

The Insolvency Act 1986

Administrators' progress report

Name of Company ERI Limited	Company number 02202329
In the High Court of Justice, Chancery Division, 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
Colmore Plaza
Colmore Circus
Birmingham
B4 6AT

David 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 (b) 27 July 2012	To (b) 2 January 2013
--------------------------	--------------------------

Signed

Joint Administrator(s)

Dated

4 January 2013

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
Colmore Plaza
Colmore Circus
Birmingham
B4 6AT

DX Number

0161 953 6900
DX Exchange



A03 29/01/2013 #380
COMPANIES HOUSE

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

TUESDAY



Grant Thornton

Our Ref DJB/PAM/KLM/KZP/E00277/

TO THE CREDITORS

3 January 2013

Dear Sirs

Recovery and Reorganisation

Grant Thornton UK LLP
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Manchester M3 3EB

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ERI Limited - In Administration (the Company)
High Court of Justice 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 July 2012 to 2 January 2013 and also for the whole administration to 2 January 2013
- Appendix B, a statement of the remuneration charged by the Joint Administrators in the period 27 July 2012 to 2 January 2013 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

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

- 4 1 As previously advised, following my appointment I continued to trade the business to fulfil orders for customers and to explore the opportunity to sell the business as a going concern. 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 cease manufacturing at the Company following completion of the agreed customer orders
- 4 2 In order to facilitate cashflow in the initial phase, Santander agreed to fund wages and salary payments and advanced monies to the Company. The Company also received loans from its parent company, Estrella Group Limited (Estrella), and Anglo ERI Limited (Anglo ERI), a group company, both in administration. The loan to Estrella was repaid on 31 July 2012 and the loan to Anglo ERI is due to be repaid in due course
- 4 3 I am not yet in the position to confirm the final trading outcome because I am not in receipt of all final trading liabilities. Based on the information currently held, trading profit is forecast to be in the region of £192,000. However this is before taking into account time costs incurred by the Joint Administrators in respect of supervising and dealing with trading issues

Assets

- 4 4 As a going concern sale of the business and assets was not achieved, following advice from our 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 5 As set out in Appendix A, realisations in respect of plant, machinery and stock total £297,227. All outstanding HP payments have been settled

Debtors

- 4 6 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 7 I have pursued debtor recoveries in respect of the main customer accounts and customers with retention balances. Sovereign Credit Management were instructed by Santander to recover other accounts directly. Accordingly these do not appear on the face of the Receipts and Payments account (Appendix A), but are included by way of a note

- 4 8 As previously noted, I engaged a firm of quantity surveyors, Naismiths Limited (Naismiths) to assist in the collection of contract debtors and specifically, retention balances. To date, debtor realisations are c £1,789,000 and have been paid directly into the Company's invoice discounting account with Santander. Based on the advice of Naismiths, I estimate to recover a further £26,000 from remaining debtors.

Liabilities

Secured Creditors

- 4 9 The Company 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 Joint Administrators have reviewed these balances and how they have been impacted by the settlement of liabilities due to the secured creditors of the Group under cross guarantees.
- 4 10 Following the appointment of the Joint Administrators, the Bank retained certain balances on the current accounts of other associated companies in the Group to repay balances due to the Bank across the Group, including by the Company. The Bank was able to do so due to a right of set-off provided to them to settle other Group liabilities. As such, the Bank has taken monies in recovery of the funds for wages advanced to the Company during the administration trading period.
- 4 11 By way of the set-off, other associated group companies repaid amounts due to the Bank and as such these stand as subrogated secured creditors of the Company.
- 4 12 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. I have reached an agreement with these parties and they no longer hold a claim against the Company.

Preferential Creditors

- 4 13 There are insufficient funds available to enable a distribution to this class of creditor.

Unsecured Creditors

- 4 14 There are insufficient funds available to enable a distribution to this class of creditor.

5 Extension of the administration

- 5 1 Legislation provides that administration automatically terminates after one year unless an extension is approved either by the relevant creditors or the court. The automatic termination of this administration would be 27 January 2013.
- 5 2 Approval of an extension of the Joint Administrators' term of office in accordance with paragraph 76(2)(b) of Schedule B1 to the Insolvency Act 1986 is to be obtained from the secured creditors.

5 3 I am seeking a six month extension to allow for outstanding matters in the administration to be concluded. This will give a revised termination date for the administration of 27 July 2013.

5 4 The reasons for requesting an extension of the administration are that key elements (as discussed above) cannot be completed prior to the existing administration expiry date of 27 January 2013, which are as follows:

- i the settlement of all trading liabilities, and,
- ii the potential recovery of retentions from contract debtors.

6 Joint Administrators' remuneration and expenses

6 1 As there will not be a dividend to the unsecured or preferential creditors in this case, the basis of my fees for acting as Joint Administrator is to be agreed by the secured creditors.

6 2 The Joint Administrators' fees shown as 'charged/accrued in the period' in Appendix B represent my time costs to date, however, no fees have been drawn to date and as outlined above my final fees in this matter will be subject to further approval by the unsecured creditors. As set out in the SIP 9 table attached at Appendix C my time costs to date are £700,556 representing 2,621 hours at an average hourly rate of £267. Current indications suggest that there will be insufficient funds to allow me to recover my final time costs in full.

6 3 Out of pocket expenses accrued to date total £8,081.

6 4 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.

7 Other expenses incurred by the Joint Administrators

7 1 As shown in Appendix B, I have incurred and paid the following expenses in the period:

- Legal fees of £1,500 to Cobbetts LLP
- £76,081 has been paid in respect of wages in the period
- Quantity surveyors fees of £3,000 have been incurred and paid to Naismiths
- Insurance costs have also been incurred but to date have not been paid. I await the final invoices from our insurers.

8 Other matters

If you should require any further information in respect of the contents of this report please contact my colleague, Richard Jackson on 0113 200 1636

Yours faithfully
for and on behalf of ERI Limited

A handwritten signature in black ink, appearing to read 'David Dunckley', with a long horizontal stroke extending to the right.

David Dunckley
Joint Administrator

The affairs, business and property of FRI Limited are being managed by David Bennett and David Dunckley, appointed as joint administrators on 27 January 2012

Enc

ERI Limited - in administration
Summary of receipts and payments
from 27 January 2012 to 2 January 2013

Statement of Affairs £	From 27/01/2012 to 26/07/2012 £	From 27/07/2012 to 02/01/2013 £	Total £
Receipts			
Sales	934,245 73	11,382 97	945,628 70
Debors Post Appt Trading	115,101 45	0 00	115,101 45
Miscellaneous Income	250 00	0 00	250 00
Bank Interest	27 46	0 00	27 46
Plant & Machinery - interim distribution	297,226 91	0 00	297,226 91
Book Debts	573 39	0 00	573 39
Cash at Bank	6,239 29	0 00	6,239 29
Bank/ISA InterestGross	114 63	603 73	718 36
Scrap metal sales	18,288 74	0 00	18,288 74
Misc Refunds	20,786 75	(20,000 00)	786 75
Advance for wages	49,708 00	(23,335 00)	26,373 00
TJW Precision Engineering Limited	6,000 00	0 00	6,000 00
	1,448,562 35	(31,348.30)	1,417,214.05
Payments			
Purchases (1)	113,170 64	1,020 64	114,191 28
Galvanising	3,962 13	0 00	3,962 13
Arrears of wages	50,232 00	(49,708 00)	524 00
Rates	3,493 35	2,490 31	5,983 66
Heat & Light	38,463 79	(1,216 79)	37,247 00
Telephone	2,221 38	514 93	2,736 31
Carriage	7,400 00	0 00	7,400 00
Professional Fees	9,993 80	0 00	9,993 80
Bank Charges	56 70	0 00	56 70
Warehouseman's Lien	95,173 86	0 00	95,173 86
Lease/HP Payments	49,737 34	0 00	49,737 34
Hire of Equipment	5,933 18	5,735 08	11,668 26
Repairs & Maintenance	3,328 46	0 00	3,328 46
PAYE/NI	118,026 81	0 00	118,026 81
Wages	263,652 89	76,081 00	339,733 89
Sundry Trading Expenses	1,689 00	0 00	1,689 00
ROT	5,312 64	0 00	5,312 64
Website and software	2,067 00	0 00	2,067 00
Bank Charges	27 46	0 00	27 46
HSBC Settlement	12,500 00	0 00	12,500 00
Rent	77,464 30	0 00	77,464 30
Agents/Valuers Fees (1)	15,032 77	0 00	15,032 77

ERI Limited - in administration
 Summary of receipts and payments
 from 27 January 2012 to 2 January 2013

Statement of Affairs £	From 27/01/2012 to 26/07/2012 £	From 27/07/2012 to 02/01/2013 £	Total £
Quantity Surveyors Fees	2,000 00	3,000 00	5,000 00
Legal Fees (1)	26,497 89	1,500 00	27,997 89
Consultancy Fee	6,302 73	0 00	6,302 73
IT Disposal Expenses	440 00	0 00	440 00
Employee Deductions	11,673 67	0 00	11,673 67
Storage Costs	0 00	692 00	692 00
Re-Direction of Mail	110 00	0 00	110 00
Statutory Advertising	76 50	0 00	76 50
Other Property Expenses	29,545 82	0 00	29,545 82
Petty Cash	4,670 90	0 00	4,670 90
Bank Charges	3,132 49	137 78	3,270 27
HP/Lease company	9,375 64	0 00	9,375 64
Vat on Purchases	74,517 42	(73,059 62)	1,457 80
HMRC - VAT received/paid	0 00	3,600 00	3,600 00
	1,047,282.56	(29,212 67)	1,018,069 89
Net Receipts/(Payments)	401,279.79	(2,135.63)	399,144.16
Made up as follows			
Floating Current Account	642,579 24	(243,435 08)	399,144 16
	642,579.24	(243,435.08)	399,144.16

B Remuneration charged and expenses incurred by the Joint Administrators in the period

	Paid to 26 July 12 £	Paid in period of report £	Charged/ accrued in period but not yet paid £	Total £
Joint administrators' fees				
Time costs	Nil	Nil	700,556	700,556
Expenses	Nil	Nil	8,080	8,080
Professional fees				
ERA Solutions	9,993	Nil	Nil	9,993
Legal fees				
Addleshaw Goodard	4,568	Nil	Nil	4,568
DLA Piper UK LLP	21,928	Nil	Nil	21,928
Cobbetts LLP	Nil	1,500	Nil	1,500
Agents/valuers				
GVA Grimley Limited	15,032	Nil	Nil	15,032
Quantity Surveyors Fees				
Naithsmuths Ltd	2,000	3,000	Nil	5,000
Trading Costs				
Wages	263,625	76,081	Nil	339,706
	<u>317,150</u>	<u>80,581</u>	<u>708,636</u>	<u>1,106,368</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 July 11	From 01 July 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 a rate of £15 per box per annum for three years and £6 per box per annum thereafter.

ERI Limited - in Administration - E30200277 - SIP 9 TIME COST ANALYSIS

Job(s) CMU code, Administration

Transaction period All transactions

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Detailed Version

Standard	Partner			Manager			Executive			Administrator			Total		
	Hrs	£	Avg. Hrly Rate	Hrs	£	Avg. Hrly Rate	Hrs	£	Avg. Hrly Rate	Hrs	£	Avg. Hrly Rate	Hrs	£	Avg. Hrly Rate
Administration and Planning	55 35	29,615 50	535 06	135 35	54,355 25	401 59	195 26	45,695 10	234 02	199 06	29,041 45	145 89	585 02	158,707 30	271 29
Creditors	3 00	1,355 00	451 67	131 75	50,954 25	386 75	194 90	47,212 50	242 24	96 55	14,114 50	146 19	426 20	113,636 25	266 63
Hiatus period													00	00	
Investigations				2 80	840 00	300 00	1 00	235 00	235 00	14 20	2,101 00	147 96	18 00	3,176 00	176 44
Realisation of Assets	1 00	445 00	445 00	266 05	100,704 75	378 52	150 20	33,917 50	225 82	374 70	54,446 50	145 31	791 95	189,513 75	239 30
Trading	45	198 00	440 00	249 85	89,579 25	358 53	470 25	133,321 00	283 51	72 50	10,535 00	145 31	793 05	233,633 25	294 60
Unclassified							7 00	1,890 00	270 00				7 00	1,890 00	270 00
Total	59 80	31,613 50	528 65	785 80	296,433 50	377 24	1,018 61	262,271 10	257 48	757 01	110,238 45	145 62	2,621 22	700,556 55	267 26

Total fees billed to date (Time) · £

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 specify

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and 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