.	Time costs plus disbursements plus VAT
Other disbursements	See <b>disbursements</b> section below	See <b>disbursements</b> section below

### Disbursements

Included within both of the above categories of expenses are disbursements, being amounts paid firstly by Leonard Curtis on behalf of the insolvent entity and then recovered from the entity at a later stage. These are described as Category 1 and Category 2 disbursements.

- a) Category 1 disbursements: These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, external room hire, storage, postage, telephone charges, travel expenses (excl. mileage), and equivalent costs reimbursed to the office holder or his or her staff. Category 1 disbursements may be drawn without prior approval.
- b) Category 2 disbursements: These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage. In the event of charging for category 2 disbursements the following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

Storage of office files (6 years)	£30 per box
Business mileage	45p per mile

Category 2 disbursements may be drawn if they have been approved in the same manner as an office holder's remuneration.



Insolvency (Scotland) (Company Voluntary Arrangement and Administration) Rules 2018  
Rule 3.105

**Proof of Debt – General Form**

**Relevant date:**

**Please e-mail completed form to: [recovery@leonardcurtis.co.uk](mailto:recovery@leonardcurtis.co.uk)**

**Quoting ref: E018G/ACO/PROOF**

**Name of Company in Administration:**

**Electro-Flow Controls Limited**

**Company registered number:**

1. Name of creditor (if a company, provide registration number)

2. Correspondence address of creditor (including email address)

3. Total amount of claim (£) at relevant date (include any Value Added Tax)

4. If amount in 3 above includes outstanding uncapitalised interest, state amount (£)

5. Details of how and when the debt was incurred (if you need more space attach a continuation sheet to this form)

6. Details of any security held, the value of the security and the date it was given

7. If any part of the debt is claimed as preferential, provide details of the nature and amount of the preferential claim.

8. Details of any reservation of title claimed in respect of goods supplied to which the debt relates

9. Details of any document by reference to which the debt relates

10. Signature of creditor (or person authorised to act on the creditor's behalf)

11. Date of signing:

12. Address of person signing (if different from 2 above)

13. Name in BLOCK LETTERS

14. Position with, or relation to, creditor

**Notes:**

1. There is no need to attach them now but the office-holder may ask you to produce any document or other evidence which is considered necessary to substantiate the whole or any part of the claim, as may the chairman or convenor of any qualifying decision procedure.
2. This form can be authenticated for submission by email by entering your name in block capitals and sending the form as an attachment from an email address which clearly identifies you or has been previously notified to the office-holder. If completing on behalf of the company, please state your relationship to the company.
3. **Please e-mail completed form to: [recovery@leonardcurtis.co.uk](mailto:recovery@leonardcurtis.co.uk)**

**Quoting ref: E018G/ACO/PROOF**

**APPENDIX H**

**INFORMATION IN RELATION TO THE PRE-PACKAGED SALE  
OF THE BUSINESS AND ASSETS IN ACCORDANCE WITH  
THE PROVISIONS OF STATEMENT OF INSOLVENCY PRACTICE 16**



Please ask for : Jenna Cooper  
Our ref : G/51/EC/E028G/1040  
Your ref :

18 December 2020

**TO ALL CREDITORS  
TO ALL EMPLOYEES  
TO THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND**

**ELECTRO-FLOW CONTROLS LIMITED - IN ADMINISTRATION (COMPANY OR EFC)  
COURT OF SESSION NO. P1055/20  
COMPANY NUMBER: SC109038**

Michelle Elliot and Stuart Robb were appointed as Joint Administrators (**Administrators**) of the Company on 14 December 2020.

Enclosed is formal notice of the Administrators' appointment for your reference.

You are receiving this notice because the Company's records show that you are a creditor of the Company. The Company's creditors fall into one of the following four categories:

- Secured creditors – creditors who have the benefit of a security interest over some or all of the assets of the Company (e.g. banks, finance providers);
- Preferential creditors – creditors who have a preferential right to payment out of the Company's assets when realised (e.g. employees in relation to arrears of pay and/or holiday pay, subject to certain limits);
- Secondary preferential creditor – HM Revenue and Customs (**HMRC**), which has a secondary preferential right to payment out of the Company's assets when realised in relation to outstanding Value Added Tax, Pay As You Earn deductions (including student loan repayments), employee National Insurance contributions and Construction Industry Scheme deductions; or
- Unsecured creditors – creditors, other than preferential creditors or the secondary preferential creditor, that do not have the benefit of any security interest in the assets of the Company (e.g. unsecured trade suppliers and employees (to the extent that their claims are not preferential)).

The Administrators are obliged to perform their functions and responsibilities in the interests of the Company's creditors as a whole and, where the objective of the administration is to realise property in order to make a distribution to secured or preferential creditors (including the secondary preferential creditor), the Administrators have a duty not to unnecessarily harm the interests of creditors as a whole.

Where a sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an administrator and the administrator effects the sale immediately on, or shortly after, his or her appointment, this is known as a pre-packaged sale or "pre-pack".

It is the nature of a pre-packaged sale in an administration that creditors are not given the opportunity to consider the sale of the business or assets before it takes place. It is important, therefore, that creditors are provided with a detailed explanation and justification as to why a pre-packaged sale was undertaken, so that they can be satisfied that the Administrators have acted, where necessary, with due regard to creditors' interests.



In this case, a sale of substantially all of the Company's assets to E-Flow Control Limited (**Purchaser**) was completed on 14 December 2020. Set out at Appendix A to this letter is a summary of the circumstances and information relevant to this sale that the Administrators are required to disclose. In this case, the Purchaser is owned and operated by associated persons, as defined by section 435 of the Insolvency Act 1986 (**Act**).

In relation to orders placed by the Company prior to administration but not yet delivered, suppliers should obtain confirmation from the Purchaser that the goods or services are still required and, if so, an order may be placed with the purchasing company. It should be noted that goods sold and delivered by the Company since the administration commenced must be paid for in full and cannot be set off against any claims against the Company.

You will appreciate that, as a consequence of the administration, your previous account with the Company is frozen and neither the Administrators nor the Purchaser are in a position to deal with the claims of unsecured creditors. Nevertheless, the Administrators request you provide a detailed account of the amount owing to you as at the date of administration. Your account, and any future correspondence in connection with the Company, should be sent to the Administrators' address. Please remember to provide your full name, address, telephone number and email address for the Administrators' records.

If you are claiming title to goods supplied by you, please provide full details, including your conditions of sale. If you believe you have a claim to goods it is imperative that you contact the Administrators as soon as possible and, if necessary, arrange a date to identify the goods in question. Failure to do so may prejudice your claim if any goods to which you claim title have been sold. The Administrators will not be liable in the event that goods are sold prior to notice of any valid retention of title claim being received.

Under the provisions of Paragraph 43 of Schedule B1 to the Act, no steps may be taken by any creditor to enforce any security over the Company's property or to repossess goods in the Company's possession under any hire purchase agreement (which includes conditional sale agreements, chattel asset leasing agreements and retention of title agreements) without the consent of the Administrators or leave of the Court.

Further, no other proceedings and no execution of other legal processes may be commenced or continued, and no distress may be levied against the Company or its property except with the consent of the Administrators or leave of the Court.

Where a pre-packaged sale has been undertaken, the company's administrator should circulate the administration proposals as soon as practicable after their appointment and, where possible, with this notification. The administration proposals, together with details of a decision procedure for their approval, are enclosed with this letter. At this time, the Administrators are seeking, from the appropriate body of creditors, approval of the basis upon which their remuneration is to be calculated. A Creditor's guide to Administrators' fees, which sets out the rights of creditors in this respect, is available from the Administrators' office free of charge or may be downloaded from:

<https://www.r3.org.uk/technical-library/scotland/technical-guidance/creditor-guides/>

You are also encouraged to visit the following website, which provides a step-by-step guide designed to help creditors navigate through an insolvency process:

[www.creditorinsolvencyguide.co.uk](http://www.creditorinsolvencyguide.co.uk)

If you have any information regarding the conduct of the Company's directors which you feel should be brought to the Administrators' attention, any concerns regarding the way in which the Company's business has been conducted or information on potential recoveries or any particular matters which you consider require investigation, please send full details to this office at the address given below. This request forms part of the Administrators' statutory investigation procedures and does not imply any criticism of the directors.



## Data Protection

Finally, when submitting details of your claim in the administration, you may disclose personal data to us. The processing of personal data is regulated in the UK by the General Data Protection Regulation EU 2016/679 as supplemented by the Data Protection Act 2018, together with other laws which relate to privacy and electronic communications. We act as Data Controller in respect of personal data we obtain in relation to this administration and are therefore responsible for complying with Data Protection Law in respect of any personal data we process. Our privacy notice, which is attached to this letter at Appendix B, explains how we process your personal data. Terms used in this clause bear the same meanings as are ascribed to them in Data Protection Law.

Insolvency practitioners at Leonard Curtis are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment.

**We remind you that the Joint Administrators are agents of the Company and contract without personal liability.**

Please contact Jenna Cooper on telephone number 0141 212 2060 if you have any queries.

Yours faithfully  
for and on behalf of

**ELECTRO-FLOW CONTROLS LIMITED**

**MICHELLE ELLIOT**  
**JOINT ADMINISTRATOR**

Michelle Elliot and Stuart Robb are authorised to act as insolvency practitioners in the UK by the Institute of Chartered Accountants of Scotland under office holder numbers 22750 and 19450 respectively.

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability.

Enc.

**ELECTRO-FLOW CONTROLS LIMITED (COMPANY)**  
**(IN ADMINISTRATION)**

**INFORMATION REGARDING THE PRE-PACKAGED SALE OF THE BUSINESS AND ASSETS OF  
ELECTRO FLOW CONTROLS LIMITED**

**1. BACKGROUND INFORMATION**

- 1.1 Electro-Flow Controls Limited (**Company** or **EFC**) was established over 30 years ago, and operates as a global design, manufacturing and installation provider of tailor-made monitoring, control and mechanical handling systems for the oil and gas sector.
- 1.2 The Company operates from leasehold premises in Aberdeen and Forres (both in northern Scotland). It has a third leasehold site in Leeds (central England), which it has not occupied since the UK's coronavirus lockdown commenced in March 2020.
- 1.3 The business operates across four key service lines:
  - i) Instrumentation and Control;
  - ii) Mechanical Handling;
  - iii) Subsea Control; and
  - iv) Aftermarket Field Support.
- 1.4 Typically, the Company is engaged by its customers to design, manufacture and install highly bespoke control systems for use on offshore oil and gas platforms. The Company has no recurring supply agreements with its customers, with individual orders awarded to the Company on the merits of its tendering process. All orders and variations are placed by individual purchase order, which form the basis of the design and build contract.
- 1.5 The Company's directors have advised that a typical design and build contract takes up to two years (sometimes longer) to complete. On completion, the Company assists its customers in installation of the system and provides ongoing support during the life of the system.
- 1.6 The Company operates globally, with a significant proportion of its engagements (generally over 60%) undertaken for clients domiciled overseas. At the time of the transaction, the Company had customers in the USA, Middle East and Australia, as well as in the UK.
- 1.7 On a typical design and manufacture contract (i.e. with no install component), the Company provides a warranty of 12 months from when the product leaves its site. Contracts with an install component typically include an 18-month warranty from when the system is installed and confirmed as operational. Certain larger contracts include warranties of up to 24 months.
- 1.8 Due to a global downturn in the oil and gas sector, the Company had struggled for a number of years incurring losses of £7.78 million, £3.87 million and £2.08 million in FY17, FY18 and FY19 respectively. As the Company had no existing bank debt facilities, these losses were funded by shareholders, with shareholder equity injections of £3.83 million over the period December 2018 to November 2019.
- 1.9 The Company's directors have advised that difficult trading conditions were exacerbated further with the onset of the present global health pandemic, resulting in it being unable to mobilise staff to service its overseas customers. The global health pandemic also significantly impacted demand within the oil and gas sector, with a corresponding reduction in demand for the Company's services. The Administrators note that, in the seven months to 31 October 2020, the Company generated a notional profit of circa £30,000 (unaudited management accounts).



- 1.10 Whilst the Company successfully obtained funding of £50,000 by way of a Bounce Back Loan in April 2020, it identified a further significant funding requirement would occur late October/early November 2020. In the absence of an existing bank funding facility, the Company sought to secure funding from the Coronavirus Business Interruption Loan Scheme (**CBILS**). However, the Company's CBILS application was rejected, the providing bank citing it did not have an appetite to invest in the fossil fuels industry at the time of the health pandemic with the corresponding impact on global demand for oil. Having already provided further funds of £3.83 million, the Company's shareholders were not willing or able to advance additional funding to the Company absent a formal restructure.
- 1.11 The directors identified that the business required a significant restructure to enable it to continue on a reduced scale, focusing on its core service offerings, until sector activity returned to a more normal level. Consequently, the business implemented a redundancy process during the summer and autumn of 2020, reducing its workforce by a third from 32 employees to 21.

## **2. INITIAL INTRODUCTION**

- 2.1 Leonard Curtis Business Solutions Group (**LCBSG**) was initially introduced to the Company on or around 10 August 2020 by Lamp-Post Associates, to consider the restructuring options available to the Company. LCBSG was subsequently formally engaged by the Company to undertake this scope of work under an engagement letter dated 10 September 2020, signed on 14 September 2020.
- 2.2 LCBSG worked with the Company to explore available restructuring options, and the outcome of the options assessment process is outlined below. Thereafter, LCBSG was further engaged to undertake an accelerated sale process (**AMA**) on behalf of the Company under the terms of an engagement letter dated 21 October 2020, signed on 23 October 2020.
- 2.3 We do not believe that the above involvement constitutes a significant personal or professional relationship which would affect Michelle Elliot's or Stuart Robb's ability to deal with this matter objectively and prevent them from accepting this appointment as joint administrators.
- 2.4 Michelle Elliot and Stuart Robb were subsequently appointed as Joint Administrators (**Administrators**) on 14 December 2020.

## **3. DISTRIBUTION OF PROPOSALS**

- 3.1 In accordance with the provisions of Statement of Insolvency Practice 16 (Scotland) (**SIP 16**), when a pre-packaged sale has been undertaken, the company's administrator should seek any requisite approval of the administration proposals as soon as practicable after appointment, and the proposals should be sent with the notification of the sale. If the company's administrator has been unable to meet this requirement, the proposals should include an explanation for the delay.
- 3.2 The proposals and SIP 16 notice are being issued simultaneously in this matter.






#### 4. PRE-APPOINTMENT CONSIDERATIONS

##### ***Extent of the Administrators' involvement prior to the appointment and role of the Insolvency Practitioner (IP)***

- 4.1 Within our letter of engagement for the AMA process dated 21 October 2020, we formally advised the directors of the Company that our role before any formal appointment would involve providing the following services:
- i) advising the directors on which insolvency process would be most appropriate for the Company;
  - ii) dealing with all formalities relating to the appointment of administrators, including giving appropriate notification of the intention to make such appointment to secured creditors (there are no secured creditors in this case) and other parties entitled to receive notice;
  - iii) preparing any report(s) necessary and attending Court hearings if appropriate;
  - iv) advising the directors on the financial control and supervision of the business between the date of LCBSG's engagement and the date of the appointment of administrators; and
  - v) advising the directors on whether an early sale of the Company's business and trading assets would be likely to be in the interests of creditors.
- 4.2 We made it clear that these services were to be given for the benefit of the creditors of the Company and that our role was not to advise the directors in their personal capacity. We recommended that the directors seek their own independent advice if they were uncertain on any matter, particularly if they had expressed, or were likely to express, an interest in purchasing the Company's business and trading assets.
- 4.3 We also wrote to all interested parties who we believed to be connected to the Company advising them of the IP's obligations under Statement of Insolvency Practice 16 (**SIP16**) regarding the marketing of the business and assets of the Company and of their ability to make a submission, or submissions, to the Pre-Pack Pool (**Pool**).
- 4.4 We explained that, initially, an IP acts as professional adviser to the Company with responsibilities only to it and its directors. The directors were made aware that, at that stage of the process, the IP would assist the directors in making the right decision about what is the correct option for them to pursue in the best interests of creditors having regard to the Company's circumstances.
- 4.5 Finally, we explained to the directors that once the Company had been placed into administration, the IP would become the Company's administrator with different functions and responsibilities. The directors were made aware that an administrator is obliged to perform his or her functions and responsibilities in the interests of the Company's creditors as a whole and, where the objective of the administration is to realise property in order to make a distribution to secured or preferential creditors (including secondary preferential creditors), he or she has a duty not to unnecessarily harm the interests of creditors as a whole.

#### 5. EVENTS LEADING TO THE APPOINTMENT OF ADMINISTRATORS

- 5.1 As outlined at paragraph 2.1 above, following difficult trading conditions during the spring and summer of 2020, the directors considered that the Company required assistance to consider its options. The Company's short term cash flow forecast prepared in summer 2020 indicated that a cashflow requirement may arise by late October 2020/early November 2020. Funds received from customers earlier than anticipated provided the Company with an additional period of time to consider its options. However, by early December it had become clear that the business did not have sufficient cash to meet its ongoing liabilities, including its December payroll of circa £90,000, trade creditors of approximately £415,000 and accrued amounts owing to HMRC of circa £470,000.
- 5.2 Recognising the trading difficulties, the Company appointed LCBSG on 23 October 2020 to undertake an accelerated sale process, as noted above. The marketing process generated interest from three parties, E-Flow Control Limited (**Purchaser**) and two unrelated parties. Following a period of due diligence, both



of the unrelated parties withdrew from the process prior to submitting offers. Further details of the marketing process are provided at section 8 below.

- 5.3 Michelle Elliot and Stuart Robb are both licensed as Insolvency Practitioners by the Institute of Chartered Accountants of Scotland. In accordance with Paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 as amended (**Act**), the function of the Joint Administrators may be exercised by either or both, acting jointly or alone.

## **6. ALTERNATIVE COURSES OF ACTION CONSIDERED BY THE ADMINISTRATORS**

- 6.1 A review of possible courses of action was undertaken by the Administrators, prior to their appointment, comparing the likely outcomes from various options including, but not limited to, the options outlined between paragraphs 6.2 and 7.3 below.

### ***Do nothing***

- 6.2 The Company had substantial accruing supplier liabilities with no access to external bank or shareholder funding. Accordingly, the Company's directors were aware that, at some point in the near future, the Company was not going to be in a position to discharge its liabilities as and when they fell due.
- 6.3 We explained to the directors that they could choose to do nothing and allow a creditor to take enforcement action. We advised that this would be likely to result in the Company trading whilst insolvent and, consequently, would be a failure of the directors' fiduciary duties. The implications of trading whilst insolvent, and the potential actions against the directors by any subsequent appointed administrator or liquidator, were explained to the directors. We explained to the directors that they had an overriding duty to best protect the Company's assets and to minimise the Company's liabilities to its creditors and members generally. Doing nothing would risk asset values diminishing and the creditor position being worsened. The directors agreed that doing nothing was not appropriate and discounted this option.

### ***Sale of the Shares***


- 6.4 A solvent sale of the business was explored as part of the AMA process. However, noting the distressed position of the business and significant balance sheet liabilities, any prospective purchaser of the shares would have had to invest significant capital into the business at the outset to stabilise the Company's position. Consequently, no party expressed an interest in purchasing the business on a solvent basis during the AMA process.

### ***Debt restructuring/refinance***

- 6.5 As noted above, the directors tried to secure external funding by way of a CBILS loan but were unsuccessful. The Company had been loss making and so had little prospect of securing working capital funding from alternative sources. As noted above, having already provided further funds of £3.83 million, the Company's shareholders were not willing or able to advance additional funding to the Company absent a formal restructure.

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

- 6.6 A CVA is a formal procedure which enables a company to agree with its creditors a compromise in satisfaction of its debts, or a scheme of arrangement of its affairs which can determine how its debts should be paid and in what proportions. It requires the approval of 75% or more in value of the company's creditors present in person or by proxy and voting on the decision to approve the arrangement. If a CVA is validly approved, it binds all of the company's creditors who were entitled to vote (whether or not they so voted) or would have been so entitled had they received notice of the decision procedure.
- 6.7 The Company's unsecured creditors would be fundamental in supporting a proposal for the Company to enter a voluntary arrangement. This course of action was not considered appropriate as gaining creditor



support was considered highly uncertain. In addition, there were doubts over the Company's viability and its ability to make substantial contributions to a CVA.

- 6.8 A CVA cannot provide the Company with protection from creditor enforcement action, nor would a CVA have addressed the funding requirement in the business. Noting the above, a CVA was not considered a viable option.

### ***Liquidation***

- 6.9 A liquidation, which does not provide the Company with the same moratorium protection as in an administration, would likely have resulted in the immediate cessation of trade, termination of contracts, employee redundancies and a significant erosion in value of the Company's business and assets, in particular the value that could be realised from the Company's work in progress (WIP) and debtors. Termination of trade would also result in redundancy of the Company's 21 employees, thus increasing creditors' claims in the Liquidation.
- 6.10 As detailed further at section 0 below, the Company instructed Acasta Consulting (Scotland) Limited (**Acasta**) to undertake an appraisal of its WIP and debtors. It was considered that a liquidation process would negatively impact on the realisable value of the Company's book debts. Noting the costs involved in retaining a core team of staff to assist in preparing contract paperwork to enable debtors to be realised, and the costs in collecting the debts (including those where customers are domiciled overseas) resulted in the combined estimated to realise figures for WIP and debtors being significantly lower on a liquidation basis than on a going concern. Refer to section 0 below for further details.

### ***Administration - overview***

- 6.11 An administration is a formal insolvency process that is used to maximise the value of a company's assets and to facilitate a transfer of its trade/business. Administration is generally a process to restructure or rescue a business which has suffered from an unexpected event, such as adverse trading conditions which are expected to be rectified in the future.
- 6.12 The directors, a secured creditor (as holder of a qualifying floating charge), or the Company itself could appoint an administrator. The objectives of administration are as follows:
- a) Rescuing the Company as a going concern;
  - b) Achieving a better result for the Company's creditors as a whole than would be likely achieved if the Company be wound up (without first being in administration); or
  - c) Realising property to make a distribution to one or more secured or preferential creditors.
- 6.13 The Administrators considered that there was a reasonable prospect of achieving a better result for the Company's creditors as a whole than would likely be achieved if the Company were wound up (without first being in administration).

### ***Administration – trading on***

- 6.14 Trading the business in administration under the control of its Administrators in order to facilitate a going concern sale was considered to be challenging due to the Company having no existing bank facilities (or available cash) and having no access to alternative working capital funding.
- 6.15 While allowing the Company to continue to trade during an administration, the administrators would be unable to provide any warranties for work undertaken, thus significantly impacting the Company's ability to service its customers. The administrators would also require to consider the risk to them in permitting the Company to continue to supply and service its customers in the oil and gas sector. Approximately 60% of the Company's current debtors are domiciled overseas, increasing the risk and potential cost of realising debtors to assist with working capital.

- 6.16 Accordingly, trading the business in an administration followed by a sale of the business was considered, but was deemed not to be a viable option.

#### ***Administration – wind down***


- 6.17 The immediate wind down of the Company was considered. However, this scenario was not considered to be the best option for the Company as its employees would require to be made redundant and closure would result in significant erosion of value of its WIP and debtors. As outlined above, there were no available funds to trade in an administration, even for a limited period.
- 6.18 In respect of the Company's book debts, when considering the costs involved in retaining the core team of staff to assist in the debt collection and the costs in collecting the debts (including those where the customer is domiciled overseas), Acasta's combined estimated to realise figures for WIP and debtors were significantly higher on a going concern basis. Refer to section 0 below for further detail.
- 6.19 Based upon the information available, it was considered that an administration appointment followed by a wind down process would not be appropriate as cessation of the business would negatively impact on value of the assets and would not safeguard jobs. Termination of trade would also result in redundancy of the Company's 21 employees, thus increasing creditors' claims in the Administration.

### **7. ADMINISTRATION PRE-PACKAGED SALE (PREFERRED OPTION)**

- 7.1 As noted above, LCBSG was instructed to assist the Company in attempting to find a purchaser for the business through an AMA process. An AMA process seeks to identify likely buyers within a short period of time, such that goodwill of the business is preserved as far as possible, asset values are protected, and preservation of employment is more likely.
- 7.2 It was considered that an AMA process in this matter would comprise the following:
- valuation of the assets to be undertaken by independent agents;
  - identifying potentially interested parties with the assistance of the directors and from LCBSG's database of known distressed investors;
  - collating and providing financial and operational information regarding the Company to interested parties;
  - addressing queries from interested parties; and
  - discussions with the directors, where appropriate, with parties that demonstrated interest in the opportunity post review of available information.
- 7.3 A pre-packaged administration was considered likely to achieve the objective of the administration for the following reasons:
- achieving a sale of the Company's business and assets on a going concern basis would protect 21 jobs (approximately two thirds of the Company's workforce prior to the global health pandemic) thus safeguarding employment and eliminating preferential employee claims in the administration;
  - minimising customer uncertainty and disruption to trading thus protecting value in the Company's WIP and debtors; and
  - ultimately improving net realisations of the Company's assets as a higher value could be achieved by a sale as a going concern rather than by a piecemeal sale. A going concern sale of the assets was therefore considered to benefit the overall creditor position.

#### ***Consultation with major creditors***

- 7.4 The Company had no secured creditor with which to consult. No creditors were consulted during the pre-administration period by LCBSG. It was considered that consultation with the general body of creditors was not appropriate. It was further considered that to do so could result in prompting the



Company's creditors to commence immediate recovery action. This was likely to have had an adverse impact on the likelihood of a going concern sale being achieved and may have put the Company's assets at significant risk. Had the Company had any secured lenders, they would have been consulted with during the pre-administration period.

***Details of requests made to potential funders to fund working capital requirements***

- 7.5 The Company had no access to alternative working capital funding and, noting the Company had been loss-making, there was considered little prospect of securing working capital funding from any alternative sources, as demonstrated by the unsuccessful CBILS application.

***Details of registered charges and dates of creation***

- 7.6 According to Companies House records and the Administrators' discussions with the Company's directors, the Company had no unsatisfied charges at the date of appointment of the Administrators.

***Details of any acquisition of business assets from an insolvency practitioner***

- 7.7 The Administrators confirm that the business, or business assets, of the Company were not acquired from an insolvency practitioner within the 24 months prior to their appointment.

**8. MARKETING OF THE BUSINESS AND ASSETS**

- 8.1 The Administrators confirm that in, their opinion, they consider that the marketing undertaken for the sale of the Company's business and assets conformed with the marketing essentials set out in the appendix to SIP 16.
- 8.2 The length of the marketing period in this matter was determined by the following factors;
- the Company did not have cash reserves to continue a prolonged period of trade; and
  - the lack of alternative offers and interest received during the marketing process, discussed in further detail below.
- 8.3 The Company engaged LCBSG on 21 October 2020 to advise on the proposed disposal of the business and assets of the Company through an AMA process. It was considered that exposing the opportunity to acquire the business and assets would allow the open market to determine the best achievable price. Interested parties were identified through internal LCBSG contacts, financial investors and trade parties identified with the Company's management. The directors were asked to identify trade parties that may have an interest in purchasing the Company's business and assets and, ultimately, identified 12 individual trade parties as potentially having an interest in the business. Of these, we agreed with the directors' assessment that two of the parties were likely to be too large to have any synergy with the business and appetite to participate in an AMA. These two parties were removed from the list.
- 8.4 The remaining 10 parties were contacted, with two parties indicating that they would potentially be interested in pursuing the opportunity further.
- 8.5 In addition to the trade parties, LCBSG identified 20 individual non-trade parties that are known to have interest in acquiring distressed businesses. The business and assets were not marketed online, thus preserving confidentiality and avoiding any risk of jeopardising value in the business.
- 8.6 An Information Memorandum (IM) was prepared, and each of the 30 identified parties were sent copies of the IM by email on 4 November 2020. Parties were requested to lodge initial expressions of interest by close of business on 6 November 2020.
- 8.7 Initially, and in addition to the Purchaser, two trade parties and one non-trade party expressed interest in participating in the AMA process. One of the two trade parties withdrew its interest early in the process,



prior to signing a non-disclosure agreement (**NDA**) and receiving any of the supplementary information that was collated and made available to parties requesting additional information to consider their interest.

- 8.8 The other two parties executed NDAs and received the supplementary information. Parties were provided with two weeks to perform due diligence, with each of the active parties confirming that they had sufficient time to fully consider the opportunity.
- 8.9 Following a period of due diligence, including question and answer sessions with the Company's management team, a closing date for non-binding offers was set for 25 November 2020. At that point, both non-related interested parties advised that they would not be making formal offers for the business and/or assets, and withdrew from the process. Common feedback from the parties was that they were unable to become comfortable with the Company's exposure to key customers for amounts paid in advance of work being undertaken (i.e. that completion of WIP would ultimately become a liability of the business post-transaction) and also the general uncertainty in the oil and gas market due to the global pandemic.
- 8.10 At the closing date, the only offer received for the business and assets on the completion of the AMA was from the Purchaser, which submitted an initial offer in the amount of £250,000 for the business and assets of the Company.
- 8.11 Following a review of the external asset valuations, LCBSG entered into further negotiations with Purchaser. The Purchaser increased its offer to £294,000 and noted that due to the significant working capital requirement of the business post sale, particularly due the quantum of potential ransom creditors, and advance payments on customer projects, it was unable to increase its offer above this level.
- 8.12 LCBSG considered the Purchaser's revised offer and, based upon the external asset valuations and in the absence of any alternative offers for the business and assets, concluded that the offer provided a better outcome for creditors than if the business ceased trading and the assets were sold on a piecemeal basis.
- 8.13 The Administrators' overall conclusion on the AMA process is based on a number of factors which include:
- the approach that LCBSG made to 30 individual parties identified as potentially having interest in participating in an AMA process (i.e. 10 trade parties and 20 non-trade parties known to have interest in acquiring businesses from administration processes);
  - this number of parties is an appropriate number on which to form a view on market value and include representation of the types of buyers that would be included in a broader buyer population for a business of this nature;
  - both financial and trade parties were approached during the AMA marketing process for the purposes of attempting to maximise the value and deliverability of the transaction; and
  - the IM and supplementary information, which was provided to those parties signing an NDA, represented appropriate marketing materials on which potential buyers could base their preliminary interest.
- 8.14 The Administrators confirm that, in their opinion, they consider that the marketing consideration conformed with the marketing essentials set out in the appendix to SIP16.

## 9. VALUATION OF THE BUSINESS AND ASSETS

### *Details of valuers/advisors*

- 9.1 To provide full substantiation of the offer submitted by the prospective purchaser, the Company engaged Acasta (referred to at section 6.10 above) to provide an independent third-party assessment as to the likely recoverable value of its debtors and WIP. The Company also engaged GMG Asset Valuation Ltd (**GMG**) to undertake a valuation of its plant, equipment and stock, and Hilco Streambank (**Hilco**) to assess the likely value of its intellectual property assets.
- 9.2 Acasta is a business consulting group which specialises in assessing lending risk and companies' exposure to its lenders. Acasta, which has a national presence, undertakes reviews of WIP and debtor ledgers on behalf of banks, accountants and insolvency practitioners. Acasta has significant experience in undertaking book debt reviews, disposal of contract assets and reviews of creditor claims in the construction and manufacturing sector.
- 9.3 GMG is a specialist appraiser and valuer, and has provided a wide range of fixed asset valuation and disposal services for over 20 years. Prior to commencing the asset valuation, GMG confirmed its independence and that it carries adequate professional indemnity insurance.
- 9.4 Hilco provides intellectual property services focused on the assessment, valuation, monetisation and sale of intellectual property assets. Prior to commencing the IP appraisal, Hilco also confirmed its independence and that it carries adequate professional indemnity insurance.

### *Valuations obtained for the underlying assets*

- 9.5 The table below sets out the valuations received for each category of asset, along with the book value reflected within the Company's most recent balance sheet dated 31 October 2020.

£'000	Book <sup>1</sup>	High <sup>2</sup>	Low <sup>3</sup>	Achieved <sup>4</sup>
Debtors	290.6	213.2	42.8	240.0
Work in progress	-	-	34.5	-
Stock	22.9	3.0	3.0	4.0
Furniture, plant and equipment	126.0	56.0	47.2	45.0
Intellectual property	-	9.0	5.0	5.0
<b>Total assets</b>	<b>439.5</b>	<b>281.2</b>	<b>132.5</b>	<b>294.0</b>

### *Notes to the asset valuation table*

*Note: the asset valuations for debtors and WIP above are based on the Acasta valuation plus a number of sensitivities applied to reflect key issues which would arise upon insolvency, see Section 9.8 - 9.17 below.*

**Note 1: Book value** – the book value of each category of assets as reflected within the Company's balance sheet dated 31 October 2020 (unaudited management accounts) for furniture, plant and equipment, stock and intellectual property. The book value of WIP and debtors is the book value reflected in the schedule of WIP and debtors provided to Acasta by the directors on 9 November 2020 for the purposes of Acasta's assessment as to the estimated realisable value for WIP and debtors.

**Note 2: High** – also referred to as "Market Value In-Situ" assumes that all assets are sold together as a whole, in their existing location, as part of a sale as a going concern following the appointment of an administrator (other than WIP and debtors which did not contemplate a sale in insolvency as explained at section **Error! Reference source not found.**).



**Note 3: Low** – also referred to as “Market Value Ex-Situ” assumes that the business ceases to trade and assets are realised under the control of an appointed administrator or liquidator, with physical assets (i.e. furniture, plant, equipment and stock) removed from their current location and sold at auction.

**Note 4: Achieved** – represents the allocation of the total purchase price ultimately achieved against each category of asset.

- 9.6 As can be noted from the table above, the valuations received from the instructed agents suggested that a sale of the business and assets as a going concern would, in the circumstances of this case, result in the best possible outcome for the Company's creditors and therefore provided the “High” value (in situ) noted above. The “Low” value (ex situ) was provided as what the Administrators could expect to achieve if a sale of the business and assets as a going concern was not possible and the assets had to be sold on a piecemeal basis.

#### ***Explanation of the sale of the assets compared to those valuations***

- 9.7 The Administrators make the following comments at paragraphs 9.20 to 9.23 below in relation to the valuations received from the three agents

#### ***Debtors and WIP***

- 9.8 Acasta's valuation report issued to the Company on 4 December 2020 valued WIP and debtors on both a going concern and a cease trading basis.
- 9.9 Acasta noted that it considered it challenging to ascribe a definitive realisable value to the Company's WIP and debtors for various reasons, including the nature of the Company's business (i.e. long-term contracts with bespoke products and services), the geographical location of many of the Company's customers and various other uncertainties. To that end, Acasta ascribed an estimated realisable range for the Company's WIP and debtors in both its going concern and cease trading scenarios.
- 9.10 It is noteworthy that, as explained at paragraph 1.4, customer orders are placed with the Company on an individual purchaser order basis, and the Company did not have contracts/supply arrangements in place with its customers capable of sale or novation by an administrator.
- 9.11 In addition, Acasta noted the valuation was subject to the following considerations:
- the going concern valuation did not contemplate an insolvency event arising and the sale of the Company's WIP and debtors by its administrators, rather it assumed ongoing trading of the Company and a valuation of the WIP and debtors in line with this scenario;
  - the going concern valuation, in assuming ongoing trading, did not make any allowance for supplier arrears or “ransom creditors”;
  - the valuation did not consider whether customer warranties would be honoured in either scenario; and
  - the geographical location of customer and debtors, with a large proportion based overseas thus potential increased recoverability issues.
- 9.12 It is also noteworthy that the valuation range for WIP, as noted at Section 9.5 above, on a going concern basis is nil compared with a value of £34,000 on a cease trading basis due to the terms the Company had with its customers. In general, the Company required its customers to pay stage payments against contracts in advance of work being undertaken. The cost associated with fulfilling the stage which has been paid in advance therefore becomes a liability of the Company and reduces the value of its WIP. Thus, in a going scenario, it is assumed the Company would honour the pre-payments and complete the projects.



9.13 The Administrators considered Acasta's valuation did not reflect the impact of several key factors which would be present in the sale of WIP and debtors in an insolvency scenario, and therefore modelled the impact of these factors based on their own experience in dealing with insolvent business with contractual payment terms. These sensitivities are explained below:

1. the valuation was undertaken on a line-by-line basis but did not consider the ability of customers with credit balances on one contract to offset these balances against debtor balances in other contracts, as would likely be the case in an insolvency scenario;
2. as Acasta's going concern valuation did not contemplate a going concern sale following an insolvency event, no consideration was given to the Purchaser's requirement to reach agreements with key suppliers and ransom creditors in relation to amounts outstanding from the Company prior to converting the WIP into finished goods/services;
3. on a cease trading basis, Acasta's valuation did not contemplate the additional costs associated with retaining a core team of the Company's staff to assist the Administrators in collating and finalising paperwork required to enable WIP/debtors to be realised and pursued for payment; and
4. in both scenarios, Acasta's valuation did not contemplate the impact of the Company's insolvency on warranties it provides for work done, and the Company's ability to continue to service its ongoing customers.

9.14 Acasta's valuation for WIP and debtors, together with the monetary impact of applying these sensitivities are set out in the following table (the notes refer to the sensitivities outlined at paragraph 9.13 above):

£	Going concern			Cease Trading		
	High	Low	Midpoint	High	Low	Midpoint
<b>WIP</b>						
Acasta report	67,000	(191,000)	(62,000)	162,000	57,000	109,500
WIP sensitivities (notes 2 & 4)	(188,495)	(254,538)	(221,516)	(93,137)	(56,961)	(75,049)
<b>Restated WIP</b>	<b>(121,495)</b>	<b>(445,538)</b>	<b>(283,516)</b>	<b>68,863</b>	<b>39</b>	<b>34,451</b>
<b>Debtors</b>						
Acasta report	281,000	197,000	239,000	178,000	93,000	135,500
Debtor sensitivities (notes 1, 2 & 4)	(30,941)	(20,741)	(25,841)	(101,887)	(83,498)	(92,693)
<b>Restated WIP</b>	<b>250,059</b>	<b>176,259</b>	<b>213,159</b>	<b>76,113</b>	<b>9,502</b>	<b>42,807</b>

9.15 As outlined in the table above, on a going concern basis, Acasta attributed a midpoint realisable valuation to WIP of negative £62,000. However, applying the sensitivities as explained above reduced this midpoint valuation to negative £283,516. This is attributable to customer orders being paid in advance and the liability associated with completing them. Consequently, WIP had no realisable value on a going concern basis (and negligible value on a cease trading basis).

9.16 On a going concern basis, Acasta estimated a midpoint valuation for the Company's debtors of £239,000. This reduced to a midpoint realisable value of £213,159 after adjusting for the factors outlined above. Of the total purchase price consideration, an amount of £240,000 was allocated to debtors, reflecting an overall recovery of 83% on the book value of debtors of £290,000 at the date of appointment.



### **Stock**

- 9.17 GMG attended at the Company's site at Forres for the purposes of assessing the realisable value of its stock on hand.
- 9.18 GMG commented that the Company's stock comprised mainly highly bespoke materials which have been surplus requirements to previous jobs. GMG considered the cost of realising the materials would outweigh any value and, accordingly, it would not be commercial to seek to realise them separately. GMG assess a value of £3,000.
- 9.19 Of the total purchase price consideration, the sum of £4,000 was allocated to stock, which the Administrators consider to be a reasonable outcome based on GMG's valuation.

### **Plant and equipment**

- 9.20 GMG suggested realisable values for the Company's plant and equipment of £47,200 and £56,000 on a in situ and ex situ basis respectively.
- 9.21 The Administrators note that, in the ex-situ scenario, the costs of removing the assets from the Company's site would be borne by the purchaser of the assets and deducted from the value achieved. The Administrators also note that the costs and expenses of selling and marketing the furniture, plant and equipment have not been reflected in the valuation, which typically equate to circa 15% of sale realisations.
- 9.22 Of the total consideration received for the sale, the amount of £45,000 was allocated to plant and equipment, which the Administrators consider to be a reasonable outcome.

### **Intellectual property**


- 9.23 After undertaking a review of the Company's intellectual property including goodwill, copyright, patents, organisational knowledge and software, Hilco suggested an estimated realisation range of between £5,000 and £9,000, on a going concern basis. Hilco did not believe the Company's intellectual property would have any realisable value if the Company ceased to trade.

## **10. THE TRANSACTION**

### **Nature of transaction**

- 10.1 The transaction to sell the Company's business and assets to the Purchaser (E-Flow Control Limited) was executed and completed on 14 December 2020. The total consideration of £294,000 was received by the Administrators' legal agent at completion, and was apportioned as set out in the following table:

<b>£'000</b>	<b>Book</b>	<b>Apportionment</b>
		<b>Floating</b>
Debtors	290.6	240.0
Work in progress	-	-
Stock	22.9	4.0
Plant and equipment	126.0	45.0
Intellectual property	-	5.0
<b>Total consideration</b>	<b>-</b>	<b>294.0</b>



10.2 The transaction encapsulates the business and all assets of the Company, with the exception of cash at bank and the Company's interest in its US subsidiary company (discussed at paragraphs 10.16 to 10.18 below), which remain assets of the Company to be dealt with by the Administrators.

10.3 The total consideration of £294,000 was paid at completion of the sale agreement. There being no element of deferred consideration associated with the transaction, the Administrators have not sought to obtain any form of security from the Purchaser in guarantee of its obligations under the sale agreement. The Administrators note that the transaction is not subject to any conditionality.

***Identity of Purchaser and connection with the Company***

10.4 The purchasing entity (i.e. E-Flow Control Limited) is owned by the same ultimate parent company as the Company, E-Flow Control Holdings Ltd (**Holdings**).

10.5 Holdings is ultimately owned and funded by six shareholders, who in turn funded the transaction. No single shareholder has a controlling interest in Holdings. The Administrators understand that funding for the acquisition and for ongoing working capital requirements is being provided to the Purchaser by Holdings ultimate shareholders.

10.6 The Company and the Purchaser have common directors, Mr Tom Dixon, Ms Emma Duncan and Mr Craig Clarke. The Administrators note that none of the directors are also shareholders, although Mr Tom Dixon and Ms Emma Duncan are directors of Holdings, along with four of its shareholders.

10.7 The Administrators understand that the directors are not financing the transaction, nor have given any guarantees in relation to either the Company's, or the Purchaser's, financiers.

***Property licence to occupy agreement***

10.8 The Administrators have entered into a short-term licence to occupy agreement with the Purchaser to enable it to occupy the Company's trading site at Forres for a period of up to six months while it seeks a new leasing agreement with the landlord of the site.

10.9 Under the agreement, the Purchaser is responsible for all costs associated with the ongoing occupation of the site until the agreement is terminated.

***Pre-Pack Pool***

10.10 LCSBG advised the Purchaser of the operation of the Pre-Pack Pool (**Pool**) and requested a copy of any opinion given by the Pool, in its letter dated 1 December 2020.

10.11 As creditors may be aware, the Pool is an independent body of experienced business individuals established in response to a series of recommendations contained in a government commissioned report on pre-packaged administrations. The Pool member will offer an opinion on the purchase of a business and/or its assets by connected parties to a company where a pre-packaged sale is to be proposed by an administrator. If viewed favourably, the Pool member will issue a response to the effect that it is not in his/her opinion unreasonable to proceed.

10.12 The Administrators understand that the Purchaser did not make a submission to the Pool in respect of this transaction.

***Viability statement***

10.13 The Purchaser has not prepared a viability statement to show how the purchasing entity will survive for at least 12 months from the date of the transaction.



## 11. ASSETS EXCLUDED FROM THE TRANSACTION

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

- 10.14 At the date of the Administrators' appointment, the Company had cash at bank in the amount of £2,000].
- 10.15 Immediately following their appointment, the Administrators contacted the Company's banker, requesting a freeze be placed over the Company's account. The funds remain an asset to be dealt with by the Administrators.

### ***USA Subsidiary***

- 10.16 The Administrators note that the Company has a subsidiary company, domiciled in the USA, EFC Americas Inc, (**EFC America**). The Administrators understand that EFC America exists purely as a vehicle for employing one non-American citizen, by holding a visa for the employee to reside and work in the USA. The employee provides operational support to key American customers of EFC.
- 10.17 Based on discussions with the directors and a review of EFC America's financial records, the Administrators understand EFC America is not an independent entity, has no assets of its own, generates no external income nor does it undertake any trading functions, other than providing operational support via the one employee to customers of EFC. EFC America is solely a service company for EFC, with all customer contracts and projects held in the name of EFC based in the UK.
- 10.18 The Administrators are presently assessing the potential realisable value of the entity (if any), and will update creditors in due course.

## 12. STATUTORY PURPOSE OF ADMINISTRATION

- 11.1 The Administrators must perform their functions with the objective of:
- a. Rescuing the Company as a going concern, or (if this cannot be achieved)
  - 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 (if (a) and (b) cannot be achieved)
  - c. Realising property in order to make a distribution to one or more secured or preferential creditors.
- 11.2 As outlined above, the Administrators are obliged to perform their functions in the interests of the Company's creditors as a whole and, where the objective of the administration is to realise property in order to make a distribution to secured or preferential creditors (including secondary preferential creditors), the Administrators have a duty not to unnecessarily harm the interests of the creditors as a whole.
- 11.3 The Administrators consider that objective (c) will be achieved as, whilst the sale of the business and assets of the Company delivered by way of a pre-pack transaction will provide a better return to creditors, due to the level of secondary preferential creditors (i.e. HMRC), it is not expected that there will be return to ordinary unsecured creditors.
- 11.4 The Administrators are satisfied that the transaction will enable them to achieve this purpose because the sale has generated value which would almost certainly have been lost if a liquidation or break-up sale had been undertaken. The transaction will likely result in a dividend being paid to preferential creditors. The Company did not have any secured creditors.



- 11.5 The Administrators confirm that, in their opinion, the transaction will enable the statutory purpose to be achieved and that the sale price achieved was the best reasonably obtainable in all the circumstances.

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**MICHELLE ELLIOT**  
**JOINT ADMINISTRATOR**

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**STUART ROBB**  
**JOINT ADMINISTRATOR**



## Appendix B

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### PRIVACY NOTICE

#### LEONARD CURTIS PRIVACY NOTICE FOR CREDITORS

##### Information we collect and hold about you

By requesting details of your claim in this insolvency, we may collect Personal Data from you, particularly if you are a consumer creditor, a sole trader or are lodging a claim in your personal capacity.

Personal Data is information relating to a living individual. Whenever Personal Data is processed, collected, recorded, stored or disposed of it must be done within the terms of the General Data Protection Regulation (**GDPR**). Examples of Personal Data include but may not be limited to your name, address, telephone number and email contact details.

If you do not provide us with the information we require, this may adversely affect our ability to deal with your claim, but we would ask you not to submit more Personal Data than we request from you.

##### Legal justification for processing your Personal Data

The processing of your Personal Data by us is necessary to enable us to comply with legal obligations under the Insolvency Act 1986 and associated legislation which we are subject to as Insolvency Practitioners.

##### How we use your information

All information you supply to us is required to enable us to comply with our duties under the Insolvency Act 1986 and associated legislation. It will be used to enable us to assess the extent of the insolvent entity's liabilities, to allow you to vote on any decision procedures, to enable us to communicate with you, to process your claim and to pay any dividends which may be due to you from the insolvent estate.

##### Who we share your information with

We may be required to share some of your Personal Data with other creditors. The data which will be shared with other creditors will be limited to that specifically required to be disclosed under insolvency legislation.

We may share some of your information with our Data Processors. Data Processors include solicitors, accountants and employment law specialists who assist us with our duties where required. We will only share your information with our Data Processors if we require their specialist advice. All of our Data Processors are subject to written contracts with us to ensure that your Personal Data is processed only in accordance with the GDPR.

##### How long will we hold your Personal Data for?

We will need to hold your Personal Data for a period of time after the insolvency has been concluded. This is to enable us to deal with any queries which might arise. Our Records Management Policy requires us to destroy our physical files 6 years after closure of the case. Electronic data files will be removed from our Case Management System 6 years after conclusion of the case but may be held on our server for a longer period of time but with restricted access.

##### Your rights in respect of your Personal Data

You have the right to request access to your Personal Data and to require it to be corrected or erased. You also have the right to request a restriction in the way we process your Personal Data or to object to its processing. You should be aware however that we may not be able to comply with your request if this would affect our ability to comply with our legal obligations.

You have the right to Data Portability. This is a right to have the Personal Data we hold about you to be provided to you in a commonly used and machine-readable format so that you can transfer that Data to another organisation in a way that is not too onerous to upload the Data.



### **Your right to complain**

You have the right to be confident that we are handling your Personal Data responsibly and in line with good practice. If you have a concern about the way we are handling your Personal Data you should contact our Privacy Manager in the first instance.

If you are unable to resolve your concerns with us, you have the right to complain to the Information Commissioners' Office. The Information Commissioner can be contacted at Wycliffe House, Water Lane, Wilmslow, Cheshire SK6 5AF or on 0303 123 1113.

### **Contacting us**

If you have any questions relating to the processing of your Personal Data, please write to our Privacy Manager at Leonard Curtis, 5<sup>th</sup> Floor, Grove House, 248A Marylebone Road, London NW1 6BB. Alternatively, our Privacy Manager can be contacted by telephone on 0207 535 7000 or by email: [privacy@leonardcurtis.co.uk](mailto:privacy@leonardcurtis.co.uk).

**Data Controller: LEONARD CURTIS**