

The Insolvency Act 1986

Administrator's progress report

Name of Company Wrekin Construction Company Limited	Company number 00664676
In the High Court of Justice, Chancery Division, Birmingham, District Registry	Court case number 8184 of 2009

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

+ / We (a) I Best and T Lukic

Ernst & Young LLP, No 1 Colmore Square, Birmingham, B4 6HQ

administrators of the above company attach a progress report for the period

from

to

(b) Insert date

(b) 5 February 2009

(b) 9 September 2010

Signed

[Signature]

Joint Administrator

Dated

5.10.10.

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 searchers of the public record

James Long	
Ernst & Young LLP, No 1 Colmore Square, Birmingham, B4 6HQ	
	Tel 0121 535 2450
DX Number	DX Exchange

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Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff



Ernst & Young LLP
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TO ALL KNOWN CREDITORS

5 October 2010

Ref IB/TU/BG/JL/PF16 1

James Long
Direct line 0121 535 2450
Direct fax 0121 535 2448
Email jlong2@uk.ey.com

Dear Sirs

**Wrekin Group Plc
Wrekin Construction Company Limited (Both in Administration)
(together "the Companies")**

**High Court of Justice, Chancery Division, Birmingham, District Registry
Court Case Number: 8185 of 2009 and 8184 of 2009**

**Registered office address: c/o Ernst & Young LLP, No. 1 Colmore Square, Birmingham,
B4 6HQ**

Wrekin Group Plc ("WGP"), registered number 01742280, and Wrekin Construction Company Limited ("WCC"), registered number 00664676, entered Administration on 10 March 2009 and I Best and T Lukic of Ernst & Young LLP, No 1 Colmore Square, Birmingham, B4 6HQ were appointed to act as Joint Administrators. The appointments were made by the Royal Bank of Scotland Plc of 10th Floor, Bishopsgate, London, EC2M 4RB ("RBS" or "the Bank") under the provisions of paragraph 14 of Schedule B1 to the Insolvency Act 1986. Under the terms of the appointment, any act required or authorised to be done by the Joint Administrators can be done by either of them.

On 3 March 2010 an 18 month extension to the initial period of appointment was approved by the Court.

The purpose of this report is to provide creditors with a report on the progress of the Administrations pursuant to Rule 2.47 of The Insolvency Rules 1986. This report covers the period from 6 February 2010 to 9 September 2010 and should be read in conjunction with the Joint Administrators' Statement of Proposals dated 27 April 2009 and previous progress reports dated 22 February 2010 and 30 September 2009.

Conduct of the Administrations

The realisation strategies adopted for the remaining assets of the Companies and those realised in the period from 6 February 2010 to 9 September 2010 are discussed in the sections that follow. Unless otherwise stated below, all of the realised assets relate to those owned by WCC.

Land and property

On 28 April 2010, the land and buildings at Bridgend were sold for £350,000. Following this sale, a limited number of sites remain.

During the period contracts were exchanged for the sale of the land and buildings at Rhyl ("Rhyl"). However the purchaser failed to complete. A deposit of £16,000 has been retained by WCC and actions to recover further monies from the defaulting party are being considered.



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Rhyl remains occupied with rental income being received and it is being actively marketed for sale. Should an acceptable offer for Rhyl not be received by the end of October 2010, following the advice from our agents GVA Grimley Limited, it will be entered into an auction at that time.

To date, no acceptable offers have been received in relation to the land Whitchurch Road in Wellington.

In addition, a further portion of land in Brierley Hill, Dudley has been identified as being owned by WCC. Negotiations are currently underway with an interested party regarding the sale of this land. However, no further details can be provided at this time in order to avoid prejudicing potential realisations.

Following the crystallisation of dilapidations, £20,831 has been received in relation to the leased properties. In addition to this, monies have been received in relation to insurance recharges, the underlying cost of which has yet to be paid.

With the exception of the items noted above, no further significant realisations from land or buildings are anticipated.

Debtors – contract

Naismiths Limited has continued to negotiate with contract employers to recover value from contract debtors and retentions. As at 9 September 2010 c £703,000 has been received, as shown at Appendix 1.

The timescale for the recovery of further outstanding sums will generally be dictated by the completion of the works, the expiry of defects liability periods, rectification of any defects which may arise and the issue of the final certificate under the contract. Naismiths Limited has advised that this process could take in excess of 12 months.

With regard to the level of future realisations, the Joint Administrators are aware of a small number of significant counter claims against WCC in relation to certain contracts, which have significantly reduced the level of recoveries against the book debt balances noted in previous reports.

Debtors – others

As at 10 March 2009, the Companies' books and records indicated that there were c £1.7 million of non-contract sundry debtors within WCC. No third party debtors were noted in the ledgers of WGP.

As stated in previous reports there is considerable uncertainty regarding the recovery of any monies relating to the above balances, due to insolvency of the debtors and lack of evidence to support certain transactions. At 9 September 2010 other miscellaneous receipts of c £9,000 and c £5,000 had been achieved during the Administrations of WCC and WGP respectively.

Debtors – intercompany and related companies

Further to the previous report, all of the intercompany and related debtors comprising the c £2.2 million balance owing to the Companies (excluding the intercompany balance between WCC and WGP) are now in an insolvency process.

The Joint Administrators remain in dialogue with the insolvency practitioners appointed over these companies. However, it remains unlikely that any significant realisations will be achieved from these companies.

Litigation

Following investigations by the Joint Administrators' representatives, forensic accountants and advice from Eversheds LLP, a number of unusual transactions were identified within the books and records of the Companies. In August 2010 the Joint Administrators reached an amicable settlement in relation to a number of these transactions. The terms of the settlement prevent further information from being released in relation to this matter.

The Joint Administrators continue to consider whether actions against other parties would generate further realisations to the Companies. At this time no further information is available.

Receipts and payments account

I enclose a receipts and payments account for the period from 10 March 2009 to 9 September 2010 at Appendix 1. This does not reflect estimated future realisations or costs.

Ongoing asset realisation strategy and requirement to extend the Administration order

As previously stated, it has not been possible to rescue the Companies as a going concern. The Administrators will continue to manage the business, affairs and property of the Companies in the manner outlined in the Joint Administrators' Statement of Proposals dated 27 April 2009 in order to achieve purpose (b) of the Administrations.

In light of the current position, the Joint Administrators propose to progress as follows:

- Realise the remaining assets under the direct control of the Joint Administrators,
- Complete the collection of debts owed to the Companies,
- Complete the Corporation tax and VAT returns on behalf of the Companies, and
- Agree claims and make distributions to the preferential and non-preferential creditors, should funds be available.

Joint Administrators' remuneration and disbursements

The WCC Creditors' Committee have authorised the Joint Administrators to draw £830,000 of fees and £15,160 of disbursements, all of which have been drawn.

No Creditors' Committee was established in relation to WGP. The Joint Administrators' fees have been approved by the Bank in line with the modified Proposals as approved at the meeting of creditors on 13 May 2009. The Bank has approved Joint Administrators' fees of £70,000 and disbursements of £186, however, as at 9 September 2010, these had not been drawn.

Attached at Appendix 2 is a detailed analysis of time spent, and charge out rates, for each grade of staff for the various areas of work carried out to 9 September 2010 as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9. Total time costs incurred as at 9 September 2010 of £77,020 and £1,212,461 have been incurred in the WGP and WCC Administrations respectively.

In addition, £39,744 of time costs were incurred in relation to the Companies prior to the Joint Administrators' appointment.

Disbursements

As stated above, disbursements incurred within the Administration of WCC are subject to the approval of the Creditors' Committee. It is intended that disbursements incurred as part of the Administration of WGP shall be charged in accordance with the charging out policy as set out in previous reports.

Total expenses incurred as at 9 September 2010 are £186 and £15,181 relating to both WGP and WCC respectively. In addition to this there were £377 of expenses incurred prior to the Joint Administrators' appointment, which are yet to be drawn.

Payments to other professionals

The Joint Administrators have engaged the following other professionals to assist them. They were chosen on the basis of their experience in similar assignments.

Name of firm	Nature of service	How contracted to be paid
Eversheds LLP	Solicitors	Time cost basis
Naismiths Limited	Quantity surveyors	Time cost basis
GVA Grimley Limited	Professional valuers and surveyors	Time cost and percentage realisation basis

Eversheds LLP have received £120,639 relating to their work in property realisation, and legal action on behalf of the Companies. They continue to act on behalf of the Companies in these matters.

A payment on account of £75,000 (excluding VAT plus disbursements) has been paid to Naismiths Limited relating to their work on the novation of contracts and collection of book debts.

GVA Grimley Limited have received fees of £147,527 relating to valuation services for both land and property, and vehicles, plant and machinery, and in relation to agency fees in realising these assets.

Preferential creditors

There are no employees of WGP and no preferential creditors are expected.

A current estimate of the preferential creditor for WCC is c £290,000. This relates to arrears of wages and holiday pay accrued but unpaid at the date of our appointment. The necessary steps are currently being taken to agree the preferential creditor claims. Subsequent to agreement of the claims and on the basis of the above estimate, it is anticipated the preferential element of WCC's debt will be paid in full.

Non-preferential creditors

Per the Directors Statement of Affairs (provided in my previous report) for WGP, unsecured creditors are estimated to be c £31 million (including the pension liability and debt to HM Revenue and Customs). It is not anticipated that there will be a dividend available for the unsecured creditors of WGP.

The current estimate of WCC unsecured creditors, comprising balances per the WCC's books and records, and additional claims received against WCC by the Joint Administrators, shows a balance of c £45.9 million. As stated in the previous report, the majority of the balance is due to receipt of a claim in relation to the pension scheme under Section 75 of the Pensions Act 1995 of c £24.5 million. The total level of creditors may increase significantly due to a number of claims against the Company from contract employers. It is unclear at this stage whether there will be a dividend available to unsecured creditors.

Conclusion of the Administrations

As a result of the extension of the Administrations through the Court for 18 months, the Administration orders for the Companies shall now expire on 9 September 2011. The Joint Administrators will however seek to conclude the Administrations as soon as it is reasonably practicable subject to the above factors and the statutory case closure procedures.

As noted above, there remains a level of uncertainty over the level of realisations within the Administrations. Should it be appropriate, it is proposed that, at the end of the Administration of WCC, the Company will move straight into Creditors' Voluntary Liquidation upon the filing with the Registrar of Companies of a notice pursuant to paragraph 83 of Schedule B1 to the Insolvency Act 1986. It is proposed that the Liquidators will be Ian Best and Tomislav Lukic of Ernst & Young LLP, in accordance with paragraph 83(7) of Schedule B1 to the Insolvency Act 1986 and Rule 2.117(3) of The Insolvency Rules 1986.

A distribution is unlikely to be made to non-preferential creditors of WGP. It is thus proposed that if at the end of the Administration, WGP has no property which might permit a distribution to its creditors, the Joint Administrators will send a notice to that effect to the Registrar of Companies. On registration of the notice the Joint Administrators' appointment will come to an end. In accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 WGP will be deemed to be dissolved three months after the registration of the notice.

Should a Creditors' Voluntary Liquidation not be appropriate for WCC, action will be taken as above for WGP.

I will report to you again at the conclusion of the Administrations or in six months time, whichever is the sooner.

Yours faithfully
for the Companies

A handwritten signature in black ink, appearing to read 'Ian Best'.

I Best
Joint Administrator

Enc Appendix 1 – Joint Administrators' abstract of receipts and payments
 Appendix 2 – Summary of Joint Administrators' time costs and category 2 disbursements

The affairs, business and property of the Companies are being managed by the Joint Administrators, I Best and T Lukic, who act as agents of the Companies only and without personal liability.

The Institute of Chartered Accountants in England and Wales in the UK authorises I Best and T Lukic to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986.

Appendix 1

Joint Administrators' abstract of receipts and payments from 10 March 2009 to 9 September 2010

WGP floating charge realisations

	10 March 2009 to 5 February 2010 £	6 February 2010 to 9 September 2010 £	10 March 2009 to 9 September 2010 £
Receipts - floating			
Interest income	15	31	46
Miscellaneous	4,578	-	4,578
VAT payable	-	-	-
Other receipts	-	75,000	75,000
	4,593	75,031	79,624
Payments - floating			
Public notices	76	-	76
Special bond	24	-	24
VAT receivable	11	875	886
Legal fees	-	5,000	5,000
	111	5,875	5,986
Balances in hand	4,482	69,156	73,638
Note, no fixed charge realisations or payments have been incurred during the administration of WGP.			

WCC fixed charge Realisations

	10 March 2009 to 5 February 2010 £	6 February 2010 to 9 September 2010 £	10 March 2009 to 9 September 2010 £
Receipts - fixed			
Land and buildings	2,257,045	366,000	2,623,045
Rent	157,079	1,750	158,829
Dilapidations	-	20,831	20,831
Miscellaneous	253	187	440
VAT payable	-	853	853
	2,414,377	389,620	2,803,997
Payments - fixed			
Security	42,000	-	42,000
Professional fees - GVA Gnmley Ltd	39,829	2,546	42,375
Professional fees - solicitors and other	-	36,856	36,856
Site clearance / records storage	22,324	-	22,324
Insurance	-	(5,938)	(5,938)
Utility costs	7,468	220	7,688
VAT receivable	7,650	(5,054)	2,596
Adminstrators' fees	40,000	30,000	70,000
Distributions to the secured creditor	2,150,000	350,000	2,500,000
	2,309,271	408,631	2,717,902
Balances in hand	105,106	-19,010	86,096

WCC floating charge realisations

	10 March 2009 to 5 February 2010 £	6 February 2010 to 9 September 2010 £	10 March 2009 to 9 September 2010 £
Receipts - floating			
Motor vehicles, plant and equipment	1,244,215	-	1,244,215
Furniture	8,000	-	8,000
Trade debtors	647,595	55,071	702,666
Proceeds from contract novations	42,500	-	42,500
Gem of Tanzania	-	8,010	8,010
Interest income	1,069	1,249	2,318
Other receipts	-	400,000	400,000
Miscellaneous	7,506	1,434	8,940
VAT payable	14,045	(14,692)	(647)
	1,964,930	451,073	2,416,003
Payments - floating			
Labour and payroll costs	438,929	-	438,929
Security	80,309	355	80,664
Professional fees - GVA Gnmley Ltd	71,350	3,510	74,860
Professional fees - solicitors and other	111,737	51,609	163,346
Site clearance / records storage	36,246	1,876	38,122
Plant storage and removal	57,357	95	57,452
Auctioneers' buyers' premium	30,292	-	30,292
Miscellaneous	5,182	760	5,942
Bank charges and interest	211	60	271
Public notices	3,123	-	3,123
Specific bond	1,600	-	1,600
Postage and sundry expenses	5,115	529	5,644
VAT receivable	-	39,709	39,709
Administrators' fees	360,000	400,000	760,000
Administrators' disbursements	11,838	3,322	15,160
Administrators' investigation fees	-	35,000	35,000
Distributions to the secured creditor	-	169,945	169,945
	1,213,289	706,769	1,920,057
Balances in hand	751,641	(255,696)	495,945

Appendix 2

Summary of Joint Administrators' time costs and category 2 disbursements from 10 March 2009 to 9 September 2010

Wrekin Group Plc time costs incurred from 10 March 2009 to 9 September 2010

Classification of work function	Hours				Total hours	Total time costs	Total average hourly rate
	Partner / director	Manager	Other senior professionals	Assistants & support			
Accounting & administration	1 40	3 10	8 10	17 50	30 10	5 997 50	199 25
Bank & statutory reporting	2 50	10 00	9 70	-	22 20	4 819 00	208 06
Creditors	-	2 00	-	1 00	3 00	665 00	221 67
Employee matters	-	2 00	5 40	-	7 40	1 565 50	211 55
Immediate tasks	0 80	1 00	15 20	-	17 00	3 434 00	202 00
Investigations & CDDA	48 70	34 30	67 90	-	150 90	41 347 00	274 00
Legal issues	3 00	1 50	-	-	4 50	1 620 00	360 00
Other assets	9 70	7 00	-	-	16 70	5 955 50	356 62
Other matters	-	14 00	-	-	14 00	3 520 00	251 43
Property	-	3 00	-	-	3 00	870 00	290 00
Statutory duties	0 80	-	-	-	0 80	332 00	415 00
VAT & taxation	3 60	14 80	9 20	-	27 60	7 094 00	257 03
Total hours	70 50	92 70	115 50	18 50	297 20	77,019 50	259 15
Total time costs	29,257 50	23,637 00	20,802 50	3,322 50			
Average hourly rate	415 00	254 98	180 11	179 59			

Category 1 expenses	137 50
Category 2 expenses	48 00
Expenses total	185 50

Job Title	Rates (£)
Staff	85
Treasury	95
Analyst	115
Assistant Executive	140
Executive	185
Manager	250
Assistant Director	290
Director	350
Partner	415

Wrekin Construction Company Limited time costs incurred from 10 March 2009 to 9 September 2010

Classification of work function	Hours				Total hours	Total time costs	Total average hourly rate
	Partner / director	Manager	Other senior professionals	Assistants & support			
Accounting & administration	7 50	108 20	677 80	281 60	1 073 10	172,695 00	160 93
Bank & statutory reporting	31 50	76 00	309 90	54 70	472 10	94,576 50	200 33
Creditors	47 70	174 80	272 00	423 40	917 90	153,284 50	166 99
Debtors	18 20	63 90	86 50	2 60	171 20	39,442 00	230 39
Employee matters	14 20	134 20	381 40	673 30	1 203 10	164 714 50	136 91
Immediate tasks	7 00	39 00	111 30	22 80	180 10	34 103 50	189 36
Investigations & CDDA	28 00	406 60	228 40	8 00	671 00	156 420 00	233 11
Legal issues	20 20	79 90	12 80	2 80	115 70	31 044 00	268 31
Other assets	16 60	432 60	222 50	373 70	1 045 40	208 984 50	199 91
Other matters	1 60	12 20	22 50	9 00	45 30	8,898 50	196 43
Property	43 70	94 70	228 10	5 90	372 40	84 750 50	227 58
Public relations issues	8 70	7 50			16 20	5 485 50	338 61
Retention of title	-	8 30	35 80	0 50	44 60	8 787 50	197 03
Statutory duties	0 40	9 30	14 30	5 50	29 50	5 683 00	192 64
Trading	1 00	2 50	31 10	23 50	58 10	8 081 50	139 10
VAT & taxation	5 60	67 80	75 20	39 70	188 30	35,510 00	188 58
Total hours	251 90	1,715 50	2,709 60	1,927 00	6,804 00	1,212,461 00	183 59
Total time costs	103,823 50	445,207 00	460,024 50	203,406 00			
Average hourly rate	412 18	259 52	169 78	105 58			

Category 1 expenses	8,084 53
Category 2 expenses	7,098 42
Expenses total	15,180 95

Job Title	Rates (£)
Staff	85
Treasury	95
Analyst	115
Assistant Executive	140
Executive	185
Manager	250
Assistant Director	290
Director	350
Partner	415

Wrekin Construction Company Limited & Wrekin Group Plc time costs incurred prior to appointment on 10 March 2009

Classification of work function	Hours				Total hours	Total time costs	Total average hourly rate
	Partner / director	Manager	Other senior professionals	Assistants & support			
Pre- appointment work	21 50	67 50	46 00	3 40	138 40	39 744 00	287 17
Total hours	21 50	67 50	46 00	3 40	138 40	39,744 00	287 17
Total time costs	10,642 50	20,062 50	8,705 00	334 00			
Average hourly rate	495 00	297 22	189 24	98 24			

Category 1 expenses	338 70
Category 2 expenses	38 00
Expenses total	376 70