

The Insolvency Act 1986

Administrator's progress report

Name of Company

ERI Limited

Company number

02202329

In the
High Court of Justice, Leeds District Registry
(full name of court)Court case number
149 of 2012(a) Insert full
name(s) and
address(es) of
administrator(s)We (a)
David Bennett
Grant Thornton UK LLP
Enterprise House
115 Edmund Street
Birmingham
B3 2HJDavid Dunckley
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

administrator(s) of the above company attach a progress report for the period

From

To

(b) Insert date

(b) 27 January 2012

(b) 26 July 2012

Signed

Joint Administrator(s)

Dated

23/8/12

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

David Bennett
Grant Thornton UK LLP
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

DX Number

0161 953 6900
DX Exchange

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

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COMPANIES HOUSE

Our Ref DJB/PAM/CJL/TXA/E00277/7

TO THE CREDITORS

21 August 2012

Dear Sirs

Recovery and Reorganisation

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

T +44 (0)161 953 6900
F +44 (0)161 953 6405
www.grantthornton.co.uk

ERI Limited - In Administration (the Company or ERI)
High Court of Justice, Chancery Division, Leeds District Registry
No 149 of 2012

1 Introduction

1.1 Following my appointment as joint administrator of the Company with David Bennett by the directors on 27 January 2012, I now report on the progress of the administration to date and attach

- Appendix A, Form 2.24B, together with an account of our receipts and payments for the period from 27 January 2012 to 26 July 2012
- Appendix B, a statement of the remuneration charged by the joint administrators in the period 27 January 2012 to 26 July 2012 and a statement of expenses incurred in the period
- Appendix C, an analysis of our time costs as required by Statement of Insolvency Practice 9
- Appendix D, an extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the administrator (Rule 2.48A)
- Appendix E, an extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the administrator's remuneration or expenses, if excessive (Rule 2.109)

1.2 Please note that we are both authorised by The Insolvency Practitioners Association to act as insolvency practitioners

1.3 In accordance with paragraph 100(2) of Schedule B1 to the Insolvency Act 1986, the functions of the administrators are to be exercised by any or all of them

2 Statutory information

2.1 The company's statutory details are as follows

Registered number	02202329
Registered office	c/o Grant Thornton UK LLP, 4 Hardman Square, Spinningfields, Manchester, M3 3EB
Former Trading address	Fountain Lane, Oldbury, West Midlands, B69 3BH

Chartered Accountants
Member firm within Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales. No OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

A list of personnel permitted by Grant Thornton to accept appointments as insolvency practitioners and of their respective authorising bodies may be inspected at the above address

3 Pre-appointment expenses

- 3 1 Time costs in respect of pre-appointment time and out of pocket expenses amount to £15,535 and £1,195, the details of which were set out in my statement of proposals
- 3 2 Approval to draw these costs will be sought from the necessary secured creditors in due course

4 Progress report

Trading

- 4 1 Following my appointment on 27 January 2012, I undertook seven weeks of manufacturing to fulfil orders for those customers with whom I had reached agreement. During this time, I explored the opportunity to sell the business as a going concern. As set out in my statement of proposals, unfortunately, it became apparent on 16 March 2012 that there was no prospect of a going concern sale and I therefore took the decision to end manufacturing at the Company following completion of agreed customer orders.
- 4 2 Following the completion of manufacturing, I retained some staff for a winding down period to assist with various outstanding trading issues, site clearance and the plant & machinery auction.
- 4 3 In order to finalise trading, I co-ordinated the release of invoiced goods to customers and resolved any outstanding retention of title claims with suppliers. Suppliers with agreed claims were either paid or advised to collect their unused stock.
- 4 4 There was a large surplus of stock remaining once I had satisfied all customer demands during trading. I therefore worked with Company staff to identify potential purchasers for this stock. As part of this process we contacted the original customers for the goods, third parties and new suppliers to ERI's customers.
- 4 5 There was little interest in the stock. A large volume of the stock was redundant and not required by customers. As the majority of ERI's stock was made bespoke to customer orders it was identifiable as belonging to specific customers and there was little interest in this from third parties. Some of the stock carried customer's intellectual property rights and as such could not be offered for sale. Unsold stock was included alongside the plant and machinery in the online auction. The final stock realisations are significantly below the Director's estimated to realise valuations shown in their statement of affairs.
- 4 6 There was a large amount of stock and material left on site after the completion of trading and the equipment auction. I reached agreement with the Landlord that I would clear the site to a reasonable standard and that the rent due whilst the premises were used for the purposes of the administration would be reduced by £7,000 plus VAT representing a contribution to the costs of clearance.
- 4 7 I have included clearance costs which consisted of property holding, labour costs and skip hire within the trading section of the Receipts and Payments account (Appendix A).

- 4 8 I am not yet in a position to confirm the final trading outcome because I am not in receipt of all final accounts mainly relating to, utilities, insurance and vehicle rental invoices. Based on the current information I hold, I estimate that a trading profit will ultimately be achieved in the region of c £137,000, however, this is before taking into account time costs incurred by the joint administrators in supervising and dealing with trading issues.

Auction

- 4 9 As a going concern sale of the business and assets was not achieved, following advice from our chattel asset agents, GVA Limited, it was decided that the most appropriate method of disposal was by way of an online auction. The auction was conducted over a six week period (including time allowed for the collection of goods) and Company staff were retained to assist in this process. I utilised staff to assist in co-ordinating viewing days and facilitating collections.
- 4 10 I have included any realisations from the auction and direct costs within the non-trading section of my Receipts & Payments account (Appendix A).
- 4 11 As set out in Appendix A, my realisations in respect of Plant & Machinery and office equipment before accounting for any HP settlement payments were £229,676.91. All outstanding HP payments have been settled.
- 4 12 As set out above, I attempted to sell the stock prior to the auction but as this was not possible I instructed GVA to include any remaining stock within the auction. Despite setting low reserve prices we received limited offers for the stocks and ultimate realisations in this regard were £67,550.

Debtors

- 4 13 As set out in our statement of proposals, the Company had entered into an invoice discounting arrangement with Santander Invoice Finance (Santander). At the date of our appointment the amount due to Santander after charges was £1.8million.
- 4 14 Debtor recoveries have been pursued by the Administrators in respect of the main customer accounts and customers with retention balances. Sovereign Credit Management were instructed by Santander to recover other accounts directly.
- 4 15 As well as enabling us to seek a purchaser of the business as a going concern the other main benefit of continuing to trade the business was to maximise debtor recoveries and therefore achieve our objective of realising a better result for the creditors than if the Company was wound up. Trading enhanced debtor realisations because it enabled us to continue to supply the main customers and continue negotiations with them in respect of their pre-appointment accounts. The Company sales team we retained for a period of time had in-depth knowledge of customer accounts and were able to assist with debtor recoveries by providing up to date information on accounts.
- 4 16 To date, debtor realisations are c £1,789,000 and we have written down or issued credit notes in respect of amounts totalling c £364,000. I anticipate that a further c £57,000 may be

received in respect of final outstanding debtor balances which in the main relate to contract debtors and retention balances. As such, we have instructed a specialist firm of quantity surveyors, Naismiths Limited to assist with these final realisations

- 4 17 It should be noted that debtor receipts have been paid directly into the Company's invoice discounting account with Santander and therefore are presented by way of a note in my Receipts & Payments account (Appendix A)

Employees

- 4 18 Following completion of trading, site clearance and collection of auction goods, any remaining staff were made redundant and the final redundancies took place on 27 April 2012 and the site was closed on this date
- 4 19 Any arrears of pay owing to staff at the date of our appointment, which would otherwise have been preferential, were paid as a trading expense in order to secure the cooperation of staff during the trading period and are included as "wages" in Appendix A. We estimate preferential employee claims in respect of any outstanding holiday pay are £10,000, however, there will be insufficient funds to enable any distribution to be made to the preferential creditors
- 4 20 In order to facilitate cash flow in the initial trading phase I reached agreement with Santander and HSBC Bank Plc (HSBC) to fund wages and salary payments and both banks advanced monies into the Company pre-appointment bank account for this purpose. I also received a loan from the parent company, Estrella Group Limited of £20,000 for this purpose. This loan was repaid on 31 July 2012 but is outside of the period of my Receipts & Payments account

Other Secured creditors

- 4 21 ERI was part of the Estrella Group of companies. At the date of my appointment intra-group loans and trading balances were held across the Group Companies. The Administrators are at present reviewing these balances and how they have been impacted by settlement of liabilities due to the secured creditors of the Group under cross guarantees and whether any of the actions to date mean that one or more of the Group Companies are now a secured creditor of ERI
- 4 22 As set out in our statement of proposals, Mr Stephen Hayes, Mrs Helena Hayes and Mr Stephen Wain registered a fixed and floating charge over the assets of the Company on 17 January 2012. At the time of my appointment monies owing and secured by this charge amounted to £525,000. The validity of this charge is currently under review
- 4 23 Anglo ERI Limited (Anglo) is part of the Estrella Group and also in administration. Following the appointment of the administrators, HSBC Bank Plc has retained certain balances on Anglo's current accounts to repay balances due to them across the Group. They were able to do so due to a right of set-off provided to them by Anglo to settle other Group liabilities. As such, HSBC has taken monies in recovery of the funds for wages advanced to

ERI during the administration trading period. I am awaiting confirmation from Anglo ERI Limited that these funds need to be repaid directly to them.

Other matters

- 4.24 The Company rented two leasehold premises, the main factory in Fountain Lane, Oldbury and a storage warehouse also in Oldbury. There is no commercial value in the Company's leasehold interest in these properties but the formalities of the surrenders have not yet been completed.
- 4.25 The administration will end automatically within the next six months unless the joint administrators apply for an extension. We anticipate that an extension may be required to continue pursuing outstanding debtor accounts, however, we will be reviewing this on a month by month basis, based on the likelihood and quantum of future recoveries.
- 4.26 When the administration ends the joint administrators require their discharge from liability. As there are no funds available in this case to enable a distribution to the unsecured or preferential creditors I will be contacting the secured creditors in this regard to obtain the appropriate resolution.

5 Joint administrators' remuneration and expenses

- 5.1 As there will not be a dividend to the unsecured or preferential creditors in this case, the basis of our fees for acting as joint administrators is to be agreed by the secured creditors. I will be contacting the secured creditors in due course.
- 5.2 You will note from the SIP 9 table attached at Appendix C that our time costs to date are £634,051 representing 2,409 hours at an average hourly rate of £263. As detailed above, as the basis of our fees needs to be agreed with all secured creditors, no fees have been drawn to date.
- 5.3 Out of pocket expenses charged up to 26 July 2012 are £6,025 and I will shortly be making a payment in respect of these expenses. I have provided at Appendix C details of the expenses incurred by category. Appendix C also includes details of my charge out rates.
- 5.4 The joint administrators' fees shown as charged in Appendix B represent my time costs to date of £634,051, however, as outlined above my final fees in this matter will be subject to further approval. In any event, current indications suggest that there will be insufficient funds to allow me to recover my final time costs in full.
- 5.5 Background information regarding the fees of administrators can be found at www.insolvency-practitioners.org.uk (navigate via 'Regulation and Guidance' to 'Creditors Guides to Fees'). Alternatively, we will supply this information by post on request. Time is charged in 6 minute units.

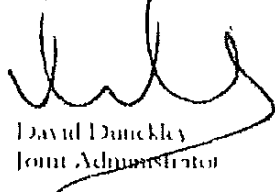
6 Other expenses incurred by the joint administrators

- 6.1 We have provided at Appendix B a summary of our expenses incurred and accrued during the administration to 26 July 2012 and I set out below an explanation as to the most significant costs.
- 6.2 A detailed breakdown of our trading purchasers of £970,923 (excluding legal fees relating to trading of £20,428) is provided in our Trading Receipts & Payments account at Appendix A. Accrued expenses relate to items such as insurance, repayment in respect of wages, trading purchases, utility and vehicle rental invoices. As this accrual is based on estimates the final outcome may vary.
- 6.3 DLA Piper UK LLP (DLA) are acting as our solicitors in this matter. I am in receipt of their initial bills totalling £21,928.93 which cover advice in respect of employee consultation, retention of title claims, negotiations with a party claiming a lien over goods and the two landlords. DLA's initial bills have been paid and I have been informed by them that they have incurred further additional time costs of approximately £30,000.
- 6.4 Legal fees of £1,568.96 have been incurred with Addleshaw Goddard LLP in respect of appointment formalities and a security review. This invoice has been paid.
- 6.5 As set out above, CrVA Limited provided valuation services in respect of stock and chattel assets and held an online auction of items, their fees in this regard were £15,032.77.

7 Other matters

- 7.1 If you should require any further information in respect of the contents of this report please do not hesitate to contact my colleague, Christopher Lawton on 0161 953 6900.

Yours faithfully
for and on behalf of ERI Limited



David Dunckley
Joint Administrator

Enc

The affairs, business and property of ERI Limited are being managed by D Bennett and D Dunckley, appointed as joint administrators on 27 January 2012. The joint administrators act as agents of the Company and contract without personal liability.

D Bennett and D Dunckley are insolvency practitioners licensed by the Insolvency Practitioners Association.

A Abstract of the administrators' receipts and payments

ERI Limited (In Administration)
Summary of Receipts & Payments
27 January 2012 to 26 July 2012

£

	Director's statement of affairs estimated to realise	Total Receipts and Payments from 27 January to 26 July 2012
Trading Receipts		
Trading sales		1,049,920 57
Santander Book debt receipts (Note 1)	1,704,490	-
Santander advance in respect of wages		49,708 00
HSBC Advance in respect of wages (Note 2)		26,373 00
Miscellaneous Income		250 00
Cash at Bank	6,391	6,239 29
Loan from Estrella Group		20,000 00
Miscellaneous Income		786 75
TJW Precision Engineering Limited		6,000 00
Scrap metal sales		18,288 91
Vat Payable		244,212 85
Sub-total Trading receipts	1,710,881	1,421,779 37
Non-Trading receipts		
Plant & Machinery (including assets subject to HP) and Office Equipment	175,000	229,676 91
Stock	1,861,410	67,550 00
Bank Interest		27 46
Bank/ISA InterestGross		114 63
Total Receipts	1,710,881	1,719,148 37
Trading payments		
Purchases		108,824 64
Galvanising		3,962 13
Rates		3,493 35
Heat & Light		38,463 79
Telephone		2,221 38
Carriage		7,400 00
Warehouseman's Lien		95,173 86
Hire of Equipment		6,457 18
Repairs & Maintenance		3,328 46
PAYE/NI		118,026 81
Repayment to Santander in respect of advanced wages		49,708 00
Wages (Note 2)		339,733 89
Sundry Trading Expenses		1,689 00
Retention of title claims		9,658 64
Website and software		2,067 00
Rent		77,464 30
Legal Fees		20,428 93
Consultancy Fee		6,302 73
Employee Deductions		11,673 67
Waste Disposal costs		29,545 82

Petty Cash	4,670 90
Overdraft facility fee (Note 2)	-
Vat Receivable	77,430 82
Sub-total Trading payments	1,017,725 30

Non-Trading Payments

HP Settlements	71,612 98
Agents/Valuers Fees	15,032 77
ERA Solutions Limited	9,993 80
Quantity Surveyors Fees	2,000 00
Legal Fees (1)	6,068 96
IT Disposal Expenses	440 00
Re-Direction of Mail	110 00
Statutory Advertising	76 50
Bank Charges	3,216 65
Total payments	1,126,276 96

Total Balance in hand as at 26 July 2012	592,871
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Notes

- 1 Debtor receipts have been paid directly into the Company's invoice discounting account with Santander Invoice Finance and therefore are excluded from this Receipts & Payments account Receipts to date are c £1,789,000
- 2 A payment in respect of wages was advanced from HSBC Bank Plc and has not yet been repaid

B Remuneration charged and expenses incurred by the administrators in the period

£	Paid in report period (27 January to 26 July 2012)	Charged/accrued in period but not yet paid	Total
Trading			
Total trading expenses	997,296 37	118,600 00	1,115,896 37
DLA Piper UK LLP	20,428 93	-	20,428 93
Joint Administrators			
Grant Thornton UK LLP fees (see note 5.2)		634,051 00	634,051 00
Grant Thornton UK LLP pre-appointment fees		15,535 00	15,535 00
Grant Thornton UK LLP expenses		6,025 00	6,025 00
Grant Thornton UK LLP pre-appointment expenses		1,195 00	1,195 00
Professional fees			
ERA Solutions (Tamworth) Limited	9,993 80	-	9,993 80
Naismiths Limited	2,000 00	3,000 00	5,000 00
Secure IT Disposal	440 00	-	440 00
GVA Limited	15,032 77	-	15,032 77
Legal fees			
Addleshaw Goddard LLP	4,568 96	-	4,568 96
DLA Piper UK LLP	1,500 00	30,000 00	31,500 00
Other			
Repayment of loan from Estrella Group		20,000 00	20,000 00
Repayment of monies advance for wages to Anglo ERI Limited		26,373 00	26,373 00
HP Settlements	71,612 98		71,612 98
Royal Mail	110 00		110 00
Courts Advertising Limited	76 50		76 50
Bank charges	3,216 65		3,216 65
HMRC		166,782 03	166,782 03
	<u>1,126,276 96</u>	<u>1,021,561 03</u>	<u>2,147,837 99</u>

C SIP 9 information

Introduction

The following information is provided in connection with the administrators' remuneration and disbursements in accordance with SIP 9

Explanation of Grant Thornton UK LLP charging and disbursement recovery policies

Time costs

All partners and staff are charged out at hourly rates appropriate to their grade, as shown on the attached schedule. Details of the hourly charge-out rates are made available to creditors or committees at the time of fixing the basis of our fees. Support staff (ie secretaries, cashiers and filing clerks) are charged to the case for the time they work on it

	From 01/07/11	From 01/07/12
	£	£
Partners up to	560	580
Managers up to	425	440
Administrators up to	300	310
Assistants and support staff up to	205	210

Disbursements

Out of pocket expenses are charged at cost. Mileage is charged at standard rates which comply with HM Revenue and Customs limits or AA recommended rates. VAT is added to disbursement charges as necessary.

Storage charges in respect of boxes of retained books and records are charged at the rate of £15 per box per annum for three years and £6 per box per annum thereafter.

Work Type	Partner		Manager		Executive		Administrator		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Administration and Planning (incl statutory reporting)	45.25	23,907.50	89.80	35,736.00	142.46	32,254.10	168.97	24,808.75	446.48	116,706.35
Chargesholders (incl bank reporting)	1.50	667.50	44.25	17,030.25	59.80	15,677.00			105.55	33,374.75
Holius period										
Investigations and reports on directors			2.80	840.00	1.00	235.00	14.20	2,101.00	18.00	3,176.00
Legal										
Preliminary creditors			45.40	17,542.00	50.90	13,161.00	38.65	5,625.25	134.95	36,228.25
Realisation of Assets. Debtors			123.30	46,424.00	0.50	138.00	37.50	5,447.50	161.30	52,009.50
Realisation of Assets. Other assets			2.30	724.00					2.30	724.00
Realisation of Assets. Property plant vehicles etc (incl HP leasing and hired party)			59.70	22,488.00	63.20	16,310.00	68.95	10,102.75	191.85	48,900.75
Realisation of Assets. Stock and WIP (incl ROT)			34.30	13,205.50	43.30	9,815.00	268.25	38,896.25	345.85	61,916.75
Sale of business	1.00	445.00	43.10	16,593.50	39.60	6,782.50			83.70	23,821.00
Trading			249.85	89,579.25	469.75	133,211.00	69.00	10,010.00	788.60	232,800.25
Unsecured creditors	0.50	222.50	0.90	270.00	74.70	15,679.50	54.10	7,927.75	130.20	24,293.75
Total	48.25	25,242.50	695.70	262,432.50	945.21	243,483.10	719.62	104,913.25	2,408.78	634,053.35

Expenses

	£
Bonding	100.00
Patrons & Mileage	2,226.36
Stationery	79.44
Substance	1,062.37
Telephone charges	195.41
Trevel & accomodation	2,339.12
Total	6,023.70

D An extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the administrator

Rule 2.48A

- (1) If
 - (a) within 21 days of receipt of a progress report under Rule 2.47 -
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
 - (b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2.47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2)
- (2) The administrator complies with this paragraph by either -
 - (a) providing all of the information asked for, or
 - (b) so far as the administrator considers that
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
 - (iii) the administrator is subject to an obligation of confidentiality in respect of the information,giving reasons for not providing all of the information
- (3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of -
 - (a) the giving by the administrator of reasons for not providing all of the information asked for, or
 - (b) the expiry of the 14 days provided for in paragraph (1),and the court may make such order as it thinks just
- (4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2.109(1B) by such further period as the court thinks just

E An extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the administrator's remuneration or expenses if excessive

Rule 2 109

- (1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)
- (1A) Application may be made on the grounds that -
 - (a) the remuneration charged by the administrator,
 - (b) the basis fixed for the administrator's remuneration under Rule 2 106, or
 - (c) expenses incurred by the administrator,is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate
- (1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")
- (2) The court may, if it thinks that no cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly
- (3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it
- (4) If the court considers the application to be well-founded, it must make one or more of the following orders -
 - (a) an order reducing the amount of remuneration which the administrator was entitled to charge
 - (b) an order fixing the basis of remuneration at a reduced rate or amount
 - (c) an order changing the basis of remuneration
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration
 - (e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specifyand may make any other order that it thinks just, but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report
- (5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration