

AM22

Notice of move from administration to creditors'
voluntary liquidation



Companies House

TUESDAY



A69YFD7F

A28

04/07/2017

#260

COMPANIES HOUSE

1 Company details

Company number 0 0 3 1 5 9 5 1
Company name in full DML Architectural Systems Limited

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

2 Court details

Court name High Court of Justice, Leeds District Registry Chancery Division

Court case number 8 3 2 0 1 7

3 Administrator's name

Full forename(s) Nicholas Edward
Surname Reed

4 Administrator's address

Building name/number Fourth Floor
Street Toronto Square
Post town Toronto Street
County/Region Leeds
Postcode L S 1 2 H J
Country

AM29

Notice of move from administration to creditors' voluntary liquidation

5 Administrator's name ¹

Full forename(s)	Bob	1 Other administrator Use this section to tell us about another administrator.
Surname	Maxwell	

6 Administrator's address ²

Building name/number	Fourth Floor	2 Other administrator Use this section to tell us about another administrator.
Street	Toronto Square	
Post town	Toronto Street	
County/Region	Leeds	
Postcode	L S 1 2 H J	
Country		

7 Appointor/applicant's name

	Give the name of the person who made the appointment or the administration application.	
Full forename(s)	John Gary	
Surname	Wilson	

8 Proposed liquidator's name

Full forename(s)	Nicholas Edward	
Surname	Reed	
Insolvency practitioner number	0 0 8 6 3 9	

9 Proposed liquidator's address

Building name/number	Fourth Floor	
Street	Toronto Square	
Post town	Toronto Street	
County/Region	Leeds	
Postcode	L S 1 2 H J	
Country		

AM22

Notice of move from administration to creditors' voluntary liquidation

10 Proposed liquidator's name¹

Full forename(s)	Bob
Surname	Maxwell
Insolvency practitioner number	0 0 9 1 8 5

1 Other liquidator

Use this section to tell us about another liquidator.

11 Proposed liquidator's address²

Building name/number	Fourth Floor
Street	Toronto Square
Post town	Toronto Street
County/Region	Leeds
Postcode	L S 1 2 H J
Country	

2 Other liquidator

Use this section to tell us about another liquidator.

12 Period of progress report

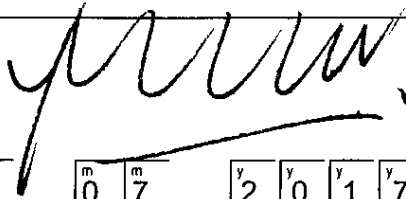
From date	d 2 0 m 0 1 y 2 0 y 1 7
To date	d 0 3 m 0 7 y 2 0 y 1 7

13 Final progress report☒ I have attached a copy of the final progress report.**14 Sign and date**

Administrator's signature

Signature

X



X

Signature date

d 0 3 m 0 7 y 2 0 y 1 7

AM22

Notice of move from administration to creditors' voluntary liquidation



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Matthew Russell
Company name	Begbies Traynor (Central) LLP
Address	Fourth Floor Toronto Square
Post town	Toronto Street
County/Region	Leeds
Postcode	L S 1 2 H J
Country	
DX	
Telephone	0113 244 0044



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

DML Architectural Systems Limited
(In Administration)
Joint Administrators' Summary of Receipts & Payments

Statement of Affairs £		From 20/01/2017 To 03/07/2017 £	From 20/01/2017 To 03/07/2017 £
	ASSET REALISATIONS		
155,000.00	Finished Goods	28,500.00	28,500.00
93,215.00	Book Debts	50,247.14	50,247.14
	Bank Interest Gross	11.96	11.96
		<u>78,759.10</u>	<u>78,759.10</u>
	COST OF REALISATIONS		
	Pre-Appointment Legal Fees	1,982.50	1,982.50
	Pre-Appointment Legal Disbursements	3.00	3.00
	Legal Fees (1)	1,020.00	1,020.00
	Pre-Appointment Court Fees	50.00	50.00
	Re-Direction of Mail	275.00	275.00
	Statutory Advertising	169.20	169.20
		<u>(3,499.70)</u>	<u>(3,499.70)</u>
	UNSECURED CREDITORS		
(1,559,795.00)	Intercompany loan	<u>NIL</u>	<u>NIL</u>
		NIL	NIL
	DISTRIBUTIONS		
(5,000.00)	Ordinary Shareholders	<u>NIL</u>	<u>NIL</u>
		NIL	NIL
<u>(1,316,580.00)</u>		<u><u>75,259.40</u></u>	<u><u>75,259.40</u></u>
	REPRESENTED BY		
	Vat Receivable		634.94
	Bank 1 Current		90,373.88
	Vat Payable		(15,749.42)
			<u><u>75,259.40</u></u>

Nicholas Edward Reed
Joint Administrator



Nicholas Edward Reed and Robert Alexander Henry Maxwell
appointed joint administrators on 20 January 2017

The affairs, business and property of the Company are being
managed by the joint administrators, who act as the Company's
agents and without personal liability.

DML Architectural Systems Limited (In Administration)

Final Progress Report of the joint administrators

Period: 20 January 2017 to 3 July 2017

Important Notice

This final progress report has been produced by the administrators solely to comply with their statutory duty to report to creditors on the progress of the administration. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever

Contents

- ❑ Interpretation
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- ❑ Pre-administration costs
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- ❑ Expenses
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 - 2. Summary of administrators' proposals, including major amendments to, and deviations from them
 - 3. Time costs and disbursements
 - 4. Statement of expenses

1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	DML Architectural Systems Limited (In Administration)
"the administration"	The appointment of administrators under Schedule B1 to the Insolvency Act 1986 on 20 January 2017
"the administrators", "we", "our", "us"	Nicholas Edward Reed of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ and Robert Alexander Henry Maxwell of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency (England and Wales) Rules 2016 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act); and (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Act.

2. STATUTORY INFORMATION

Name of Company	DML Architectural Systems Limited
Trading name:	DML
Date of Incorporation:	2 July 1936
Company registered number:	00315951
Company registered office:	Toronto Square, Toronto Street, Leeds, LS1 2HJ

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Names of administrators:	Nicholas Edward Reed, a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ and Robert Alexander Henry Maxwell, a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ
Date of appointment:	20 January 2017
Court:	High Court of Justice, Leeds District Registry Chancery Division
Court Case Number:	83 of 2017
Persons making appointment / application:	The directors of the Company
Acts of the administrators:	The administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
EC Regulation on Insolvency Proceedings.	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No. 1346/2000) applies to these proceedings which are 'main proceedings' within the meaning of Article 3 of the Regulation.
Extensions of the administration period	There have been no extensions to the administration period.

4. PROGRESS DURING THE PERIOD

Receipts and Payments

Attached at Appendix 1 is our abstract of receipts and payments for the period from 20 January 2017 to 3 July 2017.

What work has been done in the period of this report, why was that work necessary and what has been the financial benefit (if any) to creditors?

Details of the types of work that generally fall into the headings mentioned below are available on our firm's website - <http://www.begbies-traynorgroup.com/work-details> Under the following headings we have explained the specific work that has been undertaken on this case. Not every piece of work has been described, but we have sought to give a proportionate overview which provides sufficient detail to allow creditors to understand what has been done, why it was necessary and what financial benefit (if any) the work has provided to creditors

The costs incurred in relation to each heading are set out in the Time Costs Analysis which is attached at Appendix 3.

General case administration and planning

We have formulated an appropriate strategy, with the help of the directors and our instructed Quantity Surveyors, Leslie Keats ("LK"), in order to realise the Company's contract related assets and agree sales in respect of the contract material held by the Company.

We have also maintained records to demonstrate how the case was administered and to document the reasons for any decisions that materially affect the case. Costs in this respect have fallen under the above heading.

Compliance with the Insolvency Act, Rules and best practice

The Insolvency Act and Rules require that we produce interim progress reports on a six monthly basis to provide an update to the creditors of the progression made during the Administration. As we have issued this final report prior to the completion of the first six month period, an interim progress report has not been produced in this instance.

Statutory documentation including appointment documents have been filed with the Courts and the Registrar of Companies under the Insolvency Act.

We have provided initial statutory notifications of our appointment to the creditors, shareholders and other stakeholders, and advertised our appointment in the London Gazette. We have paid the sum of £169 to Courts Advertising Limited in this respect.

We have also monitored realisations during the period to ensure that the statutory bond is sufficient to cover the value of total realisations during the administration in order to protect the interests of the Company's creditors.

The costs incurred in producing the Administrators' proposals to creditors and holding a meeting by correspondence is also reflected in time spent under this heading.

Investigations

Since our appointment, we have undertaken investigations regarding the conduct of the directors and reported to the Department for Business, Energy and Industrial Strategy. We can confirm that we have discharged our duty in this respect. Further investigations into the nature of the Company's dealings prior to our appointment is ongoing

Realisation of assets

The Contracts - Finished Goods

Camden Road

This contract was terminated by the client as a result of the Company's insolvency.

Although the contract was terminated, a quantity of material remained at the Company's former trading premises in Leeds. The client was approached to purchase the material however this was complicated as an element of this material was subject to retention of title, whereby the supplier of the exterior cladding was claiming title as the goods had not been paid for.

After lengthy negotiations with the client, the client agreed to purchase the material which was not subject to retention of title and some additional aluminium pressings. The sum of £28,500 was agreed and paid by the client for these finished goods.

Wardour Street

The work for this contract had not been started by the Company at the date of our appointment. The material had been supplied by the client and therefore it was made available to them for collection. There are no realisations for the Company from this contract.

The Contracts – Circle Square

As explained on our statement of proposals, the client terminated the contract on our appointment in accordance with its terms. There was, however, a large quantity of material at the Company's premises, of which some was almost complete and ready for delivery, some in manufacture and also some raw material.

As the contract had been terminated, and the only realisations would relate to the material and labour costs, both of which were incurred by a connected entity, Drawn Metal, Limited ("DML"), also in Administration, the sale of the material was invoiced through DML.

Please, however, note that any further realisations in respect of historic work undertaken in relation to this contract will be a realisation for the Company and not DML.

Book Debts and Retentions

At the date of our appointment, the Company had outstanding ledgers of £248,040 and £1,476,967 in relation to retentions and valuations respectively. As creditors are aware, the Administration represents a determinable breach under which the client can legitimately terminate the Company's employment. Following such termination, the client can engage others to complete the Company's works and withhold any payments otherwise due to the Company until such time as the contract works are complete. This makes the estimated recovery value difficult to determine.

With the assistance of LK, collections to date total £5,576. We are continuing to pursue the other outstanding debts with the assistance of LK, however, we do not expect this to be finalised for another 12 months due to the defect liability expiration periods. It is also possible that debtors may ultimately attempt to submit claims as creditors of the Company.

Application

An outstanding application payment of £44,671 relating to the Regent Street contract was pursued by LK and subsequently paid on 8 February 2017.

Dealing with all creditors' claims (including employees), correspondence and distributions

Originally, we were only aware of the Company having one creditor, DML, which also entered into Administration on 20 January 2017, with the same Administrators. To avoid any potential conflict, we

sought the approval of our Proposals in respect of the Company from DML's major creditors as ultimately it would have been those creditors who would be impacted from the outcome of the Administration of the Company

We have, however, subsequently received a claim from one party and notification from another party that they intend to submit a claim in due course. There is a possibility that more creditors will come forward

Other matters which includes seeking decision of creditors via deemed consent procedure and/or decision procedures, meetings, tax, litigation, pensions and travel

Discussions and meetings have been held to establish the Company's financial position and its affairs generally.

The Company was part of a VAT group, together with DML (also in administration) and Drawn Metal Holdings Limited. We have therefore held discussions with the other companies within the VAT group and their representatives.

We have also travelled to and from the trading site in Bramley, Leeds during the period whilst contract matters were finalised. This was essential in order to oversee the post appointment operations and assist with the decision making process.

5. OUTCOME FOR CREDITORS

Secured creditors

To the best of the Joint Administrators' knowledge and belief, there are no known secured creditors of the Company.

Preferential creditors

There are no known preferential claims

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Details of how the prescribed part is calculated have previously been provided in our statement of proposals.

To the best of our knowledge and belief, there are no unsatisfied floating charges created or registered on or after 15 September 2003 and, consequently, there is no net property as defined in Section 176A(6) of the Act and, therefore, no prescribed part of net property is available for distribution to the unsecured creditors.

Unsecured creditors

We consider that there are sufficient realisations for a dividend to be paid to the unsecured creditors, however, the quantum and timing of any such dividend is unknown at this stage. Unsecured claims will be agreed by the subsequently appointed Liquidators.

Exit from administration

The Notice of move from Administration to Creditors' Voluntary Liquidation (Form AM22) will be sent with this report to the Registrar of Companies. As soon as the Notice is registered by the Registrar, the Company will be in Creditors' Voluntary Liquidation with effect from the date of registration in accordance with paragraph 83(6) of Schedule B1 to the Act with the Former Administrators acting in the capacity as Joint Liquidators of the Company.

6. ADMINISTRATORS' PROPOSALS

Attached at Appendix 2 is a summary of our proposals as approved by the initial meeting of creditors held by correspondence on 31 March 2017

7. SUMMARY OF STEPS TAKEN DURING THE ADMINISTRATION

Due to the insolvency and immediate cessation of trading of DML, also on 20 January 2017, the Company immediately ceased to trade on appointment as it was reliant upon DML for its day to day operations.

Initially, a sale of the business as a whole was sought in conjunction with a sale of DML. However, interest in DML was withdrawn following due diligence and subsequent quantification of TUPE liabilities. As such, a sale of the Company did not materialise.

As well as trying to achieve a sale of the business, we considered all ongoing contracts with the assistance of LK to ensure that immediate action could be taken where appropriate. As a result of the above discussions, and ongoing discussions with key customers, there remained interest relating to certain contracts.

After a potential sale of the business fell away, discussions continued with interested parties with regard to the contracts whilst some work in progress was completed. Negotiations were held between the Administrators, the clients and LK to agree the sale of the material relating to ongoing contracts in order that clients' contracts could continue as planned.

These matters have now been finalised and the book debts and retentions are continuing to be pursued by us with the assistance of LK.

8. PRE-ADMINISTRATION COSTS

On 31 March 2017, the following amounts in respect of unpaid pre-administration costs were approved by the creditors at the initial meeting held by correspondence:

Description	Name of recipient	Net amount £	VAT £	Gross amount £
Our fees in relation to the Work	Begbies Traynor	1,040.00	208 00	1,248.00
Legal costs	Lupton Fawcett	1,982.00	396.40	2,431.40
Disbursements		53 00	0.00	53.00
Quantity surveyor fees	Leslie Keats	2,157.25	431.45	2,588.70
TOTAL PRE-ADMINISTRATION COSTS		5,232.25	1,035.85	6,268.10

9. REMUNERATION & DISBURSEMENTS

Our remuneration has been fixed by a resolution of creditors passed by correspondence, by reference to the time properly given by us and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters as set out in the fees estimate. We are also authorised to draw disbursements for services provided by our firm and/or entities within the Begbies Traynor Group, in accordance with our firm's policy, details of which accompanied the Statement of proposals for achieving the purpose of administration and which are attached at Appendix 2 of this report.

Our time costs for the period from 20 January 2017 to 3 July 2017 amount to £28,918 which represents 136 4 hours at an average rate of £212 per hour.

The following further information in relation to our time costs and disbursements is set out at Appendix 3:

- ☐ Time Costs Analysis for the period 20 January 2017 to 3 July 2017
- ☐ Begbies Traynor (Central) LLP's charging policy

To 3 July 2017, we have not drawn any fees on account of our remuneration, against total time costs of £28,918 incurred since the date of our appointment.

As can be seen from the information above, we have marginally exceeded the limit of our fees estimate of £27,429. For the avoidance of any doubt, we have not drawn any remuneration in excess of the level approved. The reason why the estimate has been exceeded is mainly due to additional time being incurred across statutory reporting, case closure preparation, case administration and creditor claims. However, time spent on investigations is less than originally estimated.

At this stage, we do not propose to seek creditor approval of our increase fees estimate. However, we reserve the right to do so should the need arise.

Disbursements

To 3 July 2017, we have also not drawn any disbursements.

Why have subcontractors been used?

Quantity Surveyor

LK were instructed to review all contracts, book debts and retentions, liaise and correspond with the clients in respect of the contracts and advise the administrators generally on all contract matters.

LK have incurred costs of £13,625 in addition to pre-appointment costs of £2,157.

Legal fees

Lupton Fawcett LLP have been instructed to assist with legal advice generally on matters arising throughout the course of the Administration.

Lupton Fawcett have incurred costs of £1,021 in addition to pre-appointment legal costs of £1,982. These costs have been discharged in full, in addition to disbursements of £3.

Category 2 Disbursements

We have not incurred any Category 2 disbursements in respect of this matter

A copy of 'A Creditors Guide to Administrators' Fees (E&W) 2015' which provides guidance on creditors' rights on how to approve and monitor an Administrator's remuneration and on how the remuneration is set can be obtained online at www.begbies-traynor.com/creditorsguides. Alternatively, if you require a hard copy of the Guide, please contact our office and we will arrange to send you a copy.

10. EXPENSES

A statement of the expenses incurred by us during the period of this progress report is attached at Appendix 4. A cumulative statement of expenses also appears at Appendix 4 which details the expenses incurred since the date of our appointment.

Creditors will recall that we estimated that the expenses of the administration would total £20,790. That estimate has not been exceeded and we do not expect it to be exceeded if matters progress to conclusion as envisaged.

11. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 18.9 of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors including that creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the court) may request in writing that we provide further information about our remuneration or expenses (other than pre-administration costs) which have been incurred during the period of this progress report.

Right to make an application to court

Pursuant to Rule 18.34 of the Rules, any secured creditor or an unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor, (or any unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the court) may within 8 weeks of receipt of this progress report make an application to court on the grounds that the remuneration charged or the expenses incurred by us during the period of this progress report are excessive or, in relation to the basis fixed for our remuneration, inappropriate.

12. ASSETS THAT REMAIN TO BE REALISED

Book Debts / Retentions

As detailed in Section 4 of this report, the collection of retentions and book debts is ongoing with the assistance of LK. However, due to the contractual nature of these debts, any future recoveries are uncertain and may take another 12 months to finalise.

13. OTHER RELEVANT INFORMATION

Report on Directors conduct

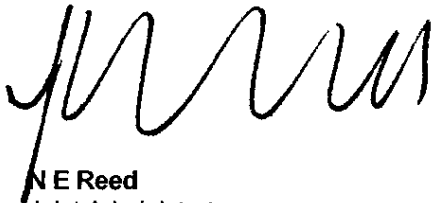
As detailed in our statement of proposals, we have a duty to submit a report to the Department for Business, Energy and Industrial Strategy on the conduct of the directors. We have complied with our duties in this respect.

Investigations completed

As explained in our Statement of proposals we have been investigating the manner in which the business was conducted prior to the administration of the Company and potential recoveries for the estate in this respect.


14. CONCLUSION

This report brings our appointment as Administrators to a formal conclusion. We will be writing to creditors shortly with regard to our appointment as Joint Liquidators.



N E Reed
Joint Administrator

Date: 3 July 2017



ACCOUNT OF RECEIPTS AND PAYMENTS

Period: 20 January 2017 to 3 July 2017

S of A £		£	£
	ASSET REALISATIONS		
155,000.00	Finished Goods	28,500.00	
93,215.00	Book Debts	50,247.14	
	Bank Interest Gross	11.96	
			78,759.10
	COST OF REALISATIONS		
	Pre-Appointment Legal Fees	1,982.50	
	Pre-Appointment Legal Disbursements	3.00	
	Legal Fees (1)	1,020.00	
	Pre-Appointment Court Fees	50.00	
	Re-Direction of Mail	275.00	
	Statutory Advertising	169.20	
			(3,499.70)
	UNSECURED CREDITORS		
(1,559,795.00)	Intercompany loan	NIL	
			NIL
	DISTRIBUTIONS		
(5,000.00)	Ordinary Shareholders	NIL	
			NIL
(1,316,580.00)			75,259.40
	REPRESENTED BY		
	Vat Receivable		634.94
	Bank 1 Current		90,373.88
	Vat Payable		(15,749.42)
			75,259.40

SUMMARY OF ADMINISTRATORS' PROPOSALS, INCLUDING MAJOR AMENDMENTS TO AND DEVIATIONS FROM THEM

Proposals approved at the initial creditors' meeting held by correspondence

Purpose of the Administration

We are required to set out our proposals for achieving the purpose of the administration which in this context means one of the objectives specified in paragraph 3 of Schedule B1 to the Act as set out at section 3 of this report above.

For the reasons set out in this report, we presently consider that it is not reasonably practicable to achieve the objective specified in sub-paragraph 3(1)(a), and consequently the most appropriate objective to pursue in this case is that specified in sub-paragraph 3(1)(b), namely achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).

We considered that trying to market the business for sale during Administration was the best strategy for the Company and DML. However, due to the potentially significant TUPE liability which would arise as a result of the transfer of DML's employees to a purchaser, a sale did not materialise.

The Administration has created a moratorium over the Company and safeguarded all of the Company's physical assets which may otherwise have been subject to recovery action by creditors. We have been able to immediately control the Company's books and records. This has allowed us and LK to put together the required documentation to complete sales of finished goods and stock / WIP and maximise realisations.

We consider that being able to take immediate control in the context of an Administration as an alternative to an immediate cessation of trade and subsequent liquidation of the Company has significantly enhanced the prospects of the creditors and also prevented them from incurring additional costs or losses during any wind down period which they may not have recovered. We therefore consider administration was the most appropriate process for dealing with the Company's affairs.

We consider that this objective has already largely been achieved as a result of the agreements reached on the Company's contracts to date.

In order that the purpose of the administration may be fully achieved, we propose to remain in office as administrators in order to conclude the realisation of the Company's property. The principal matters to deal with in this respect are:

- Finalise any remaining contract matters;
- Monitor and realise outstanding book debts and retentions due to the Company;
- Payment of any outstanding costs and liabilities;
- Investigations into the Company's affairs

Exit from Administration

Creditors' Voluntary Liquidation

We confirm that there are no secured creditors in this matter and that a distribution is likely to be made to the unsecured creditors of the Company which is not a distribution of the prescribed part¹.

We have the power to make a distribution of the prescribed part to unsecured creditors in the administration but any other distribution to them requires the permission of court. It is considered that the court will only grant such permission in exceptional circumstances where the normal course for making distributions to unsecured creditors in a voluntary liquidation is inappropriate. Additionally, there may be matters for enquiry concerning a company's affairs which are not within the scope of an administrator's powers and which can only be properly dealt with by a liquidator.

Consequently, as soon as we are satisfied that we have fully discharged our duties as administrators and that the purpose of the administration has been fully achieved, we propose to implement the provisions of Paragraph 83 of Schedule B1 to the Act whereby on the registration of a notice sent to the Registrar of Companies, our appointment as administrators shall cease to have effect and the Company will automatically be placed into creditors' voluntary liquidation. Paragraph 83(7) provides:

The liquidators for the purpose of the winding up shall be-

a person nominated by the creditors of the company in the prescribed manner and within the prescribed period, or
if no person is nominated under paragraph (a), the administrator

We confirm that as part of our proposals we propose that we, or in the event of there being a subsequent change of persons appointed as administrator, the individuals in office as such immediately prior to the Company being placed into liquidation, do act as joint liquidators in the subsequent winding up of the Company. Creditors may nominate a different person as the proposed liquidator provided that the nomination is made after the receipt of the proposals and before the proposals are approved. The appointment of a person nominated as liquidator takes effect by the creditors approval, with or without modification, of our proposals.

It is proposed that for the purpose of the winding up, any act required or authorised under any enactment to be done by the joint liquidators is to be done by all or any one or more of the persons for the time being holding office.

Dissolution

However, it may transpire that we remain in Administration and apply to Court to distribute to the unsecured creditors of the Company. Consequently, as soon as we are satisfied that we have fully discharged our duties as administrators and that the purpose of the administration has been fully achieved, we propose to implement the provisions of Paragraph 84 of Schedule B1 to the Act. Under these provisions, on the registration of a notice sent by us to the Registrar of Companies, our appointment as administrators ceases to have effect, and at the end of three months the Company will automatically be dissolved.

Where an administrator sends such a notice of dissolution to the Registrar of Companies, he must also file a copy of the notice with the court and send a copy to each creditor of the Company, and on application by any interested party the court may suspend or disapply the automatic dissolution of the Company.

¹ Insolvency Act 1986, Sch B1, para 83(1)

Extending the Administration

However, it may transpire that it is not possible to finalise the administration as envisaged within one year of the date of our appointment. In particular, this situation will arise if we are not able to conclude the realisation of the assets and retentions. Yet Paragraph 76 of Schedule B1 to the Act provides that the appointment of an administrator shall cease to have effect at the end of the period of one year beginning with the date on which it takes effect. However, our term of office may be extended either by court order for a specified period or by consent of the creditors for a specified period not exceeding twelve months. It may therefore become necessary at some future time for us to seek creditor consent to extending the period of the administration for up to a further twelve months following the anniversary of our appointment in order to ensure that the objective of the administration can be fully achieved

TIME COSTS AND DISBURSEMENTS

- a. Begbies Traynor (Central) LLP's charging policy; and
- b. Time Costs Analysis for the period from 20 January 2017 to 3 July 2017.

BEGBIES TRAYNOR CHARGING POLICY

INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance¹ requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. It also applies where payments are to be made to parties other than the firm, but in relation to which the office holder, the firm or any associate has an interest. Best practice guidance² indicates that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed below.

EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

Best practice guidance classifies expenses into two broad categories:

- *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case and referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- *Category 2 disbursements (approval required)* - items of expenditure that are directly related to the case which include an element of shared or allocated cost and are based on a reasonable method of calculation, but which are not payable to an independent third party.

(A) The following items of expenditure are charged to the case (subject to approval):

- Internal meeting room usage for the purpose of statutory meetings of creditors is charged at the rate of £100 (London £150) per meeting;
- Car mileage is charged at the rate of 45 pence per mile;
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates;

¹ Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales

² Ibid 1

Expenses which should be treated as Category 2 disbursements (approval required) – in addition to the two categories referred to above, best practice guidance indicates that where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest, these should be treated as Category 2 disbursements

Services provided by other entities within the Begbies Traynor group

The following items of expenditure which relate to services provided by entities within the Begbies Traynor group, of which the office holder's firm is a member, are also to be charged to the case (subject to approval):

Instruction of Eddisons Commercial Limited to provide valuation and appraisal of the Company's assets. Their charges will be calculated on a time costs basis at the prevailing hourly rates for their various grades of staff which are currently as follows:

Grade of staff	Charge-out rate (£ per hour)
Director	£275
Associate	£180
Surveyor	£120
Graduate	£100
Administration	£80
Porters	£35

Instruction of BTG Corporate Finance to provide advice to determine the potential marketability of the Company. Their charges will be calculated on a time costs basis at the prevailing hourly rates for their various grades of staff which are currently as follows:

Grade of staff	Charge-out rate (£ per hour)
Partner	£400
Director	£300
Executive	£150
Transaction Support	£100

In addition to the services detailed above, it may become necessary to instruct Eddisons Commercial Limited to provide additional services, not currently anticipated, during the course of the case. In such circumstances and to avoid the costs associated with seeking further approval, the charges for such services will be calculated on a time costs basis at the prevailing hourly rates set out above.

(B) The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*:

- Telephone and facsimile
- Printing and photocopying
- Stationery

BEGBIES TRAYNOR CHARGE-OUT RATES

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the Leeds office as at the date of this report are as follows:

Grade of staff	Charge-out rate (£ per hour) 1 May 2011 – until further notice
Partner	395
Director	345
Senior Manager	310
Manager	265
Assistant Manager	205
Senior Administrator	175
Administrator	135
Trainee Administrator	110
Support	110

Time spent by support staff such as secretarial, administrative and cashiering staff is charged directly to cases. It is not carried as an overhead.

Time is recorded in 6 minute units.

Staff Grade	Consultant/Partner	Director	Snr Mgr	Mngr	Asst Mngr	Snr Admin	Admin	Jnr Admin	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	Case planning			0.4						1.2	194.00	161.67
	Administration	0.1		1.0			0.2	3.9	0.5	5.7	815.50	143.07
	Total for General Case Administration and Planning:	0.1		1.4			0.2	4.7	0.5	6.9	1,009.50	146.30
	Appointment			2.8			0.2	7.4		10.4	1,583.00	152.21
Compliance with the Insolvency Act, Rules and best practice	Banking and Bonding	0.7		0.7			1.0	0.2	1.4	4.0	773.00	193.25
	Case Closure			13.5		6.2		0.6		20.3	4,728.50	232.93
	Statutory reporting and statement of affairs	0.7		21.0		20.7		2.6		45.0	9,750.00	216.67
	Total for Compliance with the Insolvency Act, Rules and best practice:	1.4		35.0		26.9	1.2	10.8	1.4	79.7	16,834.50	211.22
Investigations	CDDA and investigations	0.4		1.0		3.7				5.1	1,070.50	209.90
	Total for Investigations:	0.4		1.0		3.7				5.1	1,070.50	209.90
	Debt collection			4.4						4.4	1,186.00	265.00
	Property, business and asset sales	2.0		17.0		13.4				32.4	7,540.00	235.80
Realisation of assets	Retention of Title/Third party assets											0.00
	Total for Realisation of assets:	2.0		21.4		13.4				36.8	8,606.00	239.29
	Trading											0.00
	Total for Trading:											0.00
Dealing with all creditors claims (including employees), correspondence and distributions	Secured											0.00
	Others	0.5		1.2				3.5		5.2	900.50	173.17
	Creditors committee											0.00
	Total for Dealing with all creditors claims (including employees), correspondence and distributions:	0.5		1.2				3.5		5.2	900.50	173.17
Other matters which includes meetings, tax, litigation, pensions and travel	Seeking decisions of creditors including meetings							1.4		1.4	154.00	110.00
	Other							1.3		1.3	143.00	110.00
	Tax											0.00
	Litigation											0.00
	Total for Other matters:							2.7		2.7	297.00	110.00
	Total hours by staff grade	4.4		63.0		44.0	1.4	21.7	1.9	136.4		
	Total time cost by staff grade:	1,738.00		15,695.00		7,700.00	168.00	2,387.00	209.00		28,915.00	
	Average hourly rate £:	395.00	0.00	265.00	0.00	175.00	135.00	110.00	110.00			212.01
	Total fees drawn to date £:										0.00	

STATEMENT OF EXPENSES FOR THE PERIOD

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance (to be discharged) £
Expenses incurred with entities not within the Begbies Traynor Group				
Legal fees	Lupton Fawcett	1,021.00	0.00	1,021.00
Legal disbursements	Lupton Fawcett	3.00	3.00	0.00
Quantity Surveyor's fees	Leslie Keats	13,625.00	0.00	13,625.00
Statutory advertising	Courts Advertising Limited	169.20	169.20	0.00
Bond	Marsh Limited	320.00	0.00	320.00
Mail redirection	Royal Mail	275.00	275.00	0.00
Court fees	Leeds County Court	50.00	50.00	0.00