

## The Insolvency Act 1986

## Administrative Receiver's Report

Pursuant to Section 48(1) of the  
Insolvency Act 1986 and Rule 3.8(3) of  
the Insolvency Rules 1986

To the Registrar of Companies

**S.48(1)**

For Official Use

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Company Number

159238

Insert full name of  
Company

Name of Company

H A Smith &amp; Son Limited

Insert full name and  
Address

We, Andrew Turpin  
141 Great Charles Street  
Birmingham  
B3 3LG

Martin Thomas Coyne  
141 Great Charles Street  
Birmingham  
B3 3LG

Delete as appropriate

Administrative Receivers of the company attach a copy of our report to creditors.

Signed



Date

09.01.03

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

S5E  
H A Smith & Son Limited  
  
A. Turpin  
Poppleton & Appleby  
141, Great Charles Street,  
Birmingham,  
B3 3LG

For Official Use

Insolvency Section

Post Room

A13  
COMPANIES HOUSE0328  
13/01/03

**H A SMITH & SON LIMITED**  
**(In Administrative Receivership)**

**THE JOINT ADMINISTRATIVE RECEIVERS' REPORT TO CREDITORS**  
**PURSUANT TO SECTION 48 OF THE INSOLVENCY ACT 1896**  
**TO BE HELD ON 6th JANUARY 2003**

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## H A Smith & Son Limited

### In Administrative Receivership

Following the appointment of M T Coyne and I as Joint Administrative Receivers of the Company by National Westminster Bank Plc, we report under Section 48(1) of the Insolvency Act 1986, as follows:-

#### 1. Statutory Information

Company Number:	159238
Date of Incorporation:	1st October 1919
Former Registered Office and Trading Address:	Torrington Avenue Tile Hill Coventry CV4 9GX
Current Registered Office:	c/o Poppleton & Appleby 141 Great Charles Street Birmingham B3 3LG
Type of Business:	Printing
Directors:	Mr W H Jenson Mr J D Kimpton Mrs J A Kimpton Mr J R Kimpton Mrs M I Kimpton Mr R M Kimpton Mr T W Lenton Mr G Vynall

#### Shares

Shareholders:	Mrs F Bednell	5,248
	Mr R P Botwood	3,366
	Miss S J Capp	3,000
	Mr W H D Jenson	6,400
	Mr J D Kimpton	3,000
	Mr J R Kimpton	3,000
	Mrs M I Kimpton	6,412
	Mr R M Kimpton	35,542
	Mrs J E Lee	3,366
	Mrs M M Mayer	2,100
	Mrs P Timpson	5,200
	Mrs SM Walters	<u>3,366</u>
		<u>80,000</u>

## **2. Appointment**

- 2.1 The appointment was made under the provisions of a mortgage debenture held by National Westminster Bank Plc granting a fixed and floating charge over the assets and undertakings of the business dated 26th July 2001.
- 2.2 The appointment was made on 4th October 2002 and was accepted the same day by the Joint Administrative Receivers. At the date of appointment, the amount outstanding to National Westminster Bank Plc, before accruing interest and charges, stood at £264,146.

## **3. Events leading up to the Appointment**

- 3.1 The Company was a family owned business which had traded successfully since 1919 as general Printers. However, in more recent years the Company had suffered with the downturn experienced throughout the printing industry and the last audited accounts to 31st March 2000 revealed a loss for the year of £226,178 compared with the profit during the previous year of some £40,285.
- 3.2 There are only draft accounts available in respect of the subsequent period to 31st March 2001, which proved to be the worst in the Company's trading history. During this period the Company encountered the loss of major customers, which proved difficult to replace, and ever increasing pressure on margins, which resulted in a loss of some £551,965 for the financial year. During this time, all aspects of the business were examined and overheads reduced where possible and a five colour press was sold to ease the company's cashflow position.
- 3.3 It was at this time the Company considered the acquisition of a similar business in the locality with a view to achieving an increased turnover and to benefit from economies of scale of the joint venture. As a result, in July 2001 the business at Coventry Printers Limited was acquired with a view to moving it into the current premises of H A Smith.
- 3.4 However, it soon became apparent that the liabilities for Coventry Printers Limited had been considerably understated and the Company was on stop with several key suppliers. This only added to the drain of resources with H A Smith and further burdened its cashflow position. Subsequently, as the extent of the problem unfolded it became clear that the business of Coventry Printers was insolvent. Subsequently the Company went into Voluntary Liquidation in October 2001 with M T Coyne of Poppleton & Appleby, together with Mr R Speight of Moore Stephens Booth White being appointed Joint Liquidators. This resulted in the immediate loss on the investment and further pressure on the resources of H A Smith.
- 3.5 Despite the continued efforts of the directors, it soon became apparent that the Company was unable to stem the losses with profit margins insufficient to cover the Company's overhead structure.
- 3.6 This had the effect of eating into the Company's reserves and by late Summer 2002 the Company became under increasing pressure as it reached its credit limit with its major paper suppliers and struggled to meet its repayment schedule with the Inland Revenue in respect of the PAYE and NI liability.

- 3.7 As a result of this, the directors introduced further loans of £50,000 taking their total investment to £100,000 and the Bank were approached to assist the further funding of the business. Whilst the Bank were extremely supportive, they were only prepared to make additional funds available on a similar investment by the directors of the business.
- 3.8 Regrettably, the directors of the Company were unable to invest further sums into the business and given the increased pressure being placed on the Company by the Inland Revenue and other major suppliers, the Company had been forced to turn away orders through the lack of working capital.
- 3.9 This culminated in this firm being approached by the directors for specific Insolvency advice which resulted in the directors requesting that the Company's Bankers, National Westminster Bank Plc, to appoint Joint Administrative Receivers to the Company

#### **4. Action taken since Appointment**

- 4.1 Immediately following our appointment, we attended the Company's premises and met with the Directors of the Company to discuss the current trading position.
- 4.2 Following our initial discussions, it was evident that the Company had been forced to turn away a significant portion of its Order Book due to its inability to meet the required printing deadlines and to acquire the raw material supplies.
- 4.3 There were, however, three jobs in progress which required around 3 days work to complete. Of these jobs, one was for the Company's major customer and we therefore agreed to complete the final work in progress utilising a skeleton staff. As a result, 39 of the Company's 43 employees were immediately made redundant. Of those retained, three administration staff continued to assist in the debt collection procedure and to deal with third party assets and the general clear up exercise required in the factory unit.
- 4.4 As a result, the work in progress was duly completed and the remaining factory operative was made redundant on 11th October 2002. The remaining administration staff were finally released on 31st October 2002.

#### **5. Realisation of Assets**

##### **5.1 Long Leasehold Property**

- 5.1.1 The Company had already instructed D & P Holt Property Agents to market the Company's trading premises at Torrington Avenue, Tile Hill, Coventry. Immediately following our appointment, a meeting was held with the agents to discuss the way forward and we agreed to maintain the existing marketing campaign.
- 5.1.2 The premises are subject to a long leasehold tenure and are currently being marketed at an asking price of £650,000.

- 5.1.3 Despite a steady number of enquiries, no offers have been received to date and it is our intention to fully review the marketing campaign early in the New Year.

5.2 Book Debts

- 5.2.1 At the date of our appointment there were outstanding book debts due to the Company in the sum of £488,206. The debts were the subject of a Confidential Invoice Discounting Agreement with the Royal Bank of Scotland Commercial Services (RBSCS). At the date of appointment, the amount due to RBSCS, before interest and charges, stood at £297,315.
- 5.2.2 We initially retained three of the Company's administration staff to assist in reconciling the sales ledger accounts and to assist in dealing with third party artwork and property.
- 5.2.3 As a result, we are pleased to report that to date, collections of £341,240 have been made and we are continuing to chase the remaining balances. Of these collections, £286,339 has been distributed to RBSCS.

5.3 Tangible Assets

- 5.3.1 We engaged the services of Dovebid Bache to assist in the disposal of the Company's tangible assets and following consultation with them, it was agreed that the most beneficial way to dispose of the Company's free assets was by way of private tender. We are pleased to advise that the realisations have exceeded the initial valuation of our agents and these are shown in the receipts and payments account attached. There are one or two small items which have yet to be accounted to us by our agents although we expect these to be received shortly.

5.4 Third Party Assets

- 5.4.1 In addition to the above, there was a considerable amount of equipment and ancillary items on site which were the property of third parties. Where possible, arrangements have already been made for the return or collection of these items. However, there remains one five colour Komori printing press on site which is subject to a finance agreement with Lloyds TSB Finance Limited. There is considerable negative equity in this agreement and we are currently liaising with them over the collection of this equipment which requires specialist dismantling and removal.

6. **Ongoing Litigation**

- 6.1 Prior to the Receivership, the Company had commenced legal proceedings against a firm of professional advisors in respect of a potential negligence claim concerning a due diligence report prepared as part of the Company's acquisition of Coventry Printers Limited some 15 months previous.

- 6.2 We have had discussions with the legal advisors, concerning the merits of this claim and we are still in the process of assessing this position and, more importantly, ways to fund any continued action should this be considered appropriate.

An independent opinion has been sought concerning the contents of the original report and we are awaiting the outcome of this before any decision is made.

## 7. Statement of Affairs

- 7.1 In accordance with the provisions of the Insolvency Act 1986, we have requested that the directors provide us with a sworn Statement of Affairs as at the date of appointment.
- 7.2 However, to date this has not yet been received although, following recent discussions with the directors, I would anticipate receipt of a sworn statement within the next three weeks.

## 8. Preferential Creditors

- 8.1 Whilst no Statement of Affairs has been received in this matter, we currently estimate the preferential creditor claims to be as follows:-

		£
Inland Revenue	PAYE/NIC	114,300
H M Customs & Excise	VAT	14,467
Employee Claims	Arrears of Pay and Holiday Pay	<u>16,812</u>
		<u>145,715</u>

- 8.2 No formal claims have been received and they remain subject to agreement with the relevant authorities. The final dividend prospects for the preferential creditors will depend on the eventual surplus available from the sale of the Company's long leasehold premises and the book debt realisations. As a result, the quantum and likely timing of any such dividend is still unclear.

## 9. Unsecured Creditors

- 9.1 We currently estimate the level of the Company's unsecured trade and expense creditors to be in the region of £458,824. This will not include the claims arising from the various finance agreements in place with the Company, which we would anticipate to be substantial. The claims arising from these agreements have yet to be received. The prospects of any dividend to the unsecured creditors remains unclear at this time.

## 10. Receipts and Payments Account

- 10.1 We enclose as an Appendix a summary of our receipts and payments account to date.

## **11. Section 98 Meeting**

- 11.1 A Meeting of the Company's Unsecured Creditors has been convened pursuant to Section 48(2) of the Insolvency Act 1986 for 6th January 2003. For the purposes of receiving this report and, if thought fit, appointing a Creditors Committee. There is no legal requirement for a Director of the Company to be present at that Meeting.

**A Turpin and M T Coyne**  
**Joint Administrative Receivers**



## 11. Section 98 Meeting

- 11.1 A Meeting of the Company's Unsecured Creditors has been convened pursuant to Section 48(2) of the Insolvency Act 1986 for 6th January 2003. For the purposes of receiving this report and, if thought fit, appointing a Creditors Committee. There is no legal requirement for a Director of the Company to be present at that Meeting.

A handwritten signature in black ink, appearing to read 'A Turpin and M T Coyne', written in a cursive style.

A Turpin and M T Coyne  
Joint Administrative Receivers

H A Smith & Son Limited  
(In Administrative Receivership)

Administrative Receivers's Abstract Of Receipts And Payments  
To 06/01/2003

	Fixed Charge	Floating Charge	Total
RECEIPTS	£	£	£
Factored Book Debts	341,239.66		341,239.66
Plant & Machinery		60,000.00	60,000.00
Office Furniture & Equip		3,155.31	3,155.31
Vehicles		22,000.00	22,000.00
Stock in Trade		5,967.65	5,967.65
VAT Output		13,041.54	13,041.54
	<hr/>	<hr/>	<hr/>
	341,239.66	104,164.50	445,404.16
	<hr/>	<hr/>	<hr/>
PAYMENTS			
RBS Commercial Services	286,338.51		286,338.51
Wages	1,944.25		1,944.25
Clearance Costs	2,574.00		2,574.00
Other	2,780.45		2,780.45
Solicitors Fees		2,324.00	2,324.00
Statutory Advertising		187.73	187.73
Specific Bond		260.00	260.00
Wages		3,042.31	3,042.31
Sub Contract		1,100.00	1,100.00
Other		1,348.21	1,348.21
Storage Costs		1,490.00	1,490.00
Re-Direction of Mail		42.00	42.00
Motor Expenses		812.46	812.46
Telephones		153.74	153.74
Sundries		6.70	6.70
Petty Cash		100.00	100.00
Other		270.00	270.00
VAT Input		1,617.68	1,617.68
	<hr/>	<hr/>	<hr/>
	293,637.21	12,754.83	306,392.04
Balances In Hand	47,602.45	91,409.67	139,012.12
	<hr/>	<hr/>	<hr/>
	341,239.66	104,164.50	445,404.16
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