

The Insolvency Act 1986

Administrator's progress report**2.24B**

Name of Company PATON BROWN LIMITED	Company number 02281036
In the HCJ Manchester District Registry <small>[full name of court]</small>	Court case number 2640 of 2010

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

I/We (a) J M Titley & A Poxon of Leonard Curtis, Hollins Mount,
Hollins Lane, Lancashire BL9 8DG

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

(b) Insert dates	from (b) 7 June 2011	to (b) 23 November 2011
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Signed


Joint Administrator

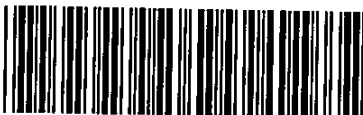
Dated

23 November 2011**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

Leonard Curtis	
Hollins Mount, Hollins Lane, Lancashire BL9 8DG	
Ref AJM/19	Tel 0161 767 1250
DX Number	DX Exchange

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COMPANIES HOUSE

have completed and signed this form please send it to the Registrar of Companies at Companies
own Way, Cardiff, CF14 3UZ DX 33050 Cardiff



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

PATON BROWN LIMITED
(IN ADMINISTRATION)

Registered Number 02281036
Court Ref 2640 of 2010
HCJ Manchester District Registry

**Joint Administrators' second progress report in accordance
with Rule 2 47 of the Insolvency Rules 1986**

Report period
7 June 2011 to 23 November 2011

23 November 2011

Leonard Curtis
Hollins Mount, Hollins Lane, Bury, Lancashire BL9 8DG
Tel 0161 767 1250 Fax 0161 767 1240
recovery@leonardcurtis.co.uk
Ref K/19/JRX/NP512R/1010

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**STRICTLY PRIVATE AND CONFIDENTIAL
NOT FOR PUBLICATION**

**TO THE REGISTRAR OF COMPANIES
ALL CREDITORS
ALL MEMBERS**

1 INTRODUCTION

- 1.1 This report has been produced in accordance with Rule 2.47 of the Insolvency Rules 1986 to provide creditors with an update on the progress of the Administration of Paton Brown Limited ("the Company") for the period from 7 June 2011 to 23 November 2011. This is the Joint Administrators' second progress report to creditors.
- 1.2 Much of the information contained in this report encompasses the whole period of the Administration. Please be aware, however, that where reference is made to "the period of this report", this specifically means 7 June 2011 to 23 November 2011, being the period since the last progress report.

2 STATUTORY INFORMATION

- 2.1 J. M. Titley and A. Poxon were appointed as Joint Administrators of Paton Brown Limited ("the Company") in the jurisdiction of HCJ Manchester District Registry, number 2640 of 2010 on 7 December 2010. The Administration appointment was made by the directors of the Company.
- 2.2 The Administration is being handled by the Bury office of Leonard Curtis, which is situated at Hollins Mount, Hollins Lane, Bury, Lancashire BL9 8DG.
- 2.3 The principal trading address of the Company was Calico House, Printworks Lane, Levenshulme, Manchester M19 3JP. The business traded under its registered name.
- 2.4 The registered office address of the Company at the date of the appointment of Administrators was Calico House, Printworks Lane, Levenshulme, Manchester, M19 3JP. Following the appointment, this was changed to Hollins Mount, Hollins Lane, Bury, Lancashire BL9 8DG. The registered number of the Company is 02281036.
- 2.5 For the purposes of paragraph 100(2) of Schedule B1 to the Insolvency Act 1986 (as amended), it should be noted that during the period in which the Administration Order is in force, any act or function required or authorised under any enactment to be done by the Administrator may be exercised by all or any of the persons holding that office.
- 2.6 The Company's main centre of operations is based in the UK. The EC Regulation on Insolvency Proceedings applies and the proceedings are main proceedings under the Regulation.

3 JOINT ADMINISTRATORS' PROPOSALS

- 3.1 Attached at Appendix A is a summary of the Joint Administrators' approved proposals for achieving one of the three statutory purposes of Administration
- 3.2 The objective of the Administration continues to be to realise property in order to make a distribution to secured or preferential creditors
- 3.3 This objective has already been achieved as secured creditor Bibby Financial Services Limited ("Bibby") has been paid in full and Lloyds TSB Bank Plc ("Lloyds") has received £25k to date, under the terms of their security

4 PROGRESS OF THE ADMINISTRATION

- 4.1 Attached at Appendix B is the Joint Administrators' receipts and payments account for the period from 7 June 2011 to 23 November 2011
- 4.2 I previously reported that Bibby had been repaid in full. A further £2,804.48 surplus has been received this period. No further collections are anticipated.
- 4.3 Bibby's application of termination fees gave rise to a VAT refund, which has been reclaimed in the period, amounting to £1,798.64
- 4.4 The bank has refunded £80 of bank charges previously applied

5 ASSETS STILL TO BE REALISED

- 5.1 The only remaining asset to be dealt with is the property, which was the Company's former trading premises. Lloyds provided a loan secured against the property and were owed in the region of £483k at the date of Administration. The property is also subject to a legal charge in favour of Mary Cooper, who is owed c£230k by the Company. Eddisons Commercial Limited ("Eddisons") have been engaged to deal with the property.

The Purchaser of the business has submitted an offer, which is currently under consideration.

A licence to occupy the property was granted to the Purchaser for 3 months following the date of Administration at £3,397.47 per month, this has since been extended to 2 December 2011.

- 5.2 The Administrators are currently waiting for the outstanding debtor ledger from Bibby to be reassigned. It is uncertain as to whether there shall be any realisable value to the ledger.
- 5.3 There are no other assets to be realised in this matter.

6 INVESTIGATIONS

- 6.1 Following their initial assessment, no detailed investigations were considered to be required by the Administrators. Nothing further has been brought to the attention of the Administrators in the period of this report.

7 JOINT ADMINISTRATORS' REMUNERATION

Pre-Administration Costs

- 7.1 On 17 February 2011, the secured creditors consented to the following pre-administration costs and expenses being paid as an expense of the Administration

Charged by	Services provided	Total amount charged £
Leonard Curtis	Pre-appointment advice and Administration and negotiation of the sale of the business	1,560
Charles Taylor	Valuation of plant & machinery	2,000
Cerberus Recoveries	Analysis of the debtor ledger, advice for maximising realisations	3,000
TMG Corporate Finance PLC	Valuation of goodwill	2,000
Stripes Solicitors	Appointment documentation and sale agreement	3,040
TOTAL		11,600

These costs have now been paid. Payments are detailed in the receipts and payments account attached at Appendix B

Joint Administrators' Remuneration

- 7.2 On 17 February 2011, the secured creditors agreed that the basis of the Joint Administrators' remuneration be fixed by reference to time properly spent by them and their staff in attending to matters arising from the Administration

- 7.3 The Joint Administrators' time costs are summarised below

	Hours No	Rate / hr £	Total value of time £
Time previously reported	120.8	263.49	31,830.00
Time incurred in the period of this report	36.8	194.31	7,150.50
Total Administrators' time costs	157.6	247.34	38,980.50

- 7.4 The time charged by the Joint Administrators for the period of this report amounts to £7,150.50. This represents 36.8 hours at an average rate of £194.31 per hour. Attached at Appendix C is a time analysis which provides details of the activity costs incurred by staff grade during this period, along with a description of the work done by the Joint Administrators and their staff in respect of which the time has been charged.

- 7.5 Administrators' fees drawn to date in respect of these time costs total £17,438 plus VAT

Expenses of the Administration

- 7.6 The Joint Administrators have also incurred expenses during the period of this report. These expenses are detailed in the table below, which also indicates whether these expenses have yet been paid from the case funds

Nature of expenses	By whom provided	Amount incurred this period £	Total amount to date £	Amount paid £	Amount unpaid £
Book debt collection fee	Postal Vote Solutions Ltd	3,304.34	26,906.64	26,906.64	-
Licence Fee	Lloyds TSB	13,601.5	28,977.30	28,977.30	-
Licence Fee	I Cooper	-	3,475.06	3,475.06	-
Licence Fee	DMK Properties	-	1,708.33	1,708.33	-
Employment Services	EK Employment Law	90.00	90.00	90.00	-
Bank Interest and Charges	Lloyds TSB	-	83.40	83.40	-
Statutory Advertising	Courts Advertising	-	75.60	75.60	-
Report Hosting	The Creditor Gateway	20.00	20.00	20.00	-
IT Services	Pelstar Computing Ltd	-	75.00	75.00	-
Solicitors Expenses	Stripes Solicitors	-	40.00	40.00	-
Client identification checks	BTC	-	39.80	39.80	-
IP Bond	Insolvency Risk Services	110.00	135.00	25.00	110.00
Staff Mileage	Leonard Curtis Staff	13.84	23.84	10.00	13.84
Companies House searches	Companies House	-	7.00	7.00	-
TOTAL		17,139.68	61,656.97	61,533.13	123.84

- 7.7 Attached at Appendix D is additional information in relation to the firm's policy on staffing, the use of sub-contractors, disbursements and details of our current charge-out rates by staff grade
- 7.8 Unsecured creditors whose debts amount to at least 5% of the total value of the unsecured claims, or any secured creditor, may request further information regarding remuneration or expenses (other than pre Administration costs) by submitting their written requests before 12 December 2011
- 7.9 In addition, unsecured creditors whose debts amount to at least 10% of the total value of the unsecured claims, or any secured creditor, may apply to court, if they believe the remuneration charged or expenses incurred by the Joint Administrators to be excessive or the basis fixed for the Joint Administrators' remuneration to be inappropriate. Any application should be made within 8 weeks of receipt of this report

8 ESTIMATED OUTCOME FOR CREDITORS**8.1 Secured Creditors****Bibby**

Bibby holds security in the form of a fixed and floating charge debenture over the Company's undertaking and assets created on 9 November 2010 and registered on 10 November 2010

At the date of Administration, the Company owed Bibby c£159k including fees, subject to interest and termination charges, pursuant to an invoice discounting agreement. I can confirm that the indebtedness to Bibby has been discharged in full and the surplus of £33,546 has been now been received.

Lloyds

Lloyds holds security in the form of a mortgage with a fixed and floating charge over the Company's undertaking and assets created on 5 November 2008 and registered on 11 November 2008. Lloyds also holds security in the form of a fixed and floating debenture over the Company's undertaking and assets created on 22 July 2009 and registered on 25 July 2009.

At the date of Administration, the Company owed Lloyds c£483k, subject to interest and charges. Lloyds has received £25k to date under the terms of their fixed charge over the Company's goodwill.

Lloyds is also continuing to receive payments in relation to the licence fee for the Company's property, as referred to in section 5 of this report.

It is anticipated that Lloyds shall be repaid in full following the sale of the property.

Mary Cooper

Mary Cooper holds security in the form of a legal charge over the Company's premises created on 26 January 2010 and registered on 15 February 2010.

At the date of Administration, the Company owed Mary Cooper c£230k, subject to interest and charges. Until a formal offer for the Company's property is received and accepted, it is uncertain whether there will be sufficient funds available to allow a distribution in respect of this charge.

8.2 Preferential Claims

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay. Four employees were made redundant prior to the date of Administration, in early November 2010. A preferential claim of £1,000 is estimated in this regard. It is considered that there will be insufficient funds available to enable the payment of a dividend to preferential creditors.

8.3 Prescribed Part

The Insolvency Act 1986 provides that, where a company has created a floating charge after 15 September 2003, the Administrator must make a *prescribed part* of the company's net property available to the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims.

Should the secured creditors be repaid in full under their fixed charges, there will be no requirement to set aside a prescribed part in this case. If the secured creditors are not paid in full under the terms of their fixed charges, it is considered that after disbursing the costs of the Administration, the cost of making a distribution of the prescribed part in this case would be disproportionate to the benefits. Accordingly, we do not intend to set aside a prescribed part in this instance.

8.4 Unsecured Non-Preferential Claims

At present, it is considered unlikely that there will be sufficient funds available to enable a distribution to unsecured creditors. This statement is being made in accordance with paragraph 52(1)(b) of Schedule B1 to the Act. Creditors should however continue to submit details of their claims using the statement of claim form attached at Appendix E.

9 REQUEST FOR EXTENSION TO THE ADMINISTRATION

9.1 The appointment of Administrators ordinarily ceases to have effect at the end of the period of one year from the date of their appointment.

9.2 In certain circumstances it becomes necessary to extend the Administrators' term of office. As advised in section 5 of this report, the property has not yet been sold. An extension is required in order to conclude sale.

9.3 In the circumstances of this case, consent to a six-month extension of the Administration is required from each secured creditor of the Company.

9.4 Consent to the extension has therefore been sought from Lloyds, Bibby and Mary Cooper. Confirmation of the outcome of the extension request will be communicated to creditors in due course.

10 NEXT REPORT

10.1 The Joint Administrators are required to provide a progress report within one month of the end of the next six months of the Administration or earlier if the Administration has been finalised.

If you wish to discuss the issues raised in this report or require any additional information please contact this office.

for and on behalf of
PATON BROWN LIMITED


J M TITLEY
JOINT ADMINISTRATOR

Licensed in the UK by the Institute of Chartered Accountants in England and Wales

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability.

SUMMARY OF JOINT ADMINISTRATORS' PROPOSALS

It is proposed that

- 1 The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration
- 2 If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company
- 3 If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors Voluntary Liquidation. It is further proposed that J M Titley and/or A Poxon be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them. NB Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved
- 4 In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved
- 5 The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company
- 6 The Company may be placed into compulsory liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that J M Titley and/or A Poxon be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them
- 7 The Joint Administrators shall do all such other things and generally exercise all of his powers as contained in Schedule 1 of the Insolvency Act 1986, as he considers desirable or expedient to achieve the statutory purpose of the Administration

**SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT FOR THE PERIOD FROM
7 JUNE 2011 TO 23 NOVEMBER 2011**

	Estimated to realise £	Last period £	This period £	Cumulative £
RECEIPTS				
Book Debt Surplus	38,000 00	30,741 88	2,804 48	33,546 36
Goodwill	25,000 00	25,000 00	-	25,000 00
Land and Buildings	650,000 00	-	-	-
Tangible Assets	25,000 00	25,000 00	-	25,000 00
Licence Fee	-	32,375 17	5,043 43	37,418 60
Rates Refund	-	96 64	-	96 64
Vat on Termination Charges			1,798 64	1,798 64
Refunded bank charges			80 00	80 00
TOTAL	<u>738,000 00</u>	<u>113,213 69</u>	<u>9,726 55</u>	<u>122,940 24</u>
PAYMENTS				
Administrators Remuneration		10,000 00	7,438 00	17 438 00
Administrators Pre-Appointment Fee		-	1,560 00	1 560 00
Agents Fees		2,000 00	3,000 00	5,000 00
Bank Interest and Charges		83 40	-	83 40
Book debt collection fee		23,601 90	3,304 74	26 906 64
Client identification checks		39 80	-	39 80
Companies House searches		7 00	-	7 00
Employment Services		-	90 00	90 00
Goodwill Valuation		2,000 00	-	2,000 00
IP Bond		25 00	-	25 00
IT Services		75 00	-	75 00
Licence Fee - Lloyds		10,192 41	13,601 50	23,793 91
Licence Fee - I Cooper		3,475 06	-	3,475 06
Licence Fee – DMK Properties		1,708 33	-	1,708 33
Report Hosting		-	20 00	20 00
Secured Creditor		10,000 00	15,000 00	25,000 00
Solicitors Fees and Expenses		3,040 00	-	3,040 00
Staff Mileage		10 00	-	10 00
Statutory Advertising		75 60	-	75 60
TOTAL		<u>66,333 50</u>	<u>44,014 24</u>	<u>110,347 74</u>
BALANCE IN HAND				<u>12,592 50</u>

APPENDIX B (continued)

BIBBY ACTUAL	Estimated to realise £	Last period £	This period £	Cumulative £
RECEIPTS				
Book Debts	197,000 00	168,009 50	2,804 48	170,813 98
	<u>197,000 00</u>	168,009 50	2,804 48	170,813 98
PAYMENTS				
Bibby		137,267 62		137,267 62
Surplus to Administration		30,741 88	2,804 48	33,546 36
		<u>168,009 50</u>	2,804 48	<u>170,813 98</u>
BALANCE IN HAND		<u>-</u>		<u>-</u>

APPENDIX C

SUMMARY OF JOINT ADMINISTRATORS' TIME COSTS FOR THE PERIOD
FROM 7 JUNE 2011 TO 31 OCTOBER 2011

	Director		Manager 1		Manager 2		Administrator 1		Administrator 4		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	13	513 50	15	450 00	2	52 00	47	987 00	-	-	77	2,002 50	260 06
Receipts & Payments	-	-	-	-	-	-	40	840 00	30	360 00	70	1,200 00	171 43
Insurance	-	-	-	-	-	-	10	210 00	-	-	10	210 00	210 00
Assets	-	-	-	-	-	-	84	1,764 00	-	-	84	1,764 00	210 00
Debenture Holder	-	-	-	-	-	-	5	105 00	-	-	5	105 00	210 00
General Administration	-	-	-	-	-	-	5	105 00	77	924 00	82	1,029 00	125 49
Post Appointment Credits Mings	-	-	-	-	-	-	35	735 00	-	-	35	735 00	210 00
Investigations	-	-	-	-	-	-	5	105 00	-	-	5	105 00	210 00
Total	13	513 50	15	450 00	2	52 00	231	4,851 00	107	1,284 00	368	7,150 50	
Average Hourly Rate (£)		395 00		300 00		260 00		210 00		120 00		194 31	

All Units are 6 minutes

DESCRIPTION OF TIME SPENT BY CATEGORY

Statutory and Review

This involved undertaking regular reviews of the case file to ensure all matters were being progressed and statutory requirements were met. Time was also spent preparing the statutory report on the conduct of the directors for submission to The Insolvency Service.

Receipts and Payments

Time has been attributed to the receiving and banking of funds and the payment of agents' invoices, and reviewing the receipts and payments schedule.

Insurance

Time has been spent reviewing the Company pension scheme and notifying the relevant pension departments.

Assets

Time has been spent liaising with the Purchaser to obtain updates on their attempts to purchase the property.

Debenture Holder

Time was spent corresponding with the debenture holder regarding the collection of the book debt ledger and with regards to the property sale.

General Administration

This includes setting up the case file and engaging in general correspondence.

Post Appointment Creditors' Meetings

Time was spent preparing and reviewing the progress report, which was circulated to all known creditors.

Investigations

Time has been spent discussing the whereabouts of certain books and records with the directors.

ADDITIONAL INFORMATION IN RELATION TO THE POLICY OF LEONARD CURTIS REGARDING FEES AND DISBURSEMENTS

The following information relating to the policy of Leonard Curtis is considered to be relevant to creditors

Staff Allocation, Support Staff and the Use of Subcontractors

We take an objective and practical approach to each assignment which includes active partner involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case.

Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by resolution of the secured creditors, a creditors' committee or creditors generally, that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters arising in the appointment, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below. In cases of exceptional complexity or risk, the insolvency practitioner reserves the right to obtain authority from the appropriate body of creditors that their remuneration on such time shall be charged at the higher complex rate given below.

With effect from 1 January 2010 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis

	Standard £	Complex £
Partner	395	494
Senior Manager	350	438
Manager 1	300	375
Manager 2	260	325
Administrator 1	210	263
Administrator 2	190	238
Administrator 3	170	213
Administrator 4	120	150
Support	0	0

Details of any subcontractor(s) used will be given in subsequent reports to creditors.

Professional Advisors

Details of any professional advisor(s) used are given in the report which accompanies this Guide. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements.

The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

Disbursements

Specific expenditure relating to the Administration of a particular case is recoverable without approval and is referred to as a "category 1 disbursement". Category 1 disbursements will generally comprise supplies of incidental services specifically identifiable to the case, typically for items such as identifiable telephone calls, postage, case advertising, invoiced travel and properly reimbursed expenses, including car mileage at 40p a mile, incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and document storage.

Where we propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, documents storage or communication facilities provided by us) they must be disclosed and be authorised by those responsible for approving the Administrator's remuneration. Such expenditure is referred to as a "category 2 disbursement". The following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision.

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Storage of office files (six years)	£66.09 per box

STATEMENT OF CLAIM FORM

Date of Administration order 7 December 2010

Name of creditor

Address of creditor.

Gross amount of claim
(ie including VAT)

Amount of VAT

Details of any document by
reference to which the debt can be
substantiated
(eg invoices)

Particulars of how and when debt
incurred

Particulars of any security held, the
value of the security and the date it
was given

Signature of creditor or person
authorised to act on his behalf

Name in BLOCK CAPITALS:

Position with or relation to creditor: