

**2.17B**

The Insolvency Act 1986

**Statement of administrator's proposals**

Name of Company
Deritend Engineering Services Ltd

Company number
04438668

In the High Court
(full name of court)

Court case number
5064 of 2006

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

~~I~~We (a)  
M D Hardy  
Poppleton & Appleby  
35 Ludgate Hill,  
Birmingham,  
B3 1EH

M T Coyne  
Poppleton & Appleby  
35 Ludgate Hill  
Birmingham  
B3 1EH

\*Delete as  
applicable

attach a copy of ~~my~~our proposals in respect of the administration of the above company.

A copy of these proposals was sent to all known creditors on

(b) 28 November 2006

Signed

M. D. Hardy  
Joint / Administrator(s)

Dated

28/11/2006

**Contact Details:**

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

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

M D Hardy  
Poppleton & Appleby  
35 Ludgate Hill,  
Birmingham,  
B3 1EH

DX Number

01782 382930  
DX Exchange



When you have completed and signed this form, please send it to the Registrar of Companies at:-  
**Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff**

## Rule 2.35

## Notice of a meeting of Creditors

Name of Company

Deritend Engineering Services Ltd

Company number

04438668

In the  
High Court

(full name of court)

Court case number  
5064 of 2006(a) Insert full name(s)  
and address(es) of  
administrator(s)

Notice is hereby given by (a)

M D Hardy  
Poppleton & Appleby  
35 Ludgate Hill,  
Birmingham,  
B3 1 EH

M T Coyne

(b) Insert full name and  
address of registered  
office of the company

that a meeting of creditors of (b)

Deritend Engineering Services Ltd  
35 Ludgate Hill  
Birmingham, B3 1EH(c) Insert details of place  
of meeting

is to be held at (c) 35 Ludgate Hill, Birmingham B3 1EH

(c)

(d) Insert date and time  
of meeting

on (d) 12 December 2006

at 11.00 a.m.

The meeting is:

\*Delete as applicable

- \*(1) an initial creditors' meeting under paragraph 51 of Schedule B1 to the Insolvency Act 1986 ('the schedule')
- \*(2) an initial creditors' meeting requested under paragraph 52(2) of the Schedule
- \*(3) to consider revisions to my proposals under paragraph 54(2) of the Schedule
- \*(4) a further creditors' meeting under paragraph 56 of the Schedule
- \*(5) a creditors' meeting under paragraph 62 of the Schedule.

I invite you to attend the above meeting.

A proxy form is enclosed which should be completed and returned to me by the date of the meeting if you cannot attend and wish to be represented.

In order to be entitled to vote under Rule 2.38 at the meeting you must give to me, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.

Signed

M. D. Hardy  
Joint / Administrator(s)

Dated

28. 11. 2006

\*Delete as applicable

A copy of the \*proposals/ revised proposals is attached

## Proxy (Administration)

## Deritend Engineering Services Limited

Name of Creditor \_\_\_\_\_

Address \_\_\_\_\_

Name of Proxy Holder

Please insert name of person (who must be 18 or over) or the Chairman of the Meeting. If you wish to provide for alternative proxy holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

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 creditor's proxy holder at the meeting of creditors to be held on 12 December 2006, 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).

## Voting Instructions for resolutions

\*Please delete as appropriate

For the acceptance/rejection\* of Resolution No 1 of the administrator's proposals as circulated.

For the acceptance/rejection\* of Resolution No 2 of the administrators' proposals as circulated.

For the acceptance/rejection\* of Resolution No 3 of the administrators' proposals as circulated.

For the acceptance/rejection\* of Resolution No 4 of the administrators' proposals as circulated.

This form must be signed

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name in CAPITAL LETTERS \_\_\_\_\_

Only to be completed if the creditor has not signed in person

Position with creditor or relationship to creditor or other authority for signature

\_\_\_\_\_  
 \_\_\_\_\_

Remember: there may be resolutions on the other side of this form

IN THE HIGH COURT OF JUSTICE  
BIRMINGHAM DISTRICT REGISTRY  
CHANCERY DIVISION  
COMPANIES COURT

NO. 5064 OF 2006

IN THE MATTER OF  
THE INSOLVENCY ACT 1986  
AND  
DERITEND ENGINEERING SERVICES LIMITED  
IN ADMINISTRATION

Company No. 04438668

REPORT AND PROPOSALS BY THE JOINT ADMINISTRATORS TO MEMBERS &  
CREDITORS

Pursuant to Paragraph 49(1) of Schedule B1 to the Insolvency Act 1986  
And Part 1 of the Insolvency Act 1986  
And Part 1, Chapters 1 to 4 of the Insolvency Rules 1986.  
(as amended by the Insolvency Act 2000 and the  
Insolvency Amendment No.2 Rules 2002)

Poppleton & Appleby  
35 Ludgate Hill  
Birmingham  
B3 1EH

Telephone No. 0121-200-2962

Fax No. 0121-236-8430

Info@pandabirmingham.co.uk

## Deritend Engineering Services Limited

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## Joint Administrators' Report and Proposals

### 1. Statement of Proposals

Messrs M D Hardy and M T Coyne, Licensed Insolvency Practitioners of Poppleton & Appleby, 35 Ludgate Hill, Birmingham, B3 1EH, were appointed Joint Administrators ("the Administrators") of Deritend Engineering Services Limited ("the Company") on 3 October 2006.

As Creditors may be aware, I am obliged to consider the following objectives of the Administration, in the following order:

- Rescuing the Company as a going concern

I undertook a review of the financial position of the Company immediately upon my appointment and concluded that there was no reasonable prospect of rescuing the Company in its existing form. The reasons supporting my conclusion are detailed further in section 5 of this report.

Notwithstanding this, I consider the objective I am most likely to be able to fulfil as prescribed by Paragraph 3(1) of Schedule B1 to the Insolvency Act 1986, to be:

- Achieving a better result for the Company's Creditors as a whole than would be likely if the Company were to be wound-up

In this respect, a sale of the business assets is currently in the process of completion. At section 5, I provide details of the background to the sale and the consideration likely to be received. I believe the sale currently being agreed is at a value in excess of the value that would have been achieved had the Company entered into Liquidation and the assets sold in a forced sale scenario.

### 2. Introduction

Further to my notification to Creditors dated 5 October 2006, I confirm that I was appointed Joint Administrator of Deritend Engineering Services Limited with M T Coyne on 3 October 2006, following an application by the Director of the Company.

This report details our proposals to Creditors in accordance with the provisions of Paragraph 49(1) of Schedule B1 to The Act. Since it is expected that a distribution may be available to unsecured Creditors, in accordance with Paragraph 50(1) of Schedule B1 to the Insolvency Act 1986, an initial meeting of Creditors of the Company has been convened for 12<sup>th</sup> December 2006.

Full details of the meeting are set out in the Notice that accompanies this report. The purpose of the meeting is for the Administrators to lay before Creditors their proposals for achieving the purpose of the Administration.

In accordance with Paragraph 100(2) of Schedule B1 to The Act, I am required to confirm that the Administrators act on a joint and several basis although the day to day conduct of the Administration rests with me.

I understand that the EC Regulation applies and that these proceedings are main proceedings as defined in Article 3 of the EC Regulation.

### **3. Statutory Information**

I attach at **Appendix 1** of this report the statutory information regarding the Company which deals with the relevant requirements of Rule 2.33 of the Insolvency Rules 1986.

### **4. Background & Events Leading to the Appointment of the Joint Administrators**

I provide below details of the events leading to my appointment.

The Company enjoyed a good international reputation for the design and construction of printing machines capable of providing high quality point of sale cardboard packaging. The Deritend machines specialized in achieving high graphic output using water based printing techniques.

In recent years, movements in the global economy saw a shift away from the water based printing traditionally carried out in the western world to the alcohol base printing industry which began to emerge from the Middle and the Far Eastern markets together with Asia. As a consequence, demand in the western world for Deritend machines fell away rapidly.

In response to this, Deritend International Limited was established to market Deritend machines to the new emerging market. In order to enter these markets, Deritend had to maintain its reputation for high quality machines yet compete with cheaper less efficient machines. This essentially meant the manufacture of high quality machines at a lower cost. The Company approached its traditional UK parts suppliers who were reticent to reduce their own prices. The Company therefore had to source parts from overseas suppliers to manufacture the same parts to UK standards. Even so, the overall profit margin achievable in selling machines to the emerging markets was somewhat lower than had been achieved in the past.

In 2002, The Company secured its first major order from a customer based in China. The contract did not however progress well due largely to the late delivery of major parts from suppliers. The resultant costs of these delays meant the contract eventually resulted in a loss to the Company. Late in 2005, The Company secured a major order from an Egyptian customer. The two contracts were each for the supply and installation of a specific production line. The total value of the two contracts was approximately \$3,093,000.

The commencement of the contract coincided with a significant downturn in the spare parts and repairs side of the business on which the Company had always relied as a contribution to the working capital requirements of completing major contracts. The contract fell into arrears almost from commencement with Creditors reticent to release equipment without assurances for payment. Whilst the overall situation became quite complex, it resulted in "crisis talks" held between the customer and the Company during July and August 2006. In addition to this the customer also met with certain Creditors who had supplied key items of equipment to the Company to be incorporated into the two machines. These talks took place both in England and Egypt.

During the UK visit, representatives of the Egyptian customer met with a number of UK suppliers and outline terms were discussed as to the settlement of individual supplier accounts in order to release items needed to complete the contract. The agreements seemed to broadly involve settlement terms intended to be paid by the Egyptian customer direct to the suppliers at around 40% of the original invoice value to the Company.

As far as I can ascertain none of the agreements were finalised, nor has any payment been made by the Egyptian customer to any individual supplier. The only funds received to dated by the Company from the Egyptian customer related to deposit monies equating to approximately 25% of the total contract value.

The severe cash flow and working capital difficulties experienced by the Company, together with recognition that the contract with the Egyptian customer could not be completed, led the Directors to conclude that the Company could no longer continue to trade. It was decided that the Company had no alternative other than to seek the appointment of an Administrator which was effected on 3<sup>rd</sup> October 2006.

## **5. Conduct of the Administration to Date**

### **5.1 Options and Sale of Business Assets**

I considered trading the Company with the benefit of a moratorium for a limited period in an attempt to market the business as a Going Concern. However, following my initial enquiries, I concluded this was not a viable option in this instance for the following reasons:-

- There were no immediate funds available to facilitate the completion of the contracts.
- The goodwill of the Creditors was exhausted and it was unlikely that future goods and materials would be supplied on credit terms, given the financial position of the Company notably in relation to the Egyptian contract.
- The Egyptian company had already advised Deritend that it did not intend to make any further payments for the machines in light of the costs they had incurred for delays over the failure to complete the contract.

Following my appointment, a valuation of the Company's assets was undertaken by Messrs SHM Stevens Champion, an independent firm of auctioneers and valuers. I have summarised the report below in relation to the assets free of encumbrance, the valuations having been prepared on a in-situ and ex-situ basis. A further detailed commentary regarding each of these assets and their valuation is provided at **Appendix 3**.

	Market Value (in-situ)	Market Value (ex-situ)
	£	£
Plant and machinery	7,300	2,200
Office Furniture & Equipment	2,500	1,000
	<u>9,800</u>	<u>3,200</u>



A number of interested parties expressed an interest in acquiring the assets of the Company and in particular the library of technical drawings and know how that had accumulated over many years. I entered into detailed negotiations with a number of interested parties which resulted in "best and final offers". A clear winning bid was received and accepted. The sale of the assets of the Company is in the process of being concluded and realisations in excess of £70,000 are expected.

## 5.2 The Egyptian Contract

As part of my enquiries, I have held discussions with a number of suppliers involved with the Egyptian contract. This included an informal meeting held at my office on 10<sup>th</sup> November 2006 with a group of Creditors with combined claims in excess of £500,000.

The feeling amongst Creditors is that they were induced to provide equipment and services for which they have received no payment. Creditors were advised around July 2006 by the Company that if the contracts were delayed any further then the Egyptian customer had advised that the project would be abandoned and they would source their machines elsewhere. This was against a background where suppliers had declined to provide any further services or equipment to the Company in light of the substantial credit accounts that were accumulating at that time. In August 2006 Deritend permitted the uncompleted and partly assembled machines to be shipped to Egypt which comprised equipment for which the UK suppliers had received no payment. In some instances the equipment was shipped against the specific terms/request of those suppliers. A number of Creditors have now expressed their desire to me to pursue their rights either to recover their equipment or to seek settlement direct from the Egyptian customer.

I have tried to make contact with the Egyptian customer to discuss the status of the contract via email, telephone calls and letters from my solicitor. To date however none of my communications have been returned. I understand this is also the experience of several suppliers who have tried to make direct contact with the Egyptian customer.

I have therefore written at length to the Commercial Department of The British Embassy in Cairo to seek their assistance in contacting the Egyptian customer. In essence I am trying to establish the answers to the following questions on behalf of Creditors:

- What is the precise location of all equipment included in the shipment to Egypt in August 2006? Will the Egyptian customer permit access to that location for an independent assessment of the situation to be carried out?
- What does the Egyptian customer intend to do with regard to the partially built machines?
- Does the Egyptian customer want to explore the possibility of completing the machines or will the machines be abandoned in favour of an alternative manufacturer.
- If the Egyptian customer intends to continue with the existing machines then both myself and a number of Creditors would like to discuss payment terms for use of the equipment already shipped and supplied.
- Alternatively, if the Egyptian customer wishes to abandon the machines then will they permit either myself or Creditors access to collect the equipment that has already been provided?

I have indicated to The British Embassy my willingness to attend a meeting with the Egyptian customer to discuss the future of the machines. I have however made it clear that I would like to know the preferred intention of the Egyptian customer in advance of any such meeting. I do not wish to incur unnecessary costs in the Administration of the Company to the further detriment of the Creditors without certainty that any discussions with the Egyptian customer will result in some benefit to the Company or its Creditors.

This is a significant ongoing matter during the Administration and I intend to provide Creditors with periodic updates. I would also recommend that a Creditors' Committee is formed in the Administration to assist me in this respect.

### **5.3 Debt Collection**

The estimated Statement of Affairs at **Appendix 2** details the realisable value of the Debtors accounts at £86,354, which comprises of approximately 17 accounts. Further details regarding the collectability of the Company's ledger is dealt with at **Appendix 3**. To date, I have recovered funds in the sum of £8,635 and I am continuing in my efforts to realise the remaining accounts.

### **5.4 Cash at Bank**

Cash at bank represents, in the main, deposits received from customers in the weeks prior to my appointment for either new machines or refurbishment contracts.

I obtained Counsel's opinion as to the treatment of the deposit monies in light of claims for the return of the funds made by these customers. I am advised that the funds are not refundable by virtue of the fact they were not held in a separate trust account. This fact has been accepted by the customers concerned and the Statement of Affairs reflects the resultant unsecured claims.

### **5.5 Post Appointment Sales**

At the date of my appointment there were some small spare parts items that were finished and these were duly invoiced and payment is expected shortly.

## **6. Statement of Affairs**

Following my appointment I requested that the Director submit a Statement of Affairs for the Company as at 3 October 2006. The former accountants to the Company are assisting in the preparation of the Statement of Affairs, although I am advised that completion has been delayed due to anomaly in relation to the inter-company account with Deritend International Limited. This will require further investigation in due course and the validity of any claim will need to be established prior to making a distribution to Creditors.

I therefore enclose at **Appendices 2** and **3** is an estimated Statement of Affairs and supporting notes based on the financial information available to me at present. It should be noted that the Statement of Affairs does not include any provision in respect of the costs of the Administration. Attached at **Appendix 4** are the names and addresses and approximate amounts due the trade Creditors of the Company.

The Statement of Affairs includes explanatory notes where I feel these would assist Creditors to understand the financial position of the Company.

## **7. Receipts and Payments Account**

I attach at **Appendix 5** a copy of my Receipts and Payments Account which provides details of funds received to date in respect of the business assets and payments made.

## 8. Proposals for Achieving the Objectives of the Administration

The primary issues remaining to be dealt with in the Administration concerns the finalisation of the asset sale the ongoing debt collection efforts and resolving the Egyptian contract.

I attach at **Appendix 7** my proposals for dealing with these matters and concluding the Administration.

The proposals, which I believe to be in the best interests of the creditors as a whole, will require the approval of the majority, in value terms, of those Creditors who vote in this respect at the meeting to be held on 12<sup>th</sup> December 2006. To this effect, I enclose a proxy form which details the resolutions I require the Creditors to consider. **Would you please complete and return the form by no later than 12:00 noon on 11<sup>th</sup> December 2006.**

The proposals also include the provision for an exit route from the Administration. At present, I envisage the Administration will conclude with a Voluntary Liquidation of the Company in order to distribute funds to Creditors.

If a Creditors Voluntary Liquidation is eventually proposed, then I will seek the approval of the Creditors to act as the sole Liquidator. I would, however, advise Creditors that in accordance with Paragraph 83(7) of the Insolvency Act 1986, Creditors may nominate a different person as the proposed Liquidator. Although the conclusion of the Administration is some way off, any alternative nominations must be made prior to 12<sup>th</sup> December 2006 being the date set for the Creditors' meeting.

## 9. Costs of the Administration

The costs of the Administration to date are summarised as follows:

	£
Administrators Time Costs	31,491.25
Valuer's Fees	450.00
Solicitor's fees (provision)	10,000.00

The time costs pertaining to the Administration to date exceed £10,000, I am therefore required to provide a detailed analysis in accordance with the terms of the Statement of Insolvency Practice 9. This analysis is attached at **Appendix 6** and I am happy to provide any further information to Creditors as they may reasonably require with regard to the overall costs incurred to date.

Creditors will note that I have requested that the remuneration of the Administrators be fixed by reference to time properly expended by me and my staff in attending to matters arising from the Administration in accordance with Rule 2.47(4), of the Insolvency Rules 1986. In addition approval will also be requested at the meeting for the costs of disbursements and expenses incurred by the Joint Administrators. The approval of the Secured Creditors will also be sought as to the basis and payment of Administration fees and expenses. To this effect I attach at **Appendix 8** a further copy of a Creditors Guide to Fees in an Administration scenario.

I will also seek approval for the payment of the costs and expenses of the agents/valuers and solicitors instructed to assist the Administrators in the Administration.

## 10. Estimated Return for Creditors

### 10.1 Secured Creditors

#### Bank of Scotland

Bank of Scotland hold a Debenture over the Company although there were no credit facilities in place at the date of my appointment. There was a balance of £176,701 held to the credit of the Company and therefore the Bank will have no claim under their Debenture.

### 10.2 Preferential Creditors

Under the Enterprise Act 2002, the only preferential claims relate to those of employees' entitlements. The employees' claims for arrears of wages and holiday pay based on the information supplied by the Company and the application of statutory entitlement is estimated at £12,500.

### 10.3 Unsecured Creditors

At present there are unsecured Creditors claims are estimated at £2,119,580. It is not possible at this stage to estimate the final level of claims that will eventually rank for a dividend. I am unable to advise at this stage the quantum or timing of a dividend to unsecured creditors as this is dependent on the level of realisations from the sale of the assets, the collection of book debts and the outcome of any enquiries as to the Egyptian contract.

## 11. Liquidator's Remuneration

In the event that a Creditors Voluntary Liquidation is deemed the most appropriate exit route, the Liquidator will receive his reasonable remuneration and expenses in priority to the Creditors. The Creditors will be asked to approve the calculation of Remuneration on the basis of time properly spent and further guidance regarding the Liquidator's fees will be provided at that time.

## 12. Conclusion

As you will see from the information contained in this report and appendices it is envisaged that the Administration will end with the Company entering into Creditors' Voluntary Liquidation. There are, however, a number of issues outstanding which are fundamental to the final outcome and the appropriate exit from Administration.

Should any Creditor wish to discuss the report or the proposals of the Administrators then please contact me or my Manager Conrad Beighton on 0121 200 2962.

Signed ..... *M D Hardy*

**M D Hardy - Joint Administrator of  
Deritend Engineering Services Limited**

Poppleton & Appleby  
35 Ludgate Hill  
Birmingham, B3 1EH

Dated: 28<sup>th</sup> November 2006

# DERITEND ENGINEERING SERVICES LIMITED

## STATUTORY INFORMATION

<b>Company Number</b>	04438668		
<b>Date of Incorporation</b>	14/05/2002		
<b>Changes of Name</b>	Candykid Limited changed to current style on 16/07/2002		
<b>Objects</b>	Manufacture of machines for the cardboard box industry		
<b>Registered Office</b>	c/o Poppleton & Appleby, 35 Ludgate Hill, Birmingham, B3 1EH.		
<b>Trading Address</b>	21 Aldridge Road, Perry Barr, Birmingham, B42 2TJ		
<b>Directors</b>	<b>Name</b>	<b>Appointed</b>	<b>Resigned</b>
	K W White	19/06/2002	
<b>Company Secretary</b>	S White	19/06/2002	
<b>Share Capital</b>	£10,000 divided into 10,000 ordinary shares of which 10,000 shares have been issued and are held as follows:		
<b>Shareholders</b>	<b>Name</b>	<b>Shares</b>	<b>Type</b>
	K White	6,000	Ordinary
	S White	4,000	Ordinary
<b>Bankers</b>	Bank of Scotland & Lloyds TSB Bank plc		
<b>Charges Registered</b>	Fixed and floating charge in favour of Bank of Scotland dated 11 July 2006 and registered at Companies House on 14 July 2006. Comprising fixed charges on book debts, goodwill, etc. and a floating charge over the remaining assets.		
<b>Funding</b>	The Company did not operate an overdraft facility		

Insolvency Act 1986

Deritend Engineering Services Ltd  
Estimated Statement Of Affairs as at 3 October 2006

	Book Value	Estimated to Realise
	£	£
<b>ASSETS</b>		
Cash at Bank	176,701.00	176,701.00
Plant & Machinery	1,259.00	2,200.00
Office Furniture & Equip	3,993.00	1,000.00
Technical Drawings/Know how	1,533.00	Uncertain
Stock in Trade	8,048.00	500.00
		<u>180,401.00</u>
<b>PREFERENTIAL CREDITORS:-</b>		
Wages Employees		3,655.00
Hol Pay Employees		8,845.00
		<u>12,500.00</u>
		167,901.00
Estimated prescribed part of net property where applicable (to carry forward)		<u>NIL</u>
		167,901.00
<b>DEBTS SECURED BY FLOATING CHARGE</b>		
		<u>NIL</u>
		167,901.00
Estimated prescribed part of net property where applicable (brought down)		<u>NIL</u>
		167,901.00
<b>Unsecured non-preferential claims (excluding any shortfall to floating charge holders)</b>		
Shortfall to preferential creditors (brought down)		NIL
Trade & Expense Creditors		977,817.00
Inland Revenue		22,365.00
Customs & Excise		6,046.00
Redundancy Fund		46,684.00
Notice Pay		50,414.00
Deposit creditors		152,845.00
Associated Companies		863,409.00
		<u>2,119,580.00</u>
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)		<u>(1,951,679.00)</u>
		(1,951,679.00)
<b>Issued and called up capital</b>		
Ordinary Shareholders		10,000.00
		<u>10,000.00</u>
<b>TOTAL SURPLUS/(DEFICIENCY)</b>		<u>(1,961,679.00)</u>

# DERITEND ENGINEERING SERVICES LIMITED

## NOTES TO ACCOMPANY DIRECTORS STATEMENT OF AFFAIRS

### ASSETS.

#### Book debts

Following our appointment a brief appraisal of outstanding debts has been undertaken with the Director. There are two debts totally £49,602 which is unlikely to be collected as these relate to damage claims by the Company but which are disputed by the relevant customers. A further provision of 20% has been made against the remaining book values in an attempt to reflect a realistic estimated realisable figure.

#### Bank of Scotland

The Company's bank account was operated with Bank of Scotland and as the date of our appointment the account had a balance of £176,701.

#### Plant and machinery and office equipment

The plant & machinery and office equipment of the Company were valued by my agents SHM Stevens Champion and estimated to realise £3,200 on a forced sale basis.

#### Technical Drawings

The Company had accumulated a number of drawing in relation to the machines that they had built in previous years. In the books and records there is a net book value of £1,533, although present indications are a value significantly in excess of this will be released for the benefit of Creditors.

#### Stock

At the date of my appointment the stock had a net book value of £8,048 and my agents have assessed a realisable value of £500.

### LIABILITIES.

#### Trade and Expense Creditors

The claims of trade creditors have been extracted from company records although the list should not be considered final, as adjustments will inevitably arise. The claims of trade creditors are shown inclusive of VAT.

#### Inland Revenue

There is an estimated debt due to the Inland Revenue of £22,365 representing outstanding PAYE and NIC deductions relates to the period from July 2006 to cessation of trade.

The reforms of the Enterprise Act 2002 came into effect on 15 September 2003. As a result, the crown's preferential status as a creditor has been abolished. The amount due to the Inland Revenue will rank as an unsecured claim.

### HM Customs & Excise

There is an estimated debt due to HM Customs & Excise of £6,046 for the period September 2006 to the cessation of trade.

The reforms of the Enterprise Act 2002 came into effect on 15 September 2003. As a result, the Crown's preferential status as a creditor has been abolished. The amount due to HM Customs & Excise will therefore rank as an unsecured claim.

### Employee claims

There are claims due to the employees for holiday pay, arrears of wages and notice pay to the total sum of £109,598, based on information supplied by the company and the application of statutory entitlement criteria.

### Deposit Creditors

A sum of £152,845 was paid by three customers to the Company prior to the appointment of Joint Administrators. This relates to deposits paid for machine refurbishments. These funds form part of the cash at bank held by me and as a result the customers concerned will have to prove as unsecured Creditors, as legal advice has confirmed they are not entitled to direct repayment of these funds.

### Associated Companies

According to the books and records of the Company, there is an amount due to Deritend Engineering International Limited of £863,409. The inter-company accounts requires further investigation, however for the purposes of showing a worst case scenario in the Statement of Affairs, it has been included as a liability.

### Cost of the Administration

No provision has been made in this Statement of Affairs for the costs of the Administration proceedings.



**Deritend Engineering Services Ltd**  
**B - Company Creditors**

Key	Name	Address	£
CA00	Antifirction Components Limited	8-9 The Commercial Centre, Days Road, St Phillips, Bristol, BS2 0QS	25,166.42
CA01	Aroplus UK Limited	Wheeley Ridge, Wheeley Road, Alveshurch, B48 7DD	6,019.43
CA02	Adams Lube Tech Limited	Unit 6, Binns Close, Coventry, CV4 9TB	4,998.52
CA03	Absolute Engineering	Unit 2B Park Mill Way, Clayton West, Huddersfield, West Yorkshire, HD8 9XJ	3,947.70
CA04	Airguard Filters Limited	Unit 9 Pleck Business Park, Pleck Road, Walsall, West Midlands, WS2 9ES	1,046.69
CA05	ADT Fire Security PLC	P O Box 352, Manchester, M16 9XY	418.30
CB00	Birmingham City Council	Revenues & Payments, P.O. Box 4092, Birmingham, B4 7AB	16,821.00
CB01	Benny Peterson	Industrieservice APS, Kirkevej 13A, Veerst, 6600 VEJEN	9,593.00
CB02	Blackhams Solicitors	Lancaster House, 67 Newhall Street, Birmingham, B3 1NR	1,192.58
CB03	Board Converting News Limited	Brunton Publications, Thrupton Down House, Thrupton Down, Andover, Hampshire SP11 9PR	940.00
CB04	British Gas	PO Box 287, Bridge Street, Leeds, LS2 7UH	692.61
CB05	Burkert Contromatic Limited	Fluid Control Centre, Brimscombe Port Business Park, Brimscombe, Stroud, Gloucestershire GL5 2QF	430.40
CB06	Birmingham Chamber of Commerce	75 Harborne Road, Birmingham, B15 3DH	381.88
CB07	B G Marketing	688 Aldridge Road, Great Barr, Birmingham, B44 8NJ	284.09
CB08	British Telecom	B.T. Telephone Payment Centre, Newcastle Upon Tyne, NE82 6XX	281.85
CB09	BGB Engineering Limited	Dysart Road, Grantham, Lincolnshire, NG31 7NB	0.00
CB0A	Barclays Bank t/a Barclaycard	PO Box 3000, Teesdale Business Park, Stockton on Tees	0.00
CC00	Carwood - Barclays	Sales Financing, Aquila House, Breeds Place, Haslings, East Sussex	44,567.77
CC01	Control Techniques Midlands	Accounts, TY Rheoli, Unit 17 Mochdre Enterprise Park, Newtown, Powys SY16 4LE	8,397.06
CC02	County Cranes & Transport Limitd	Locarno Road, Tipton, West Midlands, DY4 9SH	7,285.00
CC03	Crossflight Limited	1-3 Willow Road, Colnbrook, Berkshire, SL3 0BS	485.70
CC04	Copier Maintenance	642 Warwick Road, Tyseley, Birmingham, B11 2HJ	341.57
CC05	Copier Maintenance	642 Warwick Road, Tyseley, Birmingham, B11 2HJ	341.57
CC06	The Clifford Spring Company	Unit 1 Arrow Road North, Redditch, Worcestershire, B98 8NT	219.67
CC07	Construct Data Verlag AG	Ortsstrasse 54, A-2331 Vösendorf	0.00
CD00	Dajo Solutions Limited	Kirkely, High Street South, Tiffeld, Northamptonshire, NN12 8AB	163,359.41
CD01	Deublin Ltd	Royce Close, West Portway, Andover, Hampshire, SP10 3TS	1,211.31
CD02	Dot Comm Consultancy Limited	1st Floor, 31 Birmingham Road, Bromsgrove, West Midlands, B61 0DR	631.17
CD03	Donaldson Filtration (GB) Ltd	Humbersstone Lane, Thurmaston, Leicester, LE4 8HP	456.64
CD04	Derek Timms Seals	84/90 Evelyn Road, Sparkhill, Birmingham, B11 3JJ	98.48
CD05	DHL International UK Limited	Orbital Park, 178-188 Great South West Road, Hounslow, Middlesex, TW4 6JS	52.50
CD06	Della Fire Systems Ltd	Jews Lane, Dudley, West Midlands, DY3 2AB	23.50
CE00	Elite Limited	The Business Centre, Vicarage Place, Walsall, West Midlands, WS1 3NA	29,714.77
CE01	Electro Mechanical Systems Limited	Eros House, Calvea Industrial Park, Aldermaston, Reading, RG7 8LN	24,080.96
CE02	Exact Manufacturing Systems	7 Westleigh Business Park, Balby, Leicester, LE8 4EZ	2,553.86
CE03	Europa	Europa House, 68 Hailey Road, Erith, Kent, DA18 4AU	2,185.00
CE04	Emessem Solenoid Co Limited	3-4 Capital Park, High Street, Old Woking, Surrey, GU22 9LD	224.46
CE05	Elesa (UK) Ltd	26 Moorlands Estate, Metheringham, Lincolnshire, LN4 3HX	49.04

Signature \_\_\_\_\_

Date \_\_\_\_\_

**Deritend Engineering Services Ltd**  
**B - Company Creditors**

Key	Name	Address	£
CF00	Flakt Woods Limited	Tufnell Way, Colchester, Essex, CO4 5AR	35,611.90
CF01	Forward Industrial Products	Units 2, 3 and 4 Tyseley Park, Wharfedale Road, Tyseley, Birmingham, B11 2DF	13,796.51
CF02	Fans & Blowers	Commerce Way, Warlow Industrial Estate, Highbidge, TA9 4AG	739.19
CF03	Fereday Cylinder Co	Unit 3 Thornleigh Trading Est, Blowers Green Road, Dudley, West Midlands, DY2 8UB	164.50
CF04	Firwood Paints Limited	Oakenbottom Road, Bolton, Lancs, BL2 6DP	51.58
CG00	Gen Logistics Limited	Elan House, Park Lane, Castle Vale, Birmingham, B35 6LJ	558.13
CH00	Harmonic Drive UK Limited	Unit 36 Wolsley Court, Staffordshire Technology Park, Stafford, ST18 0GA	15,017.68
CH01	Hughes Robinson Engineering	98 Charles Henry Street, Highgate, Birmingham, B12 0SJ	3,922.96
CH02	Halifax Rack & Screw Cutting	Coronation Works, Armytage Road, Brighouse, Yorkshire, HD6 1QA	2,191.38
CH03	Heaven Dowsett & Co Ltd	197 Shady Lane, Great Barr, Birmingham, B44 9ES	1,465.00
CH04	Howard Lee & Sons Ltd	Unit 7 Vauxhall Trading Estate, Dollman Street, Nechells, Birmingham, B7 4RA	381.11
CH05	Hopkins Blind & Shutter Fittings Limited	Prospect House, Jameson Road, Aston, Birmingham, B6 7SJ	56.32
CH06	Hewden	Trafford House, Chester Road, Stretford, Manchester, M32 0RL	0.00
CI00	Interlock	Unit 1, Burbidge Road, Bordesley Green, Birmingham, B9 4US	0.00
CI01	ING Equipment Lease Belgium	Colonel Bourglann 155, 1140 Evere (Brussels), Belgium	27,335.21
CI02	InvestNorthWest Limited	16 Grange Lea, Middlewich, Cheshire, CW10 9FA	0.00
CJ00	James Lister & Sons	Sandwell Industrial Estate, Spon Lane South, West Bromwich, West Midlands, B66 1QJ	0.00
CJ01	Jet Rollers Limited	Unit 7 The Roller Factory, Chester Street, Accrington, BB5 0SD	19,029.36
CJ02	Jackson Forklift Limited	Unit 4, Westgate, Aldridge, West Midlands, WS9 8FN	5,579.34
CK00	KPEC Limited	Barlow Road, Aldermans Green Industrial Estate, Coventry, CV2 2LD	1,142.10
CK01	K C Precision Limited	Armoury Works, Armoury Road, Small Heath, Birmingham, B11 2PP	51,383.00
CK02	Kendale - HSBC Invoice Finance	21 Farncombe Road, Worthing, BN11 2BW	12,469.76
CL00	Lapp Limited	Unit 3 Perivale Park, Horsenden Lane South, Greenford, Middlesex, UB6 7RL	307.85
CL01	Lian Tie Machinery Ind Co Ltd	No 179-11 18 Lie Ru Chu Village, Ru-Chu Shiang, Taoyuan, Taiwan, ROC	14,992.42
CL02	Lockwell Electrics Limited	P.O. Box 83, 3RD Floor Orchard House, 44-48 Corporation Street, Coventry, CV1 1PX	11,748.06
CL03	Lenze Limited	Caxton Road, Bedford, MK41 0HT	11,401.02
CL04	L & R Rollers Limited	7 Bank Close, Littleborough, Lanc, OL15 0DP	11,234.57
CL05	Lutze Limited	3 Sandy Hill Park, Armington, Tamworth, Staffordshire, B77 4DU	4,765.80
CL06	LCH Limited	15-17 Walter Street, Leeds, LS4 2BB	2,454.81
CL07	Lyreco Limited	Deer Park Court, Donnington Wood, Telford, Shropshire, TF2 7NB	333.19
CL08	Lycos Direct Limited	Clarke Road, Bleckley, Milton Keynes, MK1 1ZR	247.99
CM00	Midland Steel Profiles	5 Handle Road, Tividale, West Midlands, B69 2NN	22.79
CM01	Machined Fabrications Limited	Thornleigh Trading Estate, Dudley, West Midlands, DY2 8TU	18,414.60
CM02	Matland - HSBC Invoice Finance	21 Farncombe Road, Worthing, BN11 2BW	17,289.48
CM03	Matrix International Limited	East Mill Road, Brecin, Angus, DD9 7EP	10,005.13
CM04	Mercian Travel Centre Limited	109 Worcester Road, West Hagley, Worcestershire, DY9 0NG	5,843.29
CM05	MLM Fasteners Limited	Building 81, The Pensnett Trading Estate, Kingswinford, West Midlands, DY6 7FJ	5,518.42
CM06	M/G Cranes & Electrical Services	Unit 7 Long Lane Trading Estate, Long Lane, Halesowen, West Midlands, B62 9LD	800.13
			779.49

Signature

Date

**Derifend Engineering Services Ltd**  
**B - Company Creditors**

Key	Name	Address	£
CM07	Morganite Electro Carbon	Upper Forest Way, Morriston, Swansea, West Glamorgan, SA6 8PP	170.70
CN00	New Britanic Engineers Limited	Unit B, Manders Industrial Estate, Old Heath Road, Wolverhampton, WV1 2RP	35,383.96
CN01	Norgren Limited	PO Box 22, Eastern Avenue, Lichfield, Staffordshire, WS13 6SB	7,055.47
CN02	Neopost Limited	Neopost House, South Street, Romford, Essex, RM1 2AR	169.20
CO00	Orbit Bearings & Transmissions	Unit 7 Hillcrest Industrial Estate, Congreaves Road, Cradley Heath, Warley, B64 7BT	11,379.51
CO01	OGL Computer Services Limited	Worcester Road, Stourport on Severn, Worcestershire, DY13 9AT	878.31
CO02	Office Lines Limited	6a Ryknild Trading Estate, Derby Road, Burton on Trent, Staffs, DE14 1RZ	682.60
CO03	OSO (Dudley) Limited	Unit 4 & 5, Silverend Business Park, Brettle Lane, Brierley Hill, West Midlands DY5 3LG	346.62
CP00	Phoenix Engineering	Unit 1A Summit Works, Manchester Road, Burnley, Lancashire, BB11 5HG	9,678.06
CP01	Pro Shini Supplies UK	Unit 5 Boundary Trading Park, Liverpool Road, Irlam, Manchester, M44 6FB	600.88
CP02	Park Hotel	131 Aldridge Road, Perry Barr, Birmingham	530.50
CP03	Print-Tech Solutions Limited	30 Cedar Avenue, Stalybridge, Cheshire, SK15 3GD	399.51
CP04	Power Utilities Limited	Queen Street, Walsall, West Midlands, WS2 9QE	189.88
CP05	Parker Hannifin Limited	Parker House, 55 Maylands Avenue, Hemel Hempstead, Herts HP2 4SL	0.00
CP06	Powergen	Customer Service Centre, PO Box 7750, Nottingham, NG1 6WR	0.00
CR00	Redditch Gears & Eng	Unit 24, New Meadow Road, Lakeside, Redditch, B98 8YW	100,274.08
CR01	Rexroth Bosch Group	Cromwell Road, St Neots, Huntingdon, Cambs, PE19 2ES	76,945.13
CR02	Richard V Wallis	Ashley House, 1143 Stratford Road, Hall Green, Birmingham, B28 8AU	9,971.05
CR03	R S Components Limited	P O Box 99, Corby, Northants, NN17 9RS	1,504.82
CR04	Rent Smart Capital Bank Group	7th Floor, Oakland House, Talbot Road, Old Trafford, Manchester, M16 0PQ	182.57
CR05	R & F Folding Boxes NV	Europastraat 28, B-2321 Hoogstraten-Meer, Belgium	0.00
CS00	Sandon Global Engraving Tech	Unit 21/22 Arkwright Road, Astmoor Industrial Estate, Runcorn, Cheshire, WA7 1NU	47,457.08
CS01	Siko Limited	Unit 6 COD, Cod Beck Industrial Estate, Dalton, Thirsk, YO7 3HR	12,119.48
CS02	SKF (UK) Limited	Sundon Park Road, Luton, Bedfordshire, England, LU3 3BL	6,531.35
CS03	STM Power Transmissions Limited	Unit 10 Hartford Business Centre, Northwich, Cheshire, CW8 2AB	6,645.22
CS04	Spolka Stolarczyk	33-100 Tamow UL, Kryszalowa 6A, Polska	5,599.94
CS05	S & D Engineering	389 Salford Lane, Leicester, LE2 6UF	4,084.50
CS06	Stanley Press Equipment	Graphic House, Gunco Lane, Macclesfield, Cheshire, SK11 7JL	3,408.73
CS07	SAS Manufacturing Limited	Unit 2 Midland Works, Heathmill Road, Wombourne, Wolverhampton, West Midlands WV5 8AP	2,685.70
CS08	Stora Enso Packaging		214.83
CS09	Stanford Marsh	Hayeroff Works, Buckholt Drive, Warrington Business Parks, Wrocester, WR4 9ND	182.69
CS0A	Severn Trent Water Limited	Sherbourne House, St Martins Road, Coventry, CV3 6SD	738.92
CS0B	Smurfit Kappa Corrugated UK Limited	Knowl Street, Stalybridge, Cheshire, SK15 3AR	0.00
CS0C	Siemens Financial Services Limited	Sefton Park, Bells Hill, Stoke Poges, Buckinghamshire, SL2 4JS	0.00
CT00	TD Cross Limited	c/o Coface UK, Egale 1, 80 St Albans Road, Watford, Hertfordshire, WD17 1RP	8,132.14
CT01	Trimite Limited	Arundel Road, Uxbridge, Middlesex, UB8 2SD	956.87
CT02	TNT International Limited	c/o Eversheds LLP, Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES	879.58
CT03	Transland International (UK)	2-3 Ocean Park, Dock Road, Birkenhead, CH41 1JW	766.63

Signature

Date

## Deritend Engineering Services Ltd

## B - Company Creditors

Key	Name	Address	£
CT04	Tresu (UK) Limited	Ground Floor Building 1, Wilson's Park, Monsall Road, Newton Heath, Manchester M40 8WN	322.91
CT05	T Mobile (UK) Limited	6 Camberwell Way, Duxford, Sunderland, SR3 3XN	528.84
CV00	Variohm	Williams' Barns, Tiffeld Road, Towcester, Northants, NN12 8HP	4,625.29
CW00	Western-Sino Sourcing Company	House 19 Cloverlodge, 14A Wong Ken Tai Mong, Tsai Road, Sai Kung, Hong Kong	139,908.18
CW01	WDS Components Limited	Richardshaw Road, Grangefield Industrial Estate, Pudsey, Leeds, LS28 6LE	867.11
CW02	Windle & Braam	Schipholweg 1095, 2141 BG, Vijfhuizen, Netherlands	0.00
EC00	T Coyne	96 Alderley Crescent, Walsall, West Midlands, WS3 1TE	0.00
EC01	C Cartwright	5 Brampton Avenue, Hall Green, Birmingham, B28 9LG	0.00
ED00	K R Devitt	11 Oakwood Court, Bundle Hill, Halesowen, B63 4AR	0.00
ED01	J Dunn	72 Derron Avenue, South Yardley, Birmingham	0.00
EH00	R Harper	17 Harness Close, Silverdale Park, Walsall, West Midlands, WS5 4PS	0.00
EH01	R N Hill	30 Kelby Road, Northfield, B31 1RP	0.00
EL00	J E Leahy	16 Feldon Lane, Hurst Green, Halesowen, West Midlands, B62 9DS	0.00
EM00	C E Millward	180 Mapleton Road, Hall Green, Birmingham, B28 9RL	0.00
EM01	J W Moulit	57 Douglas Avenue, Hodge Hill, Birmingham, B36 9EN	0.00
EN00	J Neville	15 Tame Avenue, Wednesbury, West Midlands, WS10 0RL	0.00
EP00	D J Perry	65 Lulworth Road, Hall Green, Birmingham, B28 8NS	0.00
ES00	R W Sutcliffe	10 Maytree Close, Chelmsley Wood, Solihull, West Midlands	0.00
ES01	D M Shaw	81 Whitegreave Street, Greet's Green, West Bromwich, B70 9AT	0.00
EW00	S D White	Plychford, 3 High House Lane, Albrighton, Shropshire, WV7 3JL	0.00
RW00	K W White	Plychford, 3 High House Lane, Albrighton, Shropshire, WV7 3JL	0.00
135 Entries Totalling			1,168,746.64

Signature \_\_\_\_\_

Date \_\_\_\_\_

**Deritend Engineering Services Ltd**  
**(In Administration)**  
**Administrators' Abstract of Receipts & Payments**  
**To 28/11/2006**

S of A £		£	£
	<b>ASSETS NOT PLEDGED</b>		
176,701.00	Cash at Bank	187,182.05	
2,200.00	Plant & Machinery	NIL	
1,000.00	Office Furniture & Equip	NIL	
Uncertain	Technical Drawings	NIL	
9,583.00	Post Appointment Sales	NIL	
500.00	Stock in Trade	NIL	
29,401.00	Book Debts	8,635.55	
	Trading Surplus/(Deficit)	514.28	
			196,331.88
	<b>COST OF REALISATIONS</b>		
	Agents Costs	450.00	
	Security Costs	318.52	
	Statutory Advertising	120.01	
	Wages	800.00	
	Courier Costs	483.55	
			(2,172.08)
	<b>PREFERENTIAL CREDITORS</b>		
(3,655.00)	Wages Employees	NIL	
(8,845.00)	Hol Pay Employees	NIL	
			NIL
	<b>UNSECURED CREDITORS</b>		
(977,817.00)	Trade & Expense Creditors	NIL	
(22,365.00)	Inland Revenue	NIL	
(6,046.00)	Customs & Excise	NIL	
(46,684.00)	Redundancy Fund	NIL	
(50,414.00)	Notice Pay	NIL	
			NIL
(896,441.00)			194,159.80
	<b>REPRESENTED BY</b>		
	VAT Input		152.62
	Bank		194,007.18
			194,159.80

**SIP 9 - Time & Cost Summary**

Period: 03/10/06..28/11/06

## Time Summary

Classification of work function	Hours					Time Cost (£)	Average hourly rate (£)
	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Administration & planning	14.25	19.00	41.75	0.00	75.00	10,986.25	146.48
Investigations	1.00	0.00	0.00	0.00	1.00	225.00	225.00
Realisations of assets	12.25	24.00	9.75	0.00	46.00	8,171.25	177.64
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	7.25	31.50	37.50	0.00	76.25	11,208.75	147.00
Case specific matters	0.00	0.00	9.00	0.00	9.00	900.00	100.00
Total Hours	34.75	74.50	98.00	0.00	207.25	31,491.25	151.95
Total Fees Claimed						0.00	

**SIP 9 - Time & Cost Summary**

Period: 03/10/06..28/11/06

## Category 2 Disbursements

Other amounts paid or payable to the office holder's firm or to party in which the office holder or his firm or any associate has an interest.

Transaction Date	Type And Purpose	Amount
16/10/06	Motor Expenses	9.92
20/11/06	Technology charge	42.00
20/11/06	Stationery & Postage	611.00
20/11/06	Company Search	45.00
<hr/>		
	Total	707.92

**DERITEND ENGINEERING SERVICES LIMITED - IN ADMINISTRATION**

**PROPOSALS OF THE JOINT ADMINISTRATORS IN ACCORDANCE WITH THE  
PROVISIONS OF PARAGRAPH 49 (1) OF SCHEDULE B1 TO THE INSOLVENCY  
ACT 1986**

These proposals form part of and should be read in conjunction with the Joint Administrators Report to Creditors dated 28<sup>th</sup> November 2006.

The proposals of the Joint Administrators are that:

1. The Administration shall continue in the short term in order that the remaining assets and liabilities as detailed in the Joint Administrators Report of 28<sup>th</sup> November 2006 may be dealt with.
2. At the conclusion of the Administration, the Joint Administrators shall take steps to place the Company into Creditors Voluntary Liquidation in accordance with Paragraph 83 (1) of Schedule B1 to the Insolvency Act 1986 if and when it appears to the Administrators that it is appropriate to do so. In such an instance, it is proposed that M D Hardy of Poppleton & Appleby, 35 Ludgate Hill, Birmingham, B3 1EH should act as the sole Liquidator of the Company for the purposes of the Creditors Voluntary Winding Up; or
3. The Joint Administrators are authorised to defray the costs and fees of the Administration Order from time to time, including the fees of agents, valuers and solicitors engaged by the Administrators during the Administration. The Administrators remuneration should be based upon time costs and together with the expenses incurred by them in the Administration should be paid out of the assets of the Company. A Creditors Guide to Fees in Administration Order is included in the Joint Administrators Report of 28<sup>th</sup> November 2006 at Appendix 8. This also includes details of the manner in which Poppleton & Appleby seeks to recover expenses and disbursements where there is an element of overhead recovery.
4. If the appointment of M D Hardy as Liquidator of the Company is approved at the meeting of creditors on 28<sup>th</sup> November 2006, it is proposed that the Liquidator's remuneration should be based upon time costs and together with the expenses incurred by him in the Liquidation should be paid out of the assets of the Company.



# **A CREDITORS' GUIDE TO ADMINISTRATORS' FEES ENGLAND AND WALES**

## **1 Introduction**

1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to fix the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights to approve and monitor fees and explains the basis on which fees are fixed.

## **2 The nature of administration**

2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:

- Rescuing the company as a going concern, or
- Achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration,

or, if the administrator thinks neither of these objectives is reasonably practicable

- Realising property in order to make a distribution to secured or preferential creditors.

## **3 The creditors' committee**

3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration order to consider his proposals. The administrator must call the first meeting of the committee within 6 months of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he need to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

## **4 Fixing the administrator's fees**

4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:

- as a percentage of the value of the property which the Administrator has to deal with, or
- by reference to the time properly given by the Administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed and, if it is fixed as a percentage fix the percentage to be applied. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the Administrator;
- the effectiveness with which the Administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the Administrator has to deal with.

4.2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to

the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except put of the reserved fund which may have to be set aside out of floating charge assets. In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of -

- each secured creditor of the company; or
- if the administrator has made or intends to make a distribution to preferential creditors -
- each secured creditor of the company; and
- preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval, having regard to the same matters as the committee would.

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company.

4.4 A resolution of creditors may be obtained by correspondence.

## **5 What information should be provided by the administrator?**

### **5.1 When seeking fee approval**

5.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on:

- the nature of the approval being sought;
- the stage during the administration of the case at which it is being sought; and
- the size and complexity of the case.

5.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the

circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff:

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain:

- Any significant aspects of the case, particularly those that affect the amount of time spent
- The reasons for subsequent changes in strategy.
- Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make.
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement.
- Any existing agreement about fees.
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees.

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

5.1.4 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by a administrator or his staff.

### **5.2 After fee approval**

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. When subsequently reporting to creditors on the progress of the administration, or submitting his final report, he should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

### **5.3 Expenses and disbursements**

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may

include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

## **6 What if a creditor is dissatisfied?**

6.1 If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not out of the assets of the insolvent company.

## **7 What if the administrator is dissatisfied?**

If the administrator considers that the remuneration fixed by the committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors or in accordance with the official receiver's scale is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the committee and the committee may nominate one or more of its members to appear or be represented at the court hearing. If there is no committee, the administrator's notice of his application must be sent to such of the creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid out of the assets.

## **8 Other matters relating to fees**

8.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors. If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

8.2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

## **9 Provision of information - additional Requirements**

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company.

The information which must be provided is -

- the total number of hours spent on the case by the administrator or staff assigned to the case;
- for each grade of staff, the average hourly rate at which they are charged out;
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.

**Poppleton and Appleby**

**Fees and Disbursements in Administrations**

**Fees**

The fees of the Administrator are fixed by reference to time properly spent by the Administrator and his staff in attending to all matters arising in the administration unless otherwise agreed with the creditors. The Administrator and his staff charge time to all insolvency cases in units of 15 minutes. The following charge out rates are applicable from 1<sup>st</sup> January 2006.

	£/hour
Partner	225 - 245
Managers	125 - 185
Administrators	90 - 110
Cashier	100
Secretarial and support staff	no charge

For cases commenced prior to January 2006, these rates represent a material change in charge out rates since the last review in April 2003. However, the rates also reflect the change in recoverability and reduction in Partner time dealing with day to day case administration.

**Disbursements**

In dealing with the administration, the Administrator will incur expenses and disbursements that are recoverable from the assets available in the administration in accordance with Rule 2.67 of the Insolvency Rules. In addition to out of pocket expenditure, the Administrator will also recover shared or allocated costs. Where applicable, these costs are calculated as follows:

**Expense Type**

**Basis of Charge**

For all official stationery, printing postage and telephone charges, including notices to creditors and contributories in respect of the first meetings of creditors and contributories:

- (i) for a number of creditors and Contributories not exceeding 25, £175
- (ii) for every additional 10 creditors and contributories or part thereof, £40

Where any other meetings of creditors or contributories are held by the Administrator(s), for summoning and holding the meetings:

- (iii) for a number of creditors and Contributories not exceeding 25, £155
- (iv) for every additional 10 creditors and contributories or part thereof, £20

All other expenses and disbursements are recovered as follows:

**Expense Type**

**Basis of Charge**

Room Hire (for each statutory meeting of creditors)

£175.00 per meeting

Mileage

75p per mile

Company search costs

£45 per search

Storage of company books and records

£2.50 per box per month

Technology charge  
(apportionment of licence fee for insolvency systems software and partial recovery of computer maintenance costs)

£42 per annum or part thereof

Should any creditor require further clarification in respect of fees or expenses, then please contact the Administrator or case manager as identified in the correspondence concerning the administration in question.

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