

The Insolvency Act 1986

Administrator's progress report

Name of Company
Kinetics South Limited (Formerly T A
Horn Limited)

Company number
02004668

In the
High Court of Justice
Manchester District Registry
Chancery Division

Court case number
1261 of 2011

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

We (a) Gary N Lee and Dean Watson of Begbies Traynor (Central) LLP, 340 Deansgate, Manchester, M3 4LY and Neil Mather of Begbies Traynor, 32 Cornhill, London, EC3V 3BT

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

(b) Insert dates

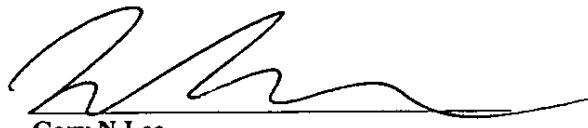
from

to

(b) 13 January 2012

(b) 12 July 2012

Signed


Gary N Lee
Joint Administrator

Dated

2/8/12

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.

Begbies Traynor (Central) LLP	
340 Deansgate, Manchester, M3 4LY,	
	Tel Number 0161 837 1700
Fax Number 0161 837 1762	DX Number

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



A14

09/08/2012
COMPANIES HOUSE

#106

THURSDAY

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

Kinetics South Limited(Formerly T.A. Horn Limited) (In Administration)

Progress report pursuant to Rule 2.47 of the
Insolvency Rules 1986

Period: 13 January 2012 to 12 July 2012

Important Notice

This progress report has been produced to comply with our 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.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	Kinetics South Limited(Formerly T A. Horn Limited) (In Administration)
"the administration"	The appointment of administrators under Schedule B1 to the Insolvency Act 1986 on 13 July 2011
"the administrators" "we" "our" and "us"	Gary N Lee and Dean Watson of Begbies Traynor (Central) LLP, 340 Deansgate, Manchester, M3 4LY and Neil Mather of Begbies Traynor, 32 Cornhill, London, EC3V 3BT
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency Rules 1986 (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 Insolvency Act 1986

2. COMPANY INFORMATION

Trading name	T A Horn Ltd (Name Changed to Kinetics South Limited on 6 6 11)
Date of Incorporation	27 March 1986
Company registered number	02004668
Company registered office	340 Deansgate, Manchester, M3 4LY

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Date of administrators' appointment	13 July 2011
Date of administrators' resignation	n/a
Court	High Court of Justice, Manchester District Registry
Court Case Number	1261 of 2011
Person making appointment	Sovereign Capital Limited Partnership II, 25 Victoria Street London, SW1 0EX
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.

4. PROGRESS DURING THE PERIOD

Attached at Appendix 1 is our abstract of receipts and payments for the period from 13 January 2012 to 12 July 2012, and for the period of Administration as a whole (13 July 2011 to 12 July 2012)

Sales Ledger

As previously advised, the main asset of the Company was the sales ledger which totalled £2 376m as at 13 July 2011. Several members of staff were retained to assist in the collection of the Company's sales ledger. The Retained staff finished on 31 December 2011, at which time all accounts had been finalised and the necessary paperwork handed over to the Administrators.

You will recall that there were two types of amounts outstanding from customers, being book debts (invoices raised prior to the administrators appointment) and accrued sales (being amounts invoiced by the administrators following reconciliation of the sales ledger with the assistance of the retained staff and quantity surveyors)

Since our previous progress report we have continued to pursue customers for payments and have achieved a further £62,887 31 of book debts and £384,427 72 of accrued sales. Accordingly, debtor receipts of £615,362 54 and accrued sales of £564,003 71 have been realised by the administrators to date

You will note from our previous progress report that the total realisations envisaged from book debts and accrued sales collections were estimated at £1 052m Since our previous report, considerable time has been incurred by the Administrators in chasing payments from customers and you will note that realisations achieved now total £1 179m being £127k more than estimated

We are continuing to pursue debtors for payments of several agreed accounts and are hopeful that further debtor realisations can be achieved in this matter In these circumstances, it was necessary to obtain the consent of the secured creditor to extend the Administration by 6 months in order to conclude this collection exercise

Employees

The Company employed 444 members of staff, with the majority having preferential claims against the Company for arrears of wages and unpaid holiday pay over and above the amounts paid to them by the Redundancy Payments Office Due to the significant realisations achieved by the administrators in this matter, sufficient funds were available to pay the preferential claims in full As a result, each individual preferential claim had to be calculated and agreed in order to ensure that the correct preferential dividends were distributed to each employee

Claims totalling £274,758 43 were subsequently agreed by the joint administrators and a first and final dividend of 100p/£ was paid to the preferential creditors on 19 June 2012

You will note from section 7 of this report that time costs incurred in the period amount to £90,176 50 A large proportion of these time costs relate to liaising with customers in order to achieve debtor realisations and agreeing and paying the preferential claims of the employees

5. ESTIMATED OUTCOME FOR CREDITORS

Details of the sums owed to each class of the Company's creditors were provided in our progress report for the period 13 July 2011 to 12 January 2012

Secured creditor

As previously advised, Sovereign Capital Limited Partnership II ("Sovereign") has a fixed and floating charge debenture which was registered at Companies House on 15 June 2011

You may recall that the Company is part of the 'Kinetics Group of Companies' ("the Group") and that Sovereign funded the acquisitions of certain group companies made by SCP Renewable Energy Ltd, now named Kinetics Facility Services Ltd The records of Kinetics Facility Services Ltd as at 13 July 2011 show a total indebtedness due to Sovereign in the sum of £12,934,747

You may recall from our previous progress report that we were awaiting a formal review of Sovereign's security to be finalised by our solicitors, as it was our understanding that there were cross guarantees in place within the Group

I can advise that on 20 April 2012, our solicitors confirmed that valid cross guarantees were in place within the group and, as a result Sovereign will rank as a secured creditor in this matter for any shortfall that they suffer on their indebtedness across the Group

I can confirm that the sum of £275,000 has been distributed to Sovereign in the period

Preferential creditors

Preferential claims for arrears of wages, salary and holiday pay were estimated at £450,000, per the directors' statement of affairs. As explained earlier, claims totalling £274,758.43 have been agreed by the joint administrators and a first and final dividend of 100p/£ was paid to these preferential creditors on 19 June 2012.

Unsecured creditors

Unsecured creditors were estimated at £2,644,787, per the directors' statement of affairs.

There is no prospect of a dividend to the unsecured creditors in this matter other than by virtue of the prescribed part pursuant to Section 176A of the Act.

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

Full details of how the prescribed part of the Company's net property set aside for unsecured creditors was provided in our statement of proposals. We anticipate a return to the unsecured creditors by virtue of the prescribed part, which at present is estimated to be in the region of £130k.

6. PRE-ADMINISTRATION COSTS

As previously reported, in the period before the Company entered administration, we incurred time costs totalling £7,381.73 (27hrs) in liaising with the Directors and the secured creditor to understand the Company's assets and liabilities and in preparing the necessary documentation to place the Company into Administration ("the Work").

It was necessary to undertake the Work prior to appointment to ensure that a suitable strategy to maximise realisations could be implemented immediately upon appointment of Administrators. Accordingly, we consider that the work has furthered the achievement of the objective of administration being pursued, 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).

The Pre-administration costs remain unpaid.

7. REMUNERATION & DISBURSEMENTS

Our remuneration has been fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration and we are authorised to draw disbursements, including disbursements for services provided by our firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) 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 and have been approved by the secured and preferential creditors.

Our time costs in the period from 13 January 2012 to 12 July 2012 amount to £90,176.50 which represents 496.20 hours at an average rate of £181.73 per hour.

Accordingly, our total time costs for the period 13 July 2011 to 12 July 2012 amount to £241,216 00 which represents 1,411 20 hours at an average rate of £170 93 per hour

The following further information in relation to our time costs and disbursements is set out at Appendix 2

- ❑ Narrative summary of time costs incurred
- ❑ Table of time spent and charge-out value for the period 13 January 2012 to 12 July 2012
- ❑ Begbies Traynor (Central) LLP's policy for re-charging disbursements
- ❑ Begbies Traynor (Central) LLP's charge-out rates

To date, we have drawn the total sum of £100,000 No disbursements have yet been drawn

In addition to the table of time spent by us and our staff in attending to matters arising in the administration for the period covered by this progress report, a cumulative table of time spent and charge out value for the period from 13 July 2011 to 12 July 2012 and a description of the work undertaken since our appointment (contained in the narrative summary of time costs incurred) are also attached at Appendix 2.

8. ADMINISTRATORS' EXPENSES

A statement of the expenses incurred during the period of this progress report is attached at Appendix 3

9. ASSETS THAT REMAIN TO BE REALISED

We are pursuing final payments from debtors in this matter and we hope to conclude the debt collection exercise in the near future

10. 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, Innovation and Skills on the conduct of the directors We have complied with our duties in this respect

Extension of administration

The administration has been extended for a period of 6 months to 12 January 2013 with the consent of the secured creditor

Proposed exit route from administration

We confirm that we are of the opinion that a distribution will be made to the unsecured creditors of the Company by virtue of the prescribed part.

As set out in the administrators proposals, which have been deemed approved by creditors, 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, the Company will automatically be placed into creditors voluntary liquidation with Gary Lee and Dean Watson acting as liquidators

Should the position change we will issue revised proposals for consideration by creditors dealing with the most appropriate exit strategy from the administration

11. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 2 48A 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 detailed in this progress report.

Right to make an application to court

Pursuant to Rule 2 109 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 as set out in this progress report are excessive or, the basis fixed for our remuneration is inappropriate

12. CONCLUSION

We will report again in approximately six months time or at the conclusion of the administration, whichever is the sooner

A handwritten signature in black ink, appearing to be 'Gary Lee', with a long horizontal flourish extending to the right.

Gary Lee
Joint Administrator

Dated 8 August 2012

ACCOUNT OF RECEIPTS AND PAYMENTS

Period: 13 July 2011 to 12 July 2012

ETR per Statement of Affairs (£)	ASSET REALISATIONS	Period 13.7 11 to 12 1 12 (£)	Period 13 1.12 to 12 7.12 (£)	Total (£)
	Furniture & Equipment	50 00	0 00	50 00
	Motor Vehicles	7,450 00	0 00	7,450 00
9,000 00	Sale of Enfield Assets	6,700 00	0 00	6,700 00
	Accrued Sales/WIP	179,575 99	384,427 72	564,003 71
498,000 00	Book Debts	552,475 23	62,887 31	615,362 54
49,178 00	Cash at Bank	49,178 01	76 00	49,254 01
	Sale of Havant Assets	4,700 00	0 00	4,700 00
	Bank Interest Gross	108 68	910 33	1,019 01
	Zolfo contribution to costs	65,144 77	7,174 42	72,319 19
	Miscellaneous Refund	31 03	0 00	31 03
0 00	Stock	0 00	0 00	0 00
0 00	Prepayments	0 00	0 00	0 00
0 00	Intercompany	0 00	0 00	0 00
556,178 00		865,413 71	455,475.78	1,320,889.49
	COST OF REALISATIONS			
	Mobile Phone Charges	1,053 31	285 30	1,338 61
	Vehicle Hire	4,594 83	0 00	4,594 83
	Health Care - Bupa	126 37	0 00	126 37
	IT costs	1,204 25	279 50	1,483 75
	Skip Clearance	450 00	0 00	450 00
	Server Hire	5,087 30	0 00	5,087 30
	Sovereign Capital - Floating Charge Distribution	0 00	275,000 00	275,000 00
	Office Holders Fees	0 00	100,000 00	100,000 00
	Quantity Surveyors Fees	3,750 00	5,000 00	8,750 00
	Debt Collection Costs - Havant	3,280 06	56,048 48	59,328 54
	Debt collection commission	6,484 69	8,095 16	14,579 85
	Agents Fees	5,060 00	500 00	5,560 00
	Agents Expenses	303 20	320 00	623 20
	Legal Fees (1)	1,000 00	4,000 00	5,000 00
	Legal Fees (2)	70 00	1 00	71 00
	Printing	141 75	0 00	141 75
	Statutory Advertising	76 50	0 00	76 50
	Pension	2,646 49	0 00	2,646 49
	Wages & Salaries	62,731 17	0 00	62,731 17
	PAYE & NI	43,116 39	0 00	43,116 39
	Bank Charges	124 85	48 00	172 85
	Staff expenses	17,420 05	271 38	17,691 43
	RPO re Arrears/Holiday Pay	0 00	193,150 51	193,150 51
	Employees re Arrears/Holiday pay	0 00	60,086 64	60,086 64
	HMRC Tax/NI	0 00	21,521 28	21,521 28
		158,721 21	724,607 25	883,328 46
	Balance	706,692 50		437,561 03

TIME COSTS AND DISBURSEMENTS

- a Begbies Traynor (Central) LLP's policy for re-charging expenses/disbursements,
- b Begbies Traynor (Central) LLP's charge-out rates,
- c Narrative summary of time costs incurred, and
- d Table of time spent and charge-out value for the period from 13 January 2012 to 12 July 2012, and
- e Cumulative table of time spent and charge-out value for the period from 13 July 2011 to 12 July 2012

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 and also where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest. Best practice guidance² requires 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 usually 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 incidental expenditure directly incurred on the case which include an element of shared or allocated cost and which are based on a reasonable method of calculation.

(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 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

- Displaying properties for sale on the 'Accelerated Property Sales from Begbies Traynor' section of the Begbies Traynor website is charged at the rate of £75 00 per property,
- (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 Manchester office as at the date of this report are as follows

	Standard 1 May 2011 – until further notice Regional
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

SUMMARY OF OFFICE HOLDERS' TIME COSTS

CASE NAME	Kinetics South Limited (Formerly T A. Horn Limited)
CASE TYPE	ADMINISTRATION
OFFICE HOLDERS	Gary N Lee, Dean Watson and Neil Mather
DATE OF APPOINTMENT	13 July 2011

1 CASE OVERVIEW

1.1 This overview and the time costs analysis attached is intended to provide sufficient information to enable the body responsible for the approval of the office holders' fees to consider the level of those fees in the context of the case

1.2 **Complexity of the case**

Please refer to the report for details of the case and its complexity.

1.3 **Exceptional responsibilities**

None

1.4 **The office holders' effectiveness**

This assignment is ongoing

1.5 **Nature and value of property dealt with by the office holders'**

Please see report for details of the nature and value of property

1.6 **Anticipated return to creditors**

Preferential claims for arrears of wages, salary and holiday pay were estimated at £450,000, per the directors' statement of affairs. Claims totalling £274,758.43 were subsequently agreed by the joint administrators. I can confirm that a first and final dividend of 100p/£ was paid to the preferential creditors on 19 June 2012.

Unsecured creditors were estimated at £2,644,787, per the directors' statement of affairs.

There is no prospect of a dividend to the unsecured creditors in this matter other than by virtue of the prescribed part pursuant to Section 176A of the Act.

1.7 **Time costs analysis**

Our remuneration has been fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration and have been approved by the secured and preferential creditors.

Our time costs in the period from 13 January 2012 to 12 July 2012 amount to £90,176.50 which represents 496.20 hours at an average rate of £181.73 per hour.

Accordingly, our total time costs for the period 13 July 2011 to 12 July 2012 amount to £241,216.00 which represents 1,411.20 hours at an average rate of £170.93 per hour.

To date, we have drawn the total sum of £100,000. No disbursements have yet been drawn.

1 8 The views of the creditors

We have dealt with queues of creditors throughout this assignment and we provided the necessary contact details for this assignment on our website

1 9 Approval of fees

Our remuneration has been fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration and have been approved by the secured and preferential creditors

1 10 Approval of Expenses and Disbursements

We are authorised to draw disbursements, including disbursements for services provided by our firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) 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 and have been approved by the secured and preferential creditors

1 11 Other professionals employed & their costs

George Davies (Solicitors), GVA Grimley (Agents) and Naismiths (Quantity Surveyors) were instructed in this matter. I would confirm that, fees in the sum of £5,071,£6,183 20 and £8,750 respectively have been paid to these professionals to date

2 EXPLANATION OF OFFICE HOLDERS' CHARGING AND DISBURSEMENT RECOVERY POLICIES

2 1 Begbies Traynor (Central) LLP's policy for charging fees and expenses incurred by office holders is attached

2 2 The rates charged by the various grades of staff who may work on a case are attached

Kinetics South Limited

Hours _____

Administration and planning
Appointment and case planning
Administration and banking
Statutory reporting and statement of affairs

Investigations
CDDA and investigations

Realisation of assets
Debt collection
Property, business and asset sales
Retention of Title/Third party assets

Trading

Creditors	
Secured	
Others	
Creditors' committee	

Other matters	
Meetings	
Tax	
Litigation	
Other	

Total hours by staff grade

Total time cost by staff grade

Average hourly rate £

100,000

STATEMENT OF ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance to be discharged £
Agent's fees & Expenses	GVA Grimley Ltd	6,183 20	6,183 20	Nil
Legal fees	George Davis Solicitors	5,000 00	5,000 00	Nil
Legal disbursements	George Davis Solicitors	71 00	71 00	Nil
Statutory advertising	Courts Advertising Ltd	76 50	76 50	Nil
Printing	MPG Print	141 75	141 75	Nil
Quantity Surveyor Fees	Naismiths Ltd	8,750	8,750	Nil