

The Insolvency Act 1986

Administrator's progress report

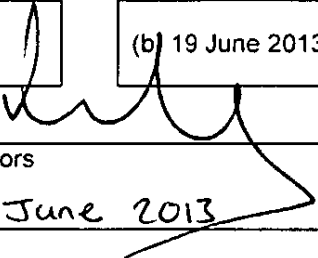
Name of Company ERI Limited	Company number 02202329
In the High Court of Justice, Leeds District Registry (full name of court)	Court case number 149 of 2012

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

We (a)
David Bennett
Grant Thornton UK LLP
Colmore Plaza
Colmore Circus
Birmingham
B4 6AT

David Dunckley
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

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

From (b) 3 January 2013	To (b) 19 June 2013
Signed	
	Joint Administrators
Dated	20 June 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

0121 212 4000
DX Exchange

Companies House receipt date barcode

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





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

To the creditors

20 June 2013

Dear Sirs

Recovery and Reorganisation

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

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ERI Limited - In Administration (the Company)
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 above company with David Bennett by the directors on 27 January 2012, I now report on the progress of the administration to 18 June 2013 and attach

- Appendix A, Form 2.24B, together with an account of our receipts and payments for the period from 3 January 2013 to 18 June 2013 and also for the whole administration to date
- Appendix B, a statement of the remuneration charged by the Joint Administrators in the period 3 January 2013 to 18 June 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 Conduct Authority

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

4 Progress report

Trading

- 4 1 As previously reported, following our appointment, we undertook a seven week trading period, whilst we explored the opportunity to sell the business as a going concern. During this period, I have continued to make progress in finalising the trading position, based on current information, the trading profit is forecast to be c £195,000
- 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 a parent company, Estrella Group Limited (Estrella), and Anglo ERI Limited (Anglo), a group company, both in administration. The loan was repaid to Estrella in July 2012 and the loan to Anglo is due to be repaid shortly.

Assets

- 4 3 As set out previously, as a going concern sale of the business was not possible, we instructed our agents, GVA Limited to sell the assets on a piecemeal basis. As set out in our Receipts & Payments Account (Appendix A), realisations in respect of the sale of plant, machinery and stock amount to £297,227.

Debtors

- 4 4 As set out in the Proposals and in my previous progress reports to creditors, the Company had entered into an invoice discounting arrangement with Santander Invoice Finance (Santander). Sovereign Credit Management (Sovereign) were instructed by Santander to recover certain debtor accounts and I engaged a firm of quantity surveyors, Naismiths Limited (Naismiths) to assist with the collection of contract debtors and specifically, retention balances.
- 4 5 To date, debtor realisations are c £1,811,000, of this balance c £1,789,000 has been paid directly into the Company's invoice discounting account with Santander, the remainder of c £22,000 is held by Naismiths and is in the process of being paid into the administration account. Naismiths are pursuing further small balances of c £4,000.

Liabilities

Secured Creditors

- 4 6 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 7 Following the appointment of the Joint Administrators, HSBC Bank Plc (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 8 A detailed marshalling exercise is being undertaken in respect of the amounts due across the Group but this has not yet been completed. Accordingly, it is my intention to apply to court and seek an extension of the administration for a period of 12 months in order to provide time for this exercise to be completed.

4 9 As set out in the 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.

4 10 **Preferential Creditors**

There are insufficient funds available to enable a distribution to preferential creditors in this matter.

4 11 **Unsecured Creditors**

There are insufficient funds available to enable a distribution to unsecured creditors in this matter.

5 Further extension of the administration

5 1 Legislation provides that the 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 was originally 27 January 2013.

5 2 The secured creditors approved an extension of the Joint Administrators' term of office in January 2013 in accordance with paragraphs 76(2)(b) and 78 of Schedule B1 to the Insolvency Act 1986 for a period of six months giving a revised date for the automatic termination of the administration of 26 July 2013.

5 3 Approval of a further extension of the Joint Administrators' terms of office in accordance with paragraph 76(2)(a) of Schedule B1 to the Insolvency Act 1986 is to be requested from the court.

5 4 The reasons for requesting an extension are that some key matters, as set out above, will not be completed prior to the current administration expiry date of 26 July 2013. The matters outstanding at the date of this report are as follows:

- i the completion of a marshalling exercise with the other group companies and obtaining secured creditors approval for the Joint Administrators' fees
- ii the completion of all statutory duties
- iii obtaining tax clearances from HM Revenue and Customs

- iv potential further recovery of small retentions balances from contract debtors
- v obtaining a discharge from liability from the secured creditor(s)

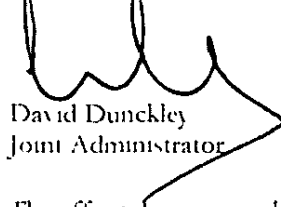
6 Joint Administrators' remuneration and expenses

- 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 You will note from the SIP 9 table attached at Appendix C that our time costs to date are £716,990, representing 2,691 hours at an average hourly rate of £266. Out of pocket expenses accrued to date total £8,081
- 6.3 I have not drawn my fees to date and current indications suggest that there will be insufficient funds available to allow me to recover my time costs in full
- 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 We have provided at Appendix B a summary of our expenses incurred and paid in the period and we set out below an explanation as to these costs
- 7.2 JLI Speciality Limited are acting as my insurance broker in this matter. Insurance premiums of £11,132 were paid in the period
- 7.3 As previously reported in the Proposals, DL A Piper UK LLP (DLA) are acting as my solicitors in this matter. Legal fees of £26,002 (net of VAT) have been paid to DLA in the period. DLA has provided legal advice throughout the administration on a number of matters which include employee consultation, settlement of retention of title claims, dealing with the Landlord and customer agreements

Yours faithfully
for and on behalf of
LRI Limited



David Dunckley
Joint Administrator

The affairs, business and property of LRI Limited are being managed by David Bennett and David Dunckley, appointed as Joint Administrators on 27 January 2012

Enc

A Abstract of the administrators' receipts and payments

	Director's statement of affairs estimated to realise £	From 27 January 2012 to 2 January 2013 £	From 3 January 2013 to 19 June 2013 £	Total £
Trading Receipts				
Trading sales		1,061,303.54		1,061,303.54
Santander Book debt receipts (Note 1)	1,704.490			-
Anglo ERI Advance in respect of wages		26,373.00		26,373.00
Miscellaneous Income		250.00		250.00
Cash at Bank	6,391	6,239.29		6,239.29
Loan from Estrella Group				
Miscellaneous Income		786.75		786.75
TJW Precision Engineering Limited		6,000.00		6,000.00
Scrap metal sales		18,288.74		18,288.74
Vat Payable				
Sub-total Trading receipts	1,710,881.00	1,119,241.32		1,119,241.32
Non-Trading receipts				
Plant & Machinery (including assets subject to HP) and Office Equipme	175,000	229,676.91		229,676.91
Stock	1,861,410	67,550.00		67,550.00
Bank Interest		27.46		27.46
Bank/ISA Interest Gross		718.36	502.62	1,220.98
Total Receipts	3,747,291.00	1,417,214.05	502.62	1,417,716.67
Trading payments				
Purchases		114,191.28		114,191.28
Galvanising		3,962.13		3,962.13
Rates		5,983.66		5,983.66
Heat & Light		37,247.00		37,247.00
Telephone		2,736.31		2,736.31
Carriage		7,400.00		7,400.00
Warehouseman's Lien		95,173.86		95,173.86
Hire of Equipment		11,668.26		11,668.26
Repairs & Maintenance		3,328.46		3,328.46
PAYE/NI		118,026.81		118,026.81
Repayment to Santander in respect of advanced wages		524.00		524.00
Wages		339,733.89		339,733.89
Sundry Trading Expenses		1,689.00		1,689.00
Retention of title claims		5,312.64		5,312.64
Website and software		2,067.00		2,067.00
Rent		77,464.30		77,464.30
Legal fees		20,428.93		20,428.93
Consultancy fee		6,302.73		6,302.73
Employee Deductions		11,673.67		11,673.67
Waste Disposal costs		29,545.82		29,545.82
Petty Cash		4,670.90		4,670.90
Overdraft facility fee				-
Vat Receivable		1,457.80	5,200.40	6,658.20
Insurance			11,132.55	11,132.55
HMRC VAT received/paid		3,600.00		3,600.00
Sub-total Trading payments		904,188.45	16,332.95	920,521.40
Non-Trading Payments				
HP Settlements		71,612.98		71,612.98
Agents/Valuers Fees		15,032.77		15,032.77
ERA Solutions Limited		9,993.80		9,993.80
Quantity Surveyors Fees		5,000.00		5,000.00
Legal fees		7,568.96	26,002.00	33,570.96
IT Disposal Expenses		440.00		440.00
Re Direction of Mail		110.00		110.00
Statutory Advertising		76.50		76.50
Bank Charges		3,354.43	70.94	3,425.37
Storage Costs		692.00		692.00
Total payments		1,018,069.89	42,405.89	1,060,475.78
Balance in hand		399,144.16	(41,903.27)	357,240.89
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

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

	Paid to 02/01/2012 £	Paid in period of report £	Charged/ accrued in period but not yet paid £	Total £
Joint administrators' fees				
Time costs	Nil	Nil	716,990	716,990
Expenses	Nil	Nil	8,080	8,080
Professional fees.				
ERA Solutions	9,993	Nil	Nil	9,993
Insurance				
JLT Speciality Limited	Nil	11,132	Nil	11,132
Legal fees				
Addleshaw Goddard	4,568	Nil	Nil	4,568
DLA Piper UK LLP	21,928	26,002	Nil	47,930
Cobbetts LLP	1,500	Nil	Nil	1,500
Agents/valuers.				
GVA Grimley Limited	15,032	Nil	Nil	15,032
Quantity Surveyors Fees.				
Naithsmiths Limited	5,000	Nil	Nil	5,000
Trading Costs				
Wages	339,706	Nil	Nil	339,706
	<u>397,732</u>	<u>37,134</u>	<u>725,070</u>	<u>1,159,936</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.

27 January 2012 to 20 June 2013

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	56.35	30,255.50	536.92	151.90	60,814.75	400.36	204.60	47,910.45	234.17	231.09	32,973.90	142.69	643.94	171,954.60	267.04
Creditors	3.00	1,355.00	451.67	137.95	53,270.25	386.16	196.50	47,570.50	242.09	97.95	14,324.50	146.24	435.40	116,520.25	267.62
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	150.95	34,085.00	225.80	375.60	54,581.50	145.32	793.60	189,816.25	239.18
Trading				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
Review and control							7.00	1,890.00	270.00				7.00	1,890.00	270.00
Total	60.80	32,253.50	530.49	808.55	305,209.00	377.48	1,030.30	265,011.95	257.22	791.34	114,515.90	144.71	2,690.99	716,990.35	266.44

Total fees billed to date (Time) £ Nil

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
 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