

The Insolvency Act 1986
Statement of Administrator's
Proposals
Pursuant to Section 23(1)(a) of
the
Insolvency Act 1986

S.23(1)(a)

To the Registrar of Companies

For Official Use

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Company Number

3375967

Insert full name of
company

Name of Company

Mainline Safety Limited

Insert full name and
address

I/We David Moore
No. 1 Old Hall Street
Liverpool L3 9HF

Guy Huntington
1 Old Hall Street
Liverpool
L3 9HF

administrator(s) of the company attach a copy of my/our proposals for achieving the purposes set out in the administration order filed herein. A copy of these proposals was sent to all known creditors on:

Insert date

30/11/01

David Moore
Signed _____
G.H.

Dated 6th December 2001

Presenter's name,
address and reference
(if any)

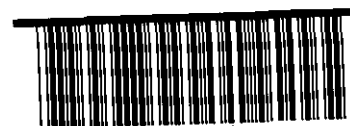
MA04
Mainline Safety Limited

David Moore
Begbies Traynor
No. 1 Old Hall Street
Liverpool L3 9HF

For Official Use

Insolvency Section

Post Room



A24
COMPANIES HOUSE

A7MOR6L9

0434
14/12/01



BEGBIES TRAYNOR

CORPORATE RESCUE & RECOVERY

Incorporating Birmingham Moore

TO THE CREDITORS

30th November 2001

Our Ref: DM/LM

Dear Sirs

MAINLINE SAFETY LIMITED – IN ADMINISTRATION

In accordance with Section 23 of the Insolvency Act 1986, we attach the following for your attention:-

1. Notice of Meeting of Creditors
2. Proxy Form
3. Joint Administrators' Report and Proposals.

Yours faithfully

D MOORE
Joint Administrator

G HUNTINGTON
Joint Administrator

Rule 2.19

**NOTICE OF CREDITORS' MEETING IN ADMINISTRATION
PROCEEDINGS**

MAINLINE SAFETY LIMITED

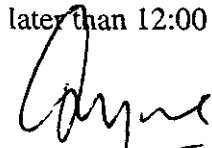
NOTICE is hereby given pursuant to Section 23 of the Insolvency Act 1986 that a meeting of creditors in the above matter is to be held at the offices of:-

**BEGBIES TRAYNOR
NO.1 OLD HALL STREET
LIVERPOOL L3 9HF**

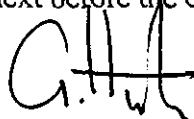
On the 14th day of December 2001 at 10.30am

- (1) to consider our proposals under Section 23(1) of the Insolvency Act 1986 and
to consider establishing a creditors' committee.

A proxy form is enclosed. For the purposes of voting a statement of claim and any proxy intended to be used at the meeting must be completed and lodged at the Registered Office c/o Begbies Traynor, No.1 Old Hall Street, Liverpool L3 9HF not later than 12:00 noon on the business day next before the day of the meeting.



D MOORE
Joint Administrator



G HUNTINGTON
Joint Administrator

Begbies Traynor
No.1 Old Hall Street
Liverpool L3 9HF

**THE INSOLVENCY ACT 1986
PROXY (ADMINISTRATION PROCEEDINGS)**

MAINLINE SAFETY LIMITED

Notes to help completion of the form.

Please give full name and address for communication

Name of Creditor/Member.....

Address

.....

Name of Proxy-Holder

1

2

3

Please insert name of person (18 or over) or "Chairman of the meeting". (See note below). If you wish to provide alternative proxy-holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well.

Please delete words in brackets if the proxy-holder is only to vote as directed i.e. he has no discretion.

I appoint the above person to be my/the creditors/members proxy-holder at the meeting of creditors held on **Friday 14th December 2001** or at any adjournment of that meeting. The proxy-holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion).

Please complete paragraph 1 if you wish to nominate or vote for a specific person as Liquidator.

VOTING INSTRUCTIONS FOR RESOLUTIONS

1. For the approval/rejection of the proposals.

Please delete words in brackets if the proxy-holder is only to vote as directed i.e. he has no discretion.

(In the event of a person named in paragraph 1 withdrawing or being eliminated from any vote for the appointment of an Administrator the proxy-holder may vote or abstain in any further ballot at his/her discretion).

Any other resolutions which the proxy-holder is to propose or vote in favour of or against should be set out in numbered paragraphs in the space provided below paragraph 1. If more room is required please use the other side of this form.

.....
.....
.....
.....

Signature Date

Name in Capital Letters

Position with Creditor/Member or relationship to Creditor/Member or other authority for signature.

THIS FORM MUST BE SIGNED

Only to be completed if the Creditor/Member has not signed in person

.....
Please note that if you nominate the chairman of the meeting to be your Proxy-Holder he will either be a director of the company or the current Liquidator.

MAINLINE SAFETY LIMITED – IN ADMINISTRATION

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| B. | Receipts and Payments Account as at 29 th November 2001 |

MAINLINE SAFETY LIMITED – IN ADMINISTRATION

JOINT ADMINISTRATORS' REPORT AND PROPOSALS

1. Statutory Information

1.1 The Company was incorporated on 23rd May 1997 with the registered number 3375967.

1.2 The issued shares are as follows: 10,000 £1 Ordinary Shares, 7,164 A class ordinary shares and 215,000 CRP Shares of £1 each.

1.3 The directors and shareholders of the Company are as follows:-

	Ordinary Shares of £1 each Number	A ords shares of £1 each Number	CRP shares of £1 each Number
R A Dickens	7690		-
S E Thompson	2310		-
Merseyside Spl Inv		3571	215,000
MSIF		3593	
	<hr/> 10,000 <hr/>	<hr/> 7164 <hr/>	<hr/> 215,000 <hr/>

Mr Ian Simpson acts as Company Secretary.

1.4 The registered office of the Company is 5 Castle Street, Liverpool L2 4XE.
The company traded from Unit 4 Capital Trading Park, Kirkby Bank Road, Knowsley, Merseyside L33 7SY.

2. Events leading to the appointment of the Joint Administrators

2.1 The company was established in May 1997 to provide a product design, manufacture and supply service for specialist safety equipment to the electrical utilities in the United Kingdom and for the export market. In 1999 venture capital was raised to establish a manufacturing facility in Merseyside for the production of high specification hand protection made from high-tech yarns and coated with an innovative polyurethane material. The Company is now one of the leading suppliers of specialist safety equipment to the electrical distribution industry in the United Kingdom and has a fully developed range of manufactured goods that are ready to go to market. The company has a number of blue-chip clients with whom contracts of supply are currently held including United Utilities Plc, Seeboard Plc, Scottish Power, Yorkshire Electricity, Transco and various fire brigades.

- 2.2 The growth demonstrated by the Company in its first years was very high and as such the need for cash within the business to fund this growth and the associated product development became a problem. The funding of the manufacturing business became a key issue when the Company's manufacturing partner, AMS Plc, who were previously responsible for the polyurethane coating part of the Company's operation decided, at the insistence of their shareholders, to concentrate on their core business which was the manufacture of medical wound dressing and to withdraw from their sub-contact coating operation. This specialist process was key to the Company's new product range so it was decided in June 2000, together with investors (The Merseyside Special Investment Fund ("MSIF")) to bring the coating operation "in house" and to build and commission a specialist coating line. The line was completed in August 2001.
- 2.3 The funding of the construction was achieved by the investment of funds from MSIF and from the cashflow generated by the electrical utility business, which was hit by the foot and mouth outbreak that started in March 2001. The products supplied by the Company to its utility customers are used by linemen and other technical staff who maintain and build the distribution networks in the United Kingdom. The outbreak of foot and mouth stopped all work on any part of the network that passed through agricultural land which accounted for some 85% of the United Kingdom network. When work is suspended no equipment is used, ordered or bought. In addition, several subcontractors to the utilities were forced into receivership due to the lack of work. Unfortunately on one such occasion the Company was a creditor and in others good and loyal customers were lost.
- 2.4 Audited Accounts to 1999 and 2000 report that losses of £238,000 and £218,000 respectively were sustained by the company.
- 2.5 The company currently employs eight staff at an annual cost of £224,000 per annum.
- 2.6 The company has suffered from cashflow problems and despite having a reasonable order book it has been difficult to convert the order book to sales.
- 2.7 Extracts from Audited Accounts are shown below:

	Audited 1999 £K	Audited 2000 £K	Management 2001 £K
Sales	223.4	564.8	764.0
Gross Profit	73.4	208.8	330.8
Gross Profit %	33.0	37.0	43.3
Overheads	312.7	404.8	431.5
EBIT	(239.3)	(196.0)	(98.5)
Interest	.4	(22.8)	(18.1)
Losses	(238.9)	(218.8)	(96.7)

Overheads include certain grants.

3. Fixed and Floating Charge

3.1 The company has granted charges as follows:-

- (a) A Debenture dated 17th July 1998 made between the MSIF and the Company creating fixed and floating charges over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital and fixed plant and machinery to secure all monies due from the Company.
- (b) A Debenture dated 9th September 1999 made between the National Westminster Bank Plc ("the Bank") and the Company creating a specific equitable charge over all freehold and leasehold properties and/or the proceeds of sale thereof and fixed and floating charges over undertaking and all property and assets present and future including goodwill, book debts, and the benefit of any licences to secure all monies due from the Company to the Bank.

3.2 The Bank and MSIF have entered into priority arrangements which gives priority to the Bank's Debenture.

4. Statutory Purposes of the Order

4.1 The rationale behind the Petition is that the granting of the Administration Order would permit the Company's business to be sold to a third party who has come forward and made an offer for the assets. This will, in our opinion result in a more advantageous realisation of the company's assets than will be affected in the liquidation and the comparative of the estimated outcome as against the administration and a Creditors' Voluntary Liquidation appears in Schedule 2.

4.2 The assets have been professionally valued.

4.3 It was our opinion that in a liquidation scenario delays would have resulted and the interested party would lose interest and the goodwill would have evaporated.

4.4 Based upon the information presently available to us we believe that the most advantageous exit route to all creditors from the administration will be through a Creditors' Voluntary Liquidation in accordance with Section 98 of The Insolvency Act 1986.

5. Appointment of The Administrators

Following consultation with Mr D Moore and Mr G Huntington of Begbies Traynor, it became clear that the company's cashflow was insufficient to discharge creditors' payments as and when they fell due. The directors explained

that the company was suffering from cashflow problems which had been exacerbated by the foot and mouth epidemic.

The basis of the proposal as stated in 4.1 was that a better realisation would be achieved for the assets and, in particular, the directors would be available to assist with the ongoing debt collection exercise. As a result, Mr D Moore and Mr G Huntington were duly appointed Administrators on 26th September 2001.

6. Administrators' Actions

The purpose of the Administration was to preserve the business so that an early sale could be achieved of the goodwill and chattel assets.

The Administrators instructed Robson Kay & Co Ltd Auctioneers to evaluate the assets and in their opinion valued the assets on a forced sale valuation are worth £20,000. The sale was ultimately achieved in the sum of £60,000 and therefore the purpose for which the Administration was sought was achieved.

7. Current Position

Attached is a Statement of Affairs which provides details of the figures submitted to the Court in relation to the Administration Order and revised figures as at today's date. Also attached is a copy of the Joint Administrators Receipts and Payments Account to date.

8. Statement of Proposals

In accordance with Section 23 of The Insolvency Act 1986, we David Moore and Guy Huntington, Joint Administrators of Mainline Safety Limited (the Company) make to creditors the following proposals for achieving the purpose of the Administration Order dated 26th September 2001. The purpose of making the Administration Order was to achieve either or all of the following:

- (a) The survival of the company and the whole or any part its undertaking as a going concern.
- (b) The approval of a Voluntary Arrangement under Part 1 of the Insolvency Act 1986.
- (c) A more advantageous realisation of the company's assets than would be effected in a winding-up proposal.

Accordingly the Joint Administrators propose that

- (a) A Creditors' Committee may be established
- (b) That Joint Administrators will consult with the Creditors' Committee at appropriate intervals concerning the conduct of the Administration and also to seek guidance on the disposal of the remaining assets.
- (c) They continue the Administration for such a period of time to ensure that all creditors' claims are agreed.

- • (d) When appropriate, the Administrators apply to the Court for their discharge and seek to place the company into creditors voluntary liquidation, to enable a distribution to take place.
- • (e) That the creditors approve the fixing of the Administrators' remuneration by reference to the time spent by the Administrators and their staff in attending to the matters arising in the Administration.

MAINLINE SAFETY LIMITED

Approximate Statement of Affairs as at 20 November 2001 showing the estimated Outcome in various Insolvency Procedures

Assets Specifically Pledged	Notes	Liquidation	Administration as at 26.09.01	Administration as at 20.11.01
Goodwill	1	-	10,000	10,000
Book Debts	2	<u>44,900</u>	<u>62,000</u>	<u>50,000</u>
		44,900	72,000	60,000
Less: National Westminster Bank Shortfall	4	<u>137,833</u> <u>92,933</u>	<u>137,833</u> <u>65,833</u>	<u>137,833</u> <u>77,833</u>
Less: MSIF Shortfall carried down	4	<u>120,198</u> <u>213,131</u>	<u>120,198</u> <u>186,031</u>	<u>120,198</u> <u>198,031</u>
Assets on Finance		Nil	Nil	Nil
Assets Not Specifically Pledged				
Plant & Equipment	5	<u>20,000</u>	<u>50,000</u>	<u>50,000</u>
Office Equipment				
Motor Vehicles				
		20,000	50,000	50,000
Liabilities				
Preferential				
PAYE	6	35,698		
VAT	6	9,312		
Employee Claims (Liq. Only)	6	<u>5,000</u>	<u>50,010</u>	<u>45,010</u>
Surplus/Deficiency as regards Preferential Creditors		30,010	4,990	4,990
Chargeholders				
Shortfall brought down		<u>213,131</u>	<u>186,031</u>	<u>198,031</u>
Deficiency as regards Chargeholders		243,141	181,041	193,041
Unsecured				
Trade Creditors	166,246			
VAT Surcharge	716			
Directors Loans	26,545			
Directors Expenses	16,662			
Employees Claims (Liq. Only)	<u>12,500</u>	<u>222,669</u>	<u>210,169</u>	<u>210,169</u>
Deficiency as regards Unsecured Creditors		465,810	391,210	403,210
Share Capital		<u>232,164</u>	<u>232,164</u>	<u>232,164</u>
Deficiency as regards Shareholders		<u>697,974</u>	<u>623,374</u>	<u>635,374</u>

MAINLINE SAFETY LIMITED

JOINT ADMINISTRATORS RECEIPTS & PAYMENTS ACCOUNT AS AT 29 NOVEMBER 2001

	Receipts £
Goodwill	10,000.00
Book Debt Collections	27,043.06
Plant, Machinery, Vehicles, etc	50,000.00
	<u>87,043.06</u>

	Payments £
Agents Fees	3,000.00
Company Search	30.00
Legal Fees	8,490.00
Office Holders Fees - re Admin Order	3,000.00
Statutory Advertising	21.50
Incidental Outlay	550.00
Payments to Creditors viz:	
National Westminster Bank - Fixed Charge	17,908.61
Balance in Hand	54,042.95
	<u>87,043.06</u>