

The Insolvency Act 1986

Statement of administrator's proposals**2.17B**

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, Bury, Lancashire BL9 8DG

attach a copy of *my / our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

* Delete as applicable

(b) Insert date (b) 28 January 2011

Signed

J M Titley & A Poxon - Joint Administrator(s)

Dated

28/1/11

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.

Leonard Curtis	
Hollins Mount, Hollins Lane, Bury, Lancashire,	
BL9 8DG	Tel: 0161 767 1250
DX Number	DX Exchange



u have completed and signed this form please send it to the Registrar of Companies at
ies House, Crown 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

Joint Administrators' Report and Statement of Proposals

28 January 2011

Leonard Curtis
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Ref K/19/JRX/NP512R/1040

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TO THE REGISTRAR OF COMPANIES
ALL CREDITORS
ALL SHAREHOLDERS

1 INTRODUCTION

- 1.1 I refer to the appointment of A Poxon and myself as Joint Administrators ("the Joint Administrators") of Paton Brown Limited ("the Company") on 7 December 2010 and now write to present our proposals ("the Proposals") (Appendix A) for the Company pursuant to the Insolvency Act 1986 ("the Act")
- 1.2 We do not propose to convene a meeting of creditors in this instance, as we anticipate that the Company will have insufficient property to enable a distribution to be made to unsecured creditors and therefore the requirement to convene a meeting is disapplied by Paragraph 52(1)(b) of Schedule B1 to the Act
- 1.3 Creditors whose debts amount to at least 10% of the total debts of the Company, may request a meeting. Any requests for an initial creditors' meeting must be made in writing to this office using Form 2.21B (available on request) by 8 February 2011. Security for the costs of holding the meeting must also be provided
- 1.4 In the event that no meeting is requested, the Proposals will be deemed to have been approved in accordance with Rule 2.33(5) of the Insolvency Rules 1986. Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the date given in 1.3 above

2 STATUTORY INFORMATION

- 2.1 The Administration proceedings are under the jurisdiction of the High Court of Justice, Chancery Division, Manchester District Registry under Court reference 2640 of 2010
- 2.2 During the period in which the Administration Order is in force, any act or function required or authorised to be done by the Joint Administrators may be exercised by both or either of them
- 2.3 The Company's registered office was changed from Calico House, Printworks Lane, Levenshulme, Manchester, M19 3JP to Hollins Mount, Hollins Lane, Bury, Lancashire, BL9 8DG on 6 January 2011. The registered number is 02281036
- 2.4 The Company operated from leasehold premises at Calico House, Printworks Lane, Levenshulme, Manchester, M19 3JP
- 2.5 The Company's directors and secretary are

Name	Role	Date Appointed	Date Resigned
Ian Thompson Cooper	Company secretary	28/2/1991	-
Duncan Roger Etheridge	Director	1/9/2005	-
Mary Cooper	Director	28/2/1991	-
Ian Thompson Cooper	Director	28/2/1991	-
Joseph Cooper	Director	28/2/1991	6/1/2009

- 2.6 The Company's authorised share capital is 10,000 Ordinary shares of £1 each and 200,000 Redeemable Preference shares of £1 each. The issued share capital comprises 263 Ordinary shares of £1 each and 200,000 Redeemable Preference shares of £1 each, the shares being owned as follows

Name	Class of Share	No of Shares	% of Equity
Mary Cooper	Ordinary	80	30.4%
Joseph Cooper	Ordinary	80	30.4%
Ian Thompson Cooper	Ordinary	103	39.2%
		263	100%
Mary Cooper	Redeemable Preference	100,000	-
Joseph Cooper	Redeemable Preference	100,000	-
		200,000	-

- 2.7 According to the information registered at Companies House, the Company has the following unsatisfied registered charges

Chargeholder	Date created	Description	Amount secured £	Assets Charged
Lloyds TSB Bank Plc	5/11/2008	Mortgage (inc fixed and floating charge)	All Monies	All Assets
Lloyds TSB Bank Plc	22/7/2009	Debenture	All Monies	All Assets
Mary Cooper	26/1/2010	Legal Charge	All Monies	Company premises
Bibby Financial Services Limited	9/11/2010	Debenture	All Monies	All Assets

- 2.8 The EC Regulation on Insolvency Proceedings 2000 applies to this Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.

3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION

- 3.1 The Company was incorporated on 27 July 1988 and commenced to trade immediately.
- 3.2 The Company latterly traded from leasehold premises at Calico House, Printworks Lane, Levenshulme, Manchester, M19 3JP. The principal trading activity of the Company was computer aided design, printing and sales promotion. The work undertaken included
- Packaging and distribution of energy efficient products
 - Public sector mailings, such as the distribution of ballot papers for election campaigns, canvassing campaigns etc
 - General direct mail/printing campaigns
- 3.3 The Company traditionally achieved turnover of £4-5m pa although 2008 was exceptional with a turnover of £9m due to two one-off contracts that year.
- 3.4 The business was affected by the recession in 2009 as customers cut demand. In addition the two largest users of energy efficient product distribution services had already met their energy efficiency targets during the previous year and this led to a significant reduction in orders for 2009. Turnover for 2009 was

reduced by circa £3.5m on the previous year. Turnover for 2010 was also estimated to have reduced further with management accounts showing turnover of only £2.5m for the 10 months to 30 June 2010.

- 3.5 The directors anticipated the decline in volumes but unfortunately, steps to cut costs were not taken quickly enough. The resulting cash pressure was exacerbated after significant funds were re-invested in plant and machinery following success during 2008, unfortunately just prior to a fall in activity levels. Consequently, significant losses were incurred putting severe pressure on cashflow resulting in arrears with HMRC and suppliers.
- 3.6 Turnover continued to decline, although steps were taken to cut costs and streamline the business in order to focus on a turnaround. The prospects for the business looked promising in the summer of 2010 with a number of new customers being signed up alongside the expectation of continued activity with existing customers. Unfortunately, orders dropped significantly with sales in September 2010 £60k behind forecast. This partly as a result of the uncertainty arising from the Government's recent cost cutting policy (which was impacted on council marketing campaigns) and partly due to a delay in key orders. This had a significant impact on cashflow and resulted in the Company struggling to meet ongoing payments.
- 3.7 Concerned about the Company's worsening financial position the directors approached their accountant for advice, who referred the directors to Leonard Curtis to provide advice regarding their options on how best to protect the value of the business.
- 3.8 Leonard Curtis advised that unless sufficient further funding was obtained and lost sales revenue was replaced, the directors would need to consider a formal insolvency procedure. Following this advice the directors negotiated a new invoice financing agreement with Bibby Invoice Finance Limited ("Bibby") to replace the existing RBS Invoice Finance Limited facility.
- 3.10 Unfortunately the lost sales revenue was not replaced and Bibby was unable to release further funding to the Company, in its current form. At this stage the directors approached Leonard Curtis for formal insolvency advice.
- 3.11 From an initial review of the Company's position, the directors were advised that the Company was insolvent within the meaning of Section 123 (1(a)) of the Insolvency Act 1986 in that it was unable to pay its debts as and when they fell due and therefore the Company should implement formal insolvency proceedings.
- 3.12 On 23 November 2010, a Notice of Intention to Appoint Administrators was given by the Company's directors and filed in the High Court of Justice, Chancery Division, Manchester District Registry on 24 November 2010.
- 3.13 A Notice of Intention to Appoint Administrators was served on Lloyds TSB Bank plc and Bibby Financial Services Limited as holders of qualifying floating charges.
- 3.14 In accordance with paragraph 26(2) of Schedule B1 to the Insolvency Act 1986, following the receipt of consent to the administration from Lloyds TSB Bank plc on 30 November 2010 and from Bibby Financial Services Limited on 1 December 2010, the Notice of Appointment was given by the Company's directors on 7 December 2010 and filed in the High Court of Justice, Chancery Division, Manchester District Registry on 7 December 2010.
- 3.15 My partner, A Poxon and I are licensed by the Institute of Chartered Accountants in England and Wales. In accordance with paragraph 100(2) of the Insolvency Schedule B1 to the Act, the function of the joint administrators may be exercised by either or both, acting jointly or alone.

4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

4.1 The Company's trading results for the three years ended 31 August 2010 are summarised below

	Mgmt Year ended 31/8/2010 £'000	Audited Year ended 31/8/2009 £'000	Audited Year ended 31/8/2008 £'000
Turnover	3,203	5,499	9,195
Gross Profit	723	348	2,417
Gross Profit %	22.6%	6.3%	26.3%
Administrative expenses	(1,125)	(1,161)	(1,322)
Operating Profit/(Loss)	(402)	(813)	1,095
Interest and charges	-	(67)	(93)
Profit/(Loss) before tax	(402)	(880)	1,002
Taxation	-	-	-
Profit/(Loss) for the year	(402)	(880)	1,002
Dividends	-	-	-
Retained Profit/(Loss)	(402)	(880)	1,002

4.2 The balance sheets as at 31 August 2008, 2009 and 2010 are summarised below

	Mgmt 31/8/2010 £'000	Audited 31/8/2009 £'000	Audited 31/8/2008 £'000
Fixed Assets			
Tangible Assets	1,900	2,101	1,717
Current Assets			
Stocks	29	43	40
Debtors	518	563	4,008
Cash	3	3	1,014
	550	609	5,062
Creditors: Amounts Falling due within one year	(2,227)	(1,529)	(5,510)
Net Current Assets/(Liabilities)	(1,677)	(920)	(448)
Total assets less current liabilities	223	1,181	1,269
Creditors: Amounts falling due after more than year	(191)	(463)	(102)
Provisions	-	(284)	(119)
Net Assets	32	434	1,048
Represented by			
Called up share capital	-	-	-
Share premium	274	274	274
Profit and Loss account	(242)	160	774
Shareholders' Funds	32	434	1,048

- 4.3 Please note that the above financial information for the year ended 31 August 2010 has been derived from the Company's management accounts. The figures have not been audited and therefore no reliance can be placed on the accuracy of the profit and loss account and balance sheet for that period.

4.4 **Statement of Affairs**

The directors are required to lodge a statement of affairs as at 7 December 2010 which has to be filed with the Registrar of Companies. Although the document has not yet been received, I understand that it is in the course of preparation and will be submitted shortly. In the meantime, an estimate of the financial position as at the date of the Joint Administrators' appointment is enclosed at Appendix B, together with a list of creditors including their names, addresses and details of their debts, including any security held.

Please note that no provision has been made for costs and expenses of realisation, costs of the Administration and any corporation tax which may be payable. The following comments are considered to be relevant and should be borne in mind when reading the figures.

4.5 **Secured Creditor**

Bibby Financial Services Limited ('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 £158,874 including fees, subject to interest and charges, pursuant to an invoice discounting agreement. Bibby is in the process of collecting out the book debt ledger and their collections to date amount to £103,674. It is anticipated that a surplus will be available in due course to the Joint Administrators, subject to interest and charges to be applied by Bibby.

Lloyds TSB Bank plc ('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 charge debenture over the Company's undertaking and assets created on 22 July 2009 and registered on 24 July 2009.

At the date of Administration, the Company owed Lloyds £483,401, subject to interest and charges.

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.

4.6 **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.

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.

4.7 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 in regards to this class of creditor.

4.8 Unsecured 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 G. These claims will be collated and passed to any subsequently appointed Liquidator in due course.

4.9 Receipts and Payments

A receipts and payments account for the period of the Administration to date is enclosed at Appendix C.

5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT

Sale of Business

5.1 Prior to and upon appointment, the administrators investigated the possibility of concluding a sale of what remained of the business and assets as it was considered that a sale of all or part of the business as a going concern via a pre-packaged sale would allow the following:

- Enhanced asset realisations especially in relation to the Company's goodwill,
- Continuity of customer service which has added value to realisations from the Company's debtor book,
- Preservation of employment for staff – all contracts of employment transferred to the Purchaser therefore there was a mitigation of employee claims - liabilities for accrued staff wages, holiday pay, pay in lieu of notice and statutory redundancy that would have been payable had the Company ceased to trade were avoided,
- To prevent the need for ongoing trading in Administration, which would have been prohibitive, given the nominal assets available to fund trading losses, and the professional costs associated with trading,
- The business was heavily dependent upon the personal contacts of the director. Any period of trading in administration would have been likely to damage these relationships thus reducing the value of the business,
- Trading the business would not have guaranteed an improved offer for the purchase of the assets and may, conversely, have devalued the goodwill and reduced book debt realisations,
- The business had minimal assets with which to cover any trading losses in administration. The management accounts indicated that the Company was incurring losses. This, coupled with uncertainty over the level of future orders in an insolvency scenario introduced a significant level of risk for the Administrators in connection with trading the business.

- 5.2 Prior to the Administration, John Titley and Andrew Poxon of Leonard Curtis were instructed to arrange for valuations of the Company's assets to be undertaken. It was acknowledged by the directors that the intention was for the proposed Administrators (Messrs Titley and Poxon) to identify a purchaser of the business and finalise a sale as soon as possible following their appointment as Joint Administrators.
- 5.3 Independent valuations of the Company's assets were obtained and discussions were held with the appointed agents regarding the possibility of offering the business for sale on the open market. There were a number of considerations that led us to the view that marketing the business was not in the best interest of creditors.
- 5.4 The principal concern was the effect that marketing could have on the customers' confidence. The Company's customers were clients whose custom was dependent upon close working relationships with the directors. There was considered to be a significant risk of customers seeking alternative suppliers resulting in an erosion of the Company's goodwill value, if the business was marketed.
- 5.5 It was also considered that marketing the business could severely affect the collectability of the debtor ledger, which was the principal asset of the Company. Marketing the business could have worsened collections if some of the customers had terminated their relationship due to uncertainty over the Company's future.
- 5.6 In addition, the offer received from the director had been recommended for acceptance by our agents who considered that marketing the business was unlikely to result in an increased offer but may conversely devalue the goodwill and have a negative impact on debtor collections.
- 5.7 An offer of £50,000 from Postal Vote Solutions Limited, an associated company by section 435 Insolvency Act 1986 (as amended) by virtue of having common directors was made to the proposed Administrators. Following advice from our appointed agents, Charles Taylor, who had carried out valuations of the Company's physical assets, Cerberus Recoveries, who had valued the book debt ledger and TMG Corporate Finance, who had valued the Company's goodwill, this offer was accepted and the business sale was concluded on 7 December 2010.
- 5.8 The assets sold to the Purchaser (to the extent that the Company had a right, title or interest to sell) are summarised below:

Category of asset	Value achieved £
Goodwill	25,000
Tangible Assets	25,000
Total	50,000

In addition 10% of the first year's profits will be payable to the Administrators in further consideration for the Company's goodwill.

- 5.9 The total sales consideration of £50,000 is to be paid as follows:

Payment date	£
On completion	10,000
31 December 2010	10,000
31 January 2011	10,000
28 February 2011	10,000
31 March 2011	10,000
Total	50,000

The deferred consideration is secured by a debenture over the purchaser and a personal guarantee from I Cooper

To date, £20,000 has been received by the Administrators, which is in line with the sale agreement

- 5 10 Following the completion of the pre-packaged sale of the Company's business and assets, the Joint Administrators sent a letter to creditors on 21 December 2010 to provide further information on the sale pursuant to the requirements of Statement of Insolvency Practice 16. A copy of the information provided is attached at Appendix D

5 11 **Property**

The leasehold properties have a book value in the management accounts as at 30 September 2010 of £945k. Lloyds have provided a loan secured against the properties and are currently owed in the region of £483,401

Eddisons Commercial Limited ("Eddisons") have completed a desktop valuation of the properties, valuing them at between £500k and £650k

The purchaser of the business has expressed an interest in purchasing these properties and is currently in the process of attempting to raise the necessary funds to complete the sale. In the meantime a licence to occupy the property has been granted to the purchaser for 3 months following the date on administration

5 12 **Factored Book Debts**

In addition to the above, the Company had a book debt ledger which was subject to a factoring agreement with Bibby. As at the date of administration the gross value of the outstanding ledger was £216,756 with a corresponding balance of £158,874 due to Bibby. Bibby has advised that debt collections to date amount to £103,674. Bibby is likely to be repaid in full and any surplus will be made available to the estate

5 14 **Professional Advisors Used**

On this assignment the Joint Administrators have used the professional advisors listed below

Name of Professional Advisor	Service Provided	Basis of Fees
Stripes Solicitors	Legal advice	Time costs
Eddisons Commercial Limited	Property valuation	Time costs
Charles Taylor	Asset valuation advice	Time costs
Cerberus Recoveries	Assessment of book debt ledger	Time costs
TMG Corporate Finance LLP	Goodwill valuation advice	Time costs

Details of this firm's policy regarding the choice of advisors and the basis for their fees are given in Appendix F

6 ACHIEVING THE PURPOSE OF ADMINISTRATION

- 6 1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives

- (a) rescuing the Company as a going concern, or (if this cannot be achieved),
- (b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration), or (if (a) and (b) cannot be achieved),
- (c) realising property in order to make a distribution to one or more secured or preferential creditors

6.2 The first objective is not capable of being achieved given the extent of historic liabilities

6.3 The second objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were to be wound up (without first being in Administration). It is considered that this objective is unlikely to be achieved as there is little prospect of a dividend to unsecured creditors.

6.4 The third objective is to realise property in order to make a distribution to secured or preferential creditors. This objective has already been achieved as there have been payments to Bibby and Lloyds, secured creditors of the Company.

7 JOINT ADMINISTRATORS' PROPOSALS AND EXIT ROUTE

7.1 The Joint Administrators' Proposals for achieving the objective of Administration are attached at Appendix A.

7.2 Ordinarily the Joint Administrators would seek approval of the Proposals at a meeting of the creditors of the Company. However, in this case, as there is little likelihood of a dividend being available for unsecured creditors, the Joint Administrators are dispensing with the requirement to hold such a meeting as allowed by Para 52(1)(b) of Schedule B1 to the Act.

7.3 Creditors whose debts amount to at least 10% of the total debts of the Company, may request a meeting. Any requests for an initial creditors' meeting must be made in writing to this office using Form 2.21B (available on request) by 8 February 2011. Security for the costs of holding the meeting must also be provided.

7.4 If no meeting is requested, the Proposals will be deemed to have been approved.

7.5 Once approved, the affairs of the Company will be managed in accordance with the Proposals and financed out of asset realisations.

7.6 Once the Administration has been finalised, and if there are insufficient funds available to allow a distribution to unsecured creditors, the Joint Administrators will file a Notice with the Registrar of Companies that the Company be dissolved. Alternatively, if there are assets still to be realised or investigations concluded but there will be no return to unsecured creditors, the Company may be placed into Compulsory Liquidation.

8 EXTENSION OF ADMINISTRATION

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

8.2 In certain circumstances it may be necessary to extend the Administrators' term of office. In the circumstances of this case, this may be done for a specified period not exceeding six months with the consent of each secured creditor of the Company.

8.3 The appropriate body of creditors will be contacted in due course should an extension be required.

9 PRE-ADMINISTRATION COSTS

9.1 Pre-administration costs are defined as

- Fees charged, and
- Expenses incurred

by the Administrator, or another person qualified to act as an insolvency practitioner before the company entered Administration (but with a view to its doing so) "Unpaid pre-administration costs" are pre-administration costs which had not been paid when the company entered Administration

9.2 Pre-appointment fees charged and expenses incurred by the Joint Administrators in the period prior to their appointment are summarised below

Charged by	Services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Leonard Curtis	Pre-appointment advice and administration and negotiation of the sale of the business	£1,560	Nil	n/a	£1,560
Charles Taylor	Valuation of plant & machinery	£2,000	Nil	n/a	£2,000
Cerberus Recoveries	Analysis of the debtor ledger and recommendations for maximising realisations	£3,000	Nil	n/a	£3,000
TMG Corporate Finance PLC	Valuation of goodwill	£2,000	Nil	n/a	£2,000
Stripes Solicitors	Appointment documentation and sale agreement	£3,040	Nil	n/a	£3,040

9.3 In the period prior to the administration, Leonard Curtis provided insolvency advice to the Company and carried out an assessment of its financial position with a view to establishing the appropriate insolvency procedure for the Company. In addition, Leonard Curtis was involved in negotiating the sale of the business.

9.4 Charles Taylor was requested to provide an assessment of the likely realisable value of the Company's plant and machinery.

9.5 TMG Corporate Finance LLP was instructed to value the goodwill of the Company.

9.6 Following the decision to place the Company into administration, further costs were incurred by Leonard Curtis and Stripes Solicitors in dealing with the formalities associated with placing the Company into administration and drafting the sale agreement.

9.7 Cerberus Recoveries was instructed to conduct an analysis of the book debt ledger in order to advise how to maximise the Company's equitable interest in the book debt ledger.

- 9 8 The payment of unpaid pre-administration costs (set out above) as an expense of the Administration is subject to the approval of the appropriate class of creditors, separately to the approval of the Administrators' Proposals. In this case, the Joint Administrators are required to seek the approval of the secured creditors to this resolution.

10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 10 1 As there is little prospect of a dividend being available for unsecured creditors, the Joint Administrators are required to agree the basis of their remuneration with the secured creditors.
- 10 2 The remuneration of the Joint Administrators may be fixed either as a percentage of the value of the property with which they have to deal, as a set amount or by reference to the time spent. In this case the Joint Administrators are requesting agreement to the latter.
- 10 3 Enclosed at Appendix E is a summary of the Joint Administrators' time costs to date. The summary shows that time costs of £13,290 have been incurred which represents 49.5 hours at a rate of £268.48 per hour. Further details of my firm's charge-out rates and policy regarding the recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix F. Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded from <http://www.leonardcurtis.co.uk/downloads>. For the purposes of this report, the relevant guide is "Administration Guide – company entering administration on or after 6 April 2010 – other offices". If you would prefer this to be sent to you in hard copy please contact Jennifer Rayner of this office on 0161 767 1250.
- 10 4 The Joint Administrators also require approval in respect of the basis upon which they recharge internal disbursements that include an element of allocated costs. These are known as Category 2 costs and the basis of the calculation of their recharge is also detailed in Appendix F. 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 items such as case advertising and travel costs. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and storage of company records.
- 10 5 The outcome of the voting on remuneration will be communicated to creditors in due course.

11 ANTICIPATED OUTCOME AND RELEASE OF ADMINISTRATORS FROM LIABILITY

- 11 1 As soon as all outstanding matters in the Administration have been attended to it is anticipated that we will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically to dissolution.
- 11 2 The appointment of the Joint Administrators will cease as soon as this notice is issued.
- 11 3 It is ordinarily for the creditors to fix the date upon which the Joint Administrators are discharged from liability in respect of any action of theirs during the Administration. However, as it is considered that there is little prospect of a dividend to unsecured creditors in this case, we are required to obtain approval to this resolution from the secured creditors. The appropriate class of creditor will be contacted directly in this respect.

12 CONCLUSION

12.1 It is important that you give careful attention to this report and its Appendices

12.2 Creditors will be notified of the outcome of voting in due course

Should you have any queries or require any further clarification please contact Jennifer Rayner at my office, in writing. Electronic communications should also include a full postal address

for and on behalf of
PATON BROWN LIMITED



J M TITLEY
Joint Administrator

Licensed in the UK by 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

APPENDIX A

JOINT ADMINISTRATORS' STATEMENT OF 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.

APPENDIX B

ESTIMATED FINANCIAL POSITION AS AT 7 DECEMBER 2010

	Notes	Book value £	In Administration £
Assets specifically pledged			
Book debts	1	217	197
less Bibby	2	(159)	(159)
Surplus as regards Bibby		<u>58</u>	<u>38</u>
 Goodwill	3	-	25
Land and Buildings	4	945	650
less Lloyds	5	(483)	(483)
Surplus as regards Lloyds		<u>462</u>	<u>192</u>
 Available to Mary Cooper		462	192
Less Mary Cooper		(230)	(230)
Surplus/(deficiency) as regards Mary Cooper		<u>232</u>	<u>(38)</u>
 Assets not specifically pledged			
Surplus from Bibby		58	38
Surplus from Mary Cooper		232	-
Surplus as regards Financed Assets	6	349	-
Tangible Assets	7	133	25
		<u>772</u>	<u>63</u>
 Preferential creditors		(1)	(1)
Net property available for prescribed part	8	<u>771</u>	<u>62</u>
 Prescribed part	9	n/a	n/a
 Available for unsecured creditors		<u>771</u>	<u>62</u>
 Unsecured creditors	10		
H M Revenue & Customs – PAYE / NI		(125)	(125)
H M Revenue & Customs - VAT		-	-
Trade and expense creditors	11	(387)	(387)
Total value of unsecured creditors		<u>(512)</u>	<u>(512)</u>
 Estimated surplus/ (deficiency) as regards unsecured creditors		<u>259</u>	<u>(450)</u>

NOTES TO THE ESTIMATED FINANCIAL POSITION

All book values have been taken from the Company's latest financial information or from valuations obtained upon administration by independent valuers. It should be noted that no provision has been made for the costs and expenses of the administration.

1 Book debts

The Company's book debt ledger is assigned to Bibby pursuant to a factoring agreement dated 9 November 2010.

The balance of the book debt ledger at the date of administration was £216,756 and collections to date are £103,674. The book debt ledger has been independently reviewed by Cerberus Recoveries, who anticipate that the total collections will equate to approximately £197k.

2 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 £158,874, subject to interest and charges, pursuant to an invoice discounting agreement. Bibby is in the process of collecting out the book debt ledger and their collections to date amount to £103,674. It is anticipated that a surplus will be available to the administrators.

3 Goodwill

TMG Corporate Finance valued the Company's goodwill at £15,000. The Purchaser's offer included an offer for goodwill of £25,000. This was in excess of TMG's valuation and was recommended for acceptance.

4. Land and Buildings

Independent agents, Eddisons Commercial Limited, provided a valuation of the leasehold properties. Eddisons advised that this asset had a value in the range of £500k to £650k.

5 Lloyds

Lloyds holds security in the form of a mortgage with a fixed and floating charge over the Company's undertaking and assets dated 5 November 2008 and registered on 11 November 2008 and also security in the form of fixed and floating debenture created on 22 July 2009 and registered on 24 July 2009.

At the date of Administration, the Company owed Lloyds £483,401, subject to interest and charges.

6 Financed Assets

Independent agents, Charles Taylor, provided a valuation of the physical assets including the equitable values in those assets subject to finance. Charles Taylor advised that the financed assets had no equitable value.

7. Tangible assets

Independent agents, Charles Taylor, provided a valuation of the physical assets including the equitable values in those assets subject to finance. Charles Taylor advised that the unencumbered physical assets, which consisted of plant and machinery, office fixtures and fittings, other equipment, stock and work in progress, had a value of between £20,000 and £37,500. An offer to purchase the tangible assets for £25k was accepted.

8 Preferential Creditors

With effect from 15 September 2003 preferential status has been abolished for debts owing to HM Revenue and Customs. Such debts rank alongside other unsecured non-preferential creditors' claims. The claims which remain preferential are those of employees in respect of wages (up to £800 per employee) and holiday pay.

9 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.

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.

10 H M Revenue & Customs

The Crown liabilities relate to arrears of PAYE and National Insurance contributions.

11 Trade & Expense Creditors

The unsecured creditor balances have been extracted from the Company records and should not be regarded as agreed amounts.

12 No provision has been made in respect of the costs and expenses of the administration

APPENDIX B (continued)

CREDITORS LIST FOR THE ESTIMATED FINANCIAL POSITION

Name	Address	Preston Street Willow Park Business centre	Gorton	Manchester Clayton-Le- Moors	Per Statement of affairs £
A S T Express Ltd	Express Building			M18 8DB	3,596 13
ABPS (North West) Ltd	Unit 3		Lower Barnes Street	BB5 5SW CT15	863 63
Absolute Graphix	Unit 6, Swanton Farm	Swanton	Lydden	7EY	138 53
Albury Asset Rentals	PO Box 6227	Basingstoke	RG21 4YQ		1,688 08
Anglo American Antiques & Apex Cut & Crease	Collectibles Ltd	Alton Works	Harwood Rd, Heaton Mersey	Stockport, Cheshire	204 07
Auto Windscreens Ltd	Unit 10	Hillgate Business Centre	Swallow Street	Stockport	757 91
BT Business Direct Ltd	Britannia House	Storforth Lane	Chesterfield	Derbyshire	126 25
British Telecom	Direct House	Wingates Industrial Park	Westthoughton	Bolton	7 46
Buhrs UK Ltd	Pavilion A	Ashwood Park	Ashwood Way	Basingstoke	50 93
CF Asset Finance Limited				RG23 8BG	946 32
Calor Gas Ltd	Athena Drive	Tachbrook Park	Warwick		2,464 12
Cathedral Leasing Limited	300 Relay Point	Relay Drive	Tamworth	CV34 6RL Staffs	51 98
Cheshire Bottled Gas	Unit 4	Peel Street	Stalybridge	B77 45P SK15	986 73
Chess Plc	Bridgford House	Heyes Lane	Alderley Edge	1PT	502 50
Chubb Fire & Security Ltd	400 Dallow Road	Luton		SK9 7JP	818 07
Continua Limited	5 Sundon Business Park	Dencora Way	Luton	LU1 1U	470 59
Daisy Telecoms	Empire House	Halifax		LU3 3HP	10,926 67
David A Duxbury	Control Systems Engineer	11 Baden Terrace	Ewood	HX1 1SP	-4 89
Davis Blank Furniss	90 Deansgate	MANCHESTER	M3 2QJ	BB2 4LT	96 75
De Lage Landen	De Lage Landen Leasing Ltd	PO Box 430, Building 7	Croxley Green Business Park	WD18 8EZ W1W	953 75
Direct Marketing Assoc	DMA House	70 Margaret Street	LONDON		1,961 68
Druckfarben	1 Virage Business Park	132-134 Stanley Green	Poole	8SS BH15	2,492 81
					213 51

Paton Brown Limited - In Administration

E Petch Printers Ltd	3 Waterloo Road	Stalybridge	Cheshire	SK15 2AU	3AP	7,484.82
E ON Energy	Westwood Way	Westwood Business Park	Coventry	CV4 8LG		1,226.90
Eascut Grinding Co Ltd	Leestone Road	Wythenshawe	MANCHESTER	M22 4RN		47.55
Ecolab Ltd	Chancery House	St Nicholas Way	Sutton	SM1 1JB		117.36
Elliot Baxter & Company Ltd	Central Way	Feltham	Middlesex	TW14 0RX		5,286.45
Empire Envelopes	30 Evans Business Centre	Manchester Road	Bolton	BL3 2NZ		8,693.54
Enterprise Manchester	Partnership Ltd	Lancaster House,	Centurian Way		PR26	
Experian Limited	Accounts Receivable	Talbot House	Talbot Street	Lancashire	6TX	95.88
Express Electrical Dist Ltd	Miry Lane	Wigan	Nottingham	NG1 5HF		190.33
FTS	6 Hanlith	Stonydelph	TAMWORTH	WN3 4AF		3.08
First 4 Print Finishing	Unit 5, Cunliffe Road	Whitebirk Industrial Estate	Blackburn	B77 4BP		204.00
Foldermatics Ltd	Cheethams Mill Industrial Park	Unit 40, Park Street	Cheshire	BB1 5SR		3,162.50
Gardiner Colours Limited	Douglas House, Ripley Drive	Normanton Ind Estate	Normanton	SK15 2BT		4,686.23
Gortons	Stanmore House	64/68 Blackburn Street	Radcliffe	WF6 1QT		467.12
Greys Packaging Ltd	Novers Hill Trading Estate	Bedminster	Bristol	M26 2JS		6,500.00
Grosvenor Packaging Limited	Unit 10	Shepley Industrial Estate	Audenshaw	BS3 5QY		166.84
Herdelberg Graphic	69-76 High Street	Sth	Middlesex	M34		3,981.25
Heritage Envelopes Ltd	Heritage House	BRENTFORD	Blackburn	5DW		4,141.38
Houghtons Waste Paper Ltd	York Street Mill	Davyfield Road	Manchester	TW8 0AA		19,930.32
Howard Smith Paper (Scotland)		Audenshaw	Manchester	BB1 2LU		178.60
ING Lease (UK) Limited	60 High Street	Redhill	Surrey	M34 5TN		2.87
Ian Thompson Cooper	8 Dovercourt Ave	Heaton Mersey	Stockport	RH1 1NY		9,756.29
Indicator Limited	Calgarth House	39-41 Bank Street	Ashford	SK4 3QB		3,475.06
Innkeepers Lodge	271 Wellington Road North	Heaton Chapel	Stockport	TN23		
Isoqar Ltd	Cobra Court	1 Blackmore Road	Stretford	1BA		298.00
J & G Environmental Ltd	J & G House	Holland Way Industrial Estate	Blandford	SK4 5BP		1,097.76
J M Computing	Riverside	Agecroft Road	Manchester	M32 0QY		2,150.25
James Brandwood & Co Ltd	Unit 1	Thames Industrial Estate	Higher Ardwick	DT11		
Keyways Security Systems	337 Hale Road	HALE BARNES	Altrincham	7TA		0.00
				M27 8SJ		3,132.95
				M12 6BZ		664.48
				WA15		
				8SX		165.68

Paton Brown Limited - In Administration

LPL Commercial Investigations Leigh Autos	Newbury House Units 1 & 2	890-900 Eastern Avenue New Zealand Road	Newbury Park Stockport	ILFORD,Essex SK1 4AG	IG2 7HH NN11	405 29 67 89
Mailing & Mechanisation	Thistle House, Unit 18 Bates Ind Estate	Baird Close, Drayton Fields Church Road	Daverity Harold Wood	Northants Romford, Essex	8RY RM3 0HU	399 41 1,357 13
Mailing Technology & Support	Unit 6 Crossland Ind Estate	Stockport Road West	Bredbury	Stockport	SK6 2BR	3,911 52
Manchester Laminators Ltd	Alpha Point	Bradnor Road	Sharston	Manchester	M22 4TE	286 86
Manchester Vending Services	Greengate	Middleton Junction	M24 1RU			18,923 98
Matthews Transport						
Medicines & Healthcare	Products Regulatory Agency	Market Towers	1 Nine Elms Lane	London	SW8	2,740 00
Mercedes-Benz Financial	Services UK Ltd	Burystead Court	Caldecotte Lake Drive	Milton Keynes	5NQ	2,819 64
Mercury Labels Ltd	Foxtom House	Watts Street	Chadderton	Oldham	MK7 8ND OL9 9LQ	1,617 96
Meridian Business Support	Roberts House	manchester Road	Altrincham	WA14 4PL		1,891 38
Mono Alarm Installations Ltd	New Hall	Liverpool Road	Eccles	Manchester	M30 7LJ	41 19
Monotype Imaging Ltd	Unit 2, Perrywood Business Prk	Salfords	Redhill	Surrey	RH1 5DZ	38 78
Morgana Systems Ltd	Post Returned					1,072 74
New Beech Garage	1 Weybrook Road	Blackbrook Trading Estate	Manchester		M19 2QD	3,483 66
Norpak Machines Ltd	Post Returned					262 27
North West Paper Group	182 Walton Summit Centre	Preston	Lancashire		PR5 8AJ	9,840 55
Northern Guillotine Services	7 Blakelaw Drive	Brighouse	West Yorkshire		HD6 4LP	707 12
One Stop Finishers Ltd	Unit 3b	Gray Street	Denton	Manchester	M34 3RU	94 00
Opal Telecom	Account Number PAT5168	Northbank Industrial Park	Irlam	Manchester	M44 5BL CF83	350 93
PHS Group plc	Western Industrial Estate	Caerphilly			1XH	215 59
Paper 4 Print	Unit 1 Petersgate Mill	Moss Lane	Walkden, Worsley	Manchester	M28 3NN	5,262 64
Paton Brown Pension Fund	Trafford House	Chester Road	Manchester		M32 0RS	22,276 05
Pelican Press	20 Pollard Street East	Eastlands	Manchester	M40 7ET		25,608 24
Pendragon Presentation	Packaging Limited	The Haysfield	Maivern	Worcestershire	WR14 1GF	11 75
Perfect Colours Ltd	Unit 2	Glengall Business Centre	43-47 Glengall Road	London	SE15 6NF	170 47
Phil Turner	Freelance Graphic designer	297 Bramhall Lane South	Bramhall	Stockport, Cheshire		150 00
Point Control Print Finishers	Unit 5 Enterprise Court	Huncoat Business Park	Accrington	Lancashire	SK7 3DW BB5 6TS	435 00
Polyprint Mailing Films Ltd	Mackintosh Road	Rackheath Ind Estate	Rackheath	Norwich	NR13	1,193 88

Paton Brown Limited - In Administration

Printaply	Highfield Lane	Sheffield	6LJ	143 36
Printers Cloth Co Ltd	Hammerton House	Hammerton Street	S13 9NA	218 95
Printsoft Systems Ltd	2nd Floor, The Pavilion	Towers Business Park	BD3 9RD	4,367 58
Probind UK	Unit 40, Phoenix Ind Estate	Cheetham Street	M20 2LS	97 00
Puma Source Ltd	85-87 Bayham Street	London	M35 9DS	1,204 23
Quantum Digital Solutions Lt	2 Glebelands Road	Sale	NW1	919 45
Quartix Ltd	Chapel Offices	Park Street	0AG	0 00
RECYPACK QUALITY PACKAGING	2nd Floor	3 Brindley Place	M33 6LB	529 60
Red Rose Packaging Ltd	C/O Newby Packaging Ltd	Newby Road Ind Estate	SK7 5DA	292 06
Royal Mail	Credit Management	Stone Hill Road	BL4 9XX	44,175 40
SCR Envelope Solutions Ltd	Century House	Millenium Drive	LS11 5BP	408 08
Safety Shop	Brady Corporation Ltd	Unit 14, Widernere Ind Estate	OX16	177 98
Safetynet Solutions Ltd	17 Macon Court	Crewe	3JU	102 23
Sage UK Limited	North Park	Newcastle Upon Tyne	CW1 6EA	213 45
Service Offset Supplies	Graphic House	Burnden Industrial Estate	BL3 2NG	124 18
Servistec	Servistec House	7 Bailey Road	M17 1SA	451 07
Shell Uk Downstream Oil	Stockport Road	Levenshulme	2,234 25	
Siemens Financial Services Ltd	Seflon Park	Bells Hill	SL2 4JS	734 10
Sky Scaffolding Ltd	Unit 5	Sandford Lane	M19 3BJ	6,345 00
Southern Electric	PO Box 17	Havant		907 26
Spectrum Plastics	Mersey Street	Stockport	SK1 2HX	840 13
Staley Developments Ltd	Estates Office	Enville	DY7 5HD	17,672 99
Stockport Cutting Formes	Unit 15	Hilgate Business Centre	SK1 3AU	579 29
TNT Post North Ltd	Unit E, Orbital 24	Oldham Street	M34 3SU	1,242 45
Tameside Ink Company Limited	Cheethams Mill Industrial Park	Park Street	SK15	0 08
The Image Group	Barton Hall	Hardy Street	2BT	313 73
The Leaflet Company	1 Gunpowder Square	Fleet Street	M30 7NB	1,362 32
The Simple Wordsmith	27 Marfield Road	Hale Barns	EC4A	827 15
The Willow Bank Hotel	340 Wilmslow Road	Fallowfield	3EP	450 00
			M14 6AF	

Paton Brown Limited - In Administration

Tower Supplies	Business Lodge	Europa House	Barcroft Street	BURY Nuneaton, Warks	BL9 5BT CV10 7QR CV34 5AR HP2 7YJ M24 4EF WA1 1BB OL7 0QN SK6 2SU UB8 1HS BN14 8SF BN14 8RJ BN12 4SE	642 49 16,212 66 3,387 43 210 94 67 93 70 50 1,987 34 9 98 6,736 00 817 80 2,966 27 2,202 01 33,217 99 125,024 28 0 00 757 22 3,750 82 3,854 02 0 00 0 00
U P S Limited	AR Dept	Gresham Road	Bermuda Ind Estate			
UK Changes	Grand Union House	Budbrooke Road	Warwick			
UKOS PLC	Oasis Centre South	Enterprise Way	Hemel Hempstead	Herts		
United Utilities (water)	Po Box 12	Middleton	MANCHESTER			
WA Hutton & Co	37 School Lane	Heaton Chapel	Stockport	SK4 5DE		
Weststaff c/o Fortis Personnel	1 Springfield Street	Warrington				
Wurth Trade Counter	Unit 9, Alexandria Drive	Off Lord Sheldon Way	Ashton-U-Lyne			
Wyndeham Pmt Direct Ltd	Castlehill Industrial Park	Horsfield Way	Bredbury	Stockport		
Xen Courier Ltd	120/122 Grosvenor Street	Manchester	M1 7HL			
Xerox Finance	Dept 21, Waterside	Bridge House	80 Oxford Road	UXBRIDGE		
Xerox Office Supplies	PO Box 4202	Worthing	West Sussex			
Xerox Uk Ltd	PO Box 4017	WORTHING	West Sussex			
HM Revenue & Customs	Durrington Bridge House	Barrington Road	Worthing	West Sussex		
Close Asset Finance Ltd	Unit D	Telford Court	Chester Gates	CH1 6LT		
Telefonica O2 UK LTD	C/O Drydens Lawyers	Shire House	2 Humboldt Street	Bradford		
British Gas	PO Box 254	Camberley	Surrey			
Easy Invoice Finance LTD	4 Regency Chambers	Jubilee Way	Bury	Lancashire		
Bibby Financial Services Limited	Suite E, Magnetic House	Salford Quays	Manchester, Lancashire			
Lloyds Banking Group	2nd Floor, Bank House	Wine Street	Bristol			
Total						512,106 04

Bibby Financial Services Limited has security in respect of a debenture incorporating fixed and floating charges over the assets of the Company

State Securities PLC has a supplemental chattel mortgage over specific assets of the Company None of the other creditors has security

APPENDIX C

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS FROM
7 DECEMBER 2010 TO 28 JANUARY 2011

	Statement of Affairs £	Received to date £	Received by Bibby £
RECEIPTS			
Book debts	197,000	-	103,674
Licence Fee	-	11,978	-
Goodwill	25,000	10,000	-
Land and buildings	650,000	-	-
Tangible assets	25,000	10,000	-
	<u>897,000</u>	<u>31,978</u>	<u>103,674</u>
PAYMENTS			
Bibby	158,874	-	103,674
Lloyds	483,401	21,978	-
Bank Charges	-	80	-
Statutory Advertising	-	76	-
		<u>22,134</u>	<u>103,674</u>
BALANCE IN HAND		<u>9,844</u>	<u>-</u>

**INFORMATION IN RELATION TO THE PRE-PACKAGED SALE
OF THE BUSINESS AND ASSETS IN ACCORDANCE WITH
THE PROVISIONS OF STATEMENT OF INSOLVENCY PRACTICE 16**

1. Source of Joint Administrators' Initial Introduction

Royal Bank of Scotland Invoice Finance Limited ("RBSIF") requested Leonard Curtis complete an independent review of the Company in September 2010. The conclusion of the report was that the Company would need to increase sales by 12% whilst continuing recent cost savings to increase gross profit by 9% points.

Following this advice the directors negotiated a new invoice financing agreement with Bibby Factors Manchester Limited ("Bibby") to replace the RBSIF facility.

Unfortunately the lost sales revenue was not replaced and Bibby was unwilling to release further funding to the Company, in its current form. At this stage the directors approached Leonard Curtis for formal insolvency advice.

2 Extent of Joint Administrators' involvement prior to appointment

As stated above, following an independent business review carried out by Leonard Curtis at the request of RBSIF in September 2010, the directors of the Company approached Gortons who referred the directors to Leonard Curtis in October 2010 for some advice on the options available to the business in the event that the lost sales revenue could not be replaced.

The directors considered that the lost revenue could not be replaced and instructed Leonard Curtis to conduct an assessment of the Company's financial position. It was clear that the Company was insolvent in that it was unable to pay its debts as and when they fell due.

The Company was under considerable cashflow pressure and was experiencing significant difficulties in settling outstanding trade liabilities and enforcement action was considered to be imminent. It was clear that the business could not continue for much longer in its current form.

Leonard Curtis advised that administration was the most suitable insolvency procedure for the Company. This procedure would protect the business from enforcement action and would allow the business to be preserved whilst the possibility of selling the business as a going concern was explored. As a result, John Titley and Andrew Poxon of Leonard Curtis were instructed to arrange for valuations of the Company's assets to be undertaken. It was acknowledged by the director that the intention was for the proposed Administrators (Messrs Titley and Poxon) to identify a purchaser of the business and finalise a sale as soon as possible following their appointment as Joint Administrators.

3. Marketing

Following the advice received above the directors expressed an interest in acquiring the business and assets and submitted an offer of £50,000.

Independent valuations of the Company's assets were obtained (detailed below) and discussions were held with the appointed agents regarding the possibility of offering the business for sale on the open market. There were a number of considerations that led us to the view that marketing the business was not in the best interest of creditors.

The principal concern was the effect that marketing could have on the customers' confidence. The Company's customers were clients whose custom was dependent upon close working relationships with the directors. There was considered to be a significant risk of customers seeking alternative suppliers and consequently the erosion of the Company's goodwill value, if the business was marketed.

It was also considered that marketing the business could severely affect the collectability of the debtor ledger, which was the principal asset of the Company. Marketing the business could have worsened collections if some of the customers had terminated their relationship due to uncertainty over the Company's future.

In addition the offer received from the director had been recommended for acceptance by our agents who considered that marketing the business was unlikely to result in an increased offer but may conversely devalue the goodwill and have a negative impact on debtor collections.

4. Valuations obtained

Category of asset	Note	Book value £	High value £	Low value £	Value achieved £
Goodwill	1	-	15,000	-	25,000
Tangible Assets	2	133	37,500	20,000	25,000
Total		133	52,500	20,000	50,000

Definitions

Book Value - The book value of assets has been extracted from the Company's latest full set of financial statements as at 31 August 2010.

High Value - This value is considered to be the best price at which the Company assets could be sold assuming a willing buyer and willing seller and after conducting a reasonable amount of marketing.

Low Value - This value is an estimate of the lowest value which could be expected to be achieved for the assets if sold on a break-up basis.

Value achieved - This is the value that was achieved for the business.

4.1 Goodwill

TMG Corporate Finance LLP ("TMG") provided the valuation in respect of the Company's goodwill.

In valuing the goodwill, TMG considered,

- Discussions with the director and Company accountants regarding recent trading and company history,
- Financial statements for the periods ended 31 August 2010, 2009 and 2008 which included a comparison for the year ended 31 March 2007,
- Industry research into current market conditions and future expectations,
- An analysis of recent sales of businesses in the sector and a market competitor overview.

TMG concluded that the goodwill had a valuation of £15,000. £25,000 of the director's offer was attributed to the goodwill of the business. In addition it was agreed that 10% of any profit made by the Purchaser during the first 12 months of trading will be paid to the Administrators.

As this offer exceeded the valuation provided, TMG recommended that this offer be accepted.

4.2 Tangible Assets

Independent agents, Charles Taylor, provided a valuation of the physical assets. The values attributed to the assets are shown in the above table. The book value of the tangible assets is taken from the balance sheet included in the Company's accounts for the year ended 31 August 2010. Charles Taylor advised that the Company owns office furniture and equipment that whilst useable has a minimal commercial resale value. Stock was at very low levels due to cash flow restrictions by November 2010. The Company purchased stock on an "as required" daily basis. In order to remain competitive, the Company had invested heavily in new technology to ensure that product quality and the speed of delivery met the clients' expectations. The majority of the Company's plant and its equipment are subject to a range of finance agreements. Charles Taylor advised that the tangible assets had a value of between £20,000 and £37,500. £25,000 of the director's offer was attributed to the Company's tangible assets. After considering the sale as a whole, Charles Taylor recommended that the director's offer be accepted.

5 Alternative courses of action considered by the Joint Administrators

- Liquidation

The director could have placed the Company into voluntary liquidation which would have resulted in the closure of the business and realisation of the assets on a piecemeal basis. This would have resulted in reduced asset realisations, particularly with regard to goodwill.

Furthermore, had the Company ceased to trade, the Company's obligations to its customers would have been unable to be fulfilled impacting on the collectability of the Company's debts and possibly resulting in increased creditor claims. All employment contracts would have terminated which would have given rise to preferential claims in respect of arrears of wages and holiday pay, in addition to an increase in unsecured creditors in respect of pay in lieu of notice and redundancy pay. The above would have resulted in a worse overall position for creditors.

- Company Voluntary Arrangement ("CVA")

The director could have put a proposal to the Company's creditors for the implementation of a CVA. However, given the lack of profitability within the business and the level of creditors, this option was not considered viable.

- Administration

It was considered that administration would prevent enforcement action being commenced / continued against the Company. Furthermore, administration would allow a sale of the business to be negotiated which would result in improved realisations with particular regard to goodwill and result in higher debtor book collections. If the Purchasing Company is able to novate the lease for the rented premises, this will mitigate any unsecured claims from the Company's landlords. Administration would also mitigate claims from employees resulting in an overall better position for creditors.

6 Why it was not appropriate to trade the business and offer it for sale as a going concern during the Administration?

Trading whilst in administration was not viable for the following reasons:

- The business had minimal assets with which to cover any trading losses in administration. Trading the business would have resulted in increased professional costs in addition to overheads associated with trading. These costs would be paid as an expense of the administration. The proposed administrators did not consider that trading the Company would result in an increase in

realisations sufficient to outweigh the costs associated with trading. It was considered that trading the Company would result in less funds being available to creditors.

- The business was heavily dependent upon the personal contacts of the director. Any period of trading in administration would have been likely to damage these relationships thus reducing the value of the business.
- Trading the business would not have guaranteed an improved offer for the purchase of the assets and may, conversely, have devalued the goodwill and reduced book debt realisations.
- The management accounts indicated that the Company was incurring losses. This, coupled with uncertainty over the level of future orders in an insolvency scenario introduced a significant level of risk for the Administrators in connection with trading the business.

7 Requests made to potential funders to fund working capital requirements

The directors had arranged for a new invoice financing agreement with Bibby. The new facility did not result in the required level of funding being available to the Company and Bibby were not prepared to release further funds due to the level of unsecured creditors of the Company.

8 Efforts made to consult with major creditors

The sale of the business was discussed in detail with Bibby, Lloyds and representatives of Mary Cooper, the debenture holder. The Company's landlords and major finance creditors were also made aware of the situation.

The Company was experiencing significant creditor pressure and it was considered that to consult with ordinary unsecured creditors prior to the administration could have resulted in enforcement action being taken, which would have had an adverse impact on the likelihood of a going concern sale being achieved.

9 Provide the date of the transaction

The business and assets of the Company were sold on 7 December 2010, immediately following the appointment of the Joint Administrators.

10 Details of the assets involved and the nature of the transaction

The assets sold to the Purchaser (to the extent that the Company had a right, title or interest to sell) are summarised below:

Category of asset	Value achieved £
Goodwill	25,000
Tangible Assets	25,000
Total	50,000

In addition 10% of the first year's profits will be payable to the Administrators in further consideration for the Company's goodwill.

11 Consideration paid, terms of payment and any condition of the contract that could materially affect the consideration

The total sales consideration of £50,000 is to be paid as follows

Payment date	£
On completion	10,000
31 December 2010	10,000
31 January 2011	10,000
28 February 2011	10,000
31 March 2011	10,000
Total	<u>50,000</u>

The deferred consideration is secured by a debenture over the purchaser and a personal guarantee by Ian Cooper

12 Description of the other aspects of the transaction if the sale is part of a wider transaction

The sale is not part of a wider transaction

13 Identity of the purchaser

The Purchaser of the business and assets is Postal Vote Solutions Limited (CRN 04604336) an associated company as defined by section 435 Insolvency Act 1986 (as amended) by virtue of having a common director

14 Provide details of any connection between the purchaser and the director, shareholders or secured creditors of the company

The Purchaser and the Company have common directors

15 Names of director (or former director) who are involved in the management or ownership of the Purchaser, or of any other entity into which any of the assets are transferred

Ian Cooper and Duncan Ethendge

16. Detail whether the director had given guarantees for amounts due from the Company to a prior financier, and whether that financier is financing the new business

Ian Cooper had personally guaranteed the overdraft, credit card and loan facility with Lloyds Lloyds are not involved with the Purchaser

Ian Cooper personally guaranteed the invoice finance agreement with Bibby Bibby are providing an invoice finance agreement for the Purchaser

17. Options, buy-back arrangements or similar conditions attached to the contract of sale

None

APPENDIX E

SUMMARY OF JOINT ADMINISTRATORS TIME COSTS FROM 7 DECEMBER 2010 TO 28 JANUARY 2011

	Director		Senior Manager		Manager 1		Manager 2		Administrator 1		Administrator 4		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	-	-	-	-	-	-	15	390 00	-	-	-	-	15	390 00	260 00
Assets	25	987 50	-	-	-	-	14	364 00	5	105 00	-	-	44	1,456 50	331 02
Liabilities	-	-	-	-	10	300 00	98	2,548 00	-	-	-	-	108	2,848 00	263 70
Landlords	-	-	-	-	-	-	-	-	10	210 00	-	-	10	210 00	210 00
General Administration	-	-	-	-	10	300 00	-	-	15	315 00	46	552 00	71	1,167 00	164 37
Appointment	15	592 50	-	-	-	-	26	676 00	90	1,890 00	-	-	131	3,158 50	241 11
Post Appointment Creds Mtns	-	-	116	4,060 00	-	-	-	-	-	-	-	-	116	4,060 00	350 00

Total	40	1,580 00	116	4,060 00	20	600 00	153	3,978 00	120	2,520 00	46	552 00	495	13,290 00	
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Average Hourly Rate (£)	395 00	350 00	300 00	260 00	210 00	120 00	268 48
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All Units are 6 minutes

LEONARD CURTIS CHARGE OUT RATES AND POLICY REGARDING STAFF ALLOCATION, SUPPORT STAFF, THE USE OF SUBCONTRACTORS AND THE RECHARGE OF 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
(i.e. including VAT) _____

Amount of VAT _____

Details of any document by
reference to which the debt can be
substantiated
(e.g. 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 _____

Notice of a meeting of creditors

Name of Company

PATON BROWN LIMITED

Company number

02281036

In the
HCJ Manchester District Registry

(full name of court)

Court case number
2640 of 2010(a) Insert full name(s) and
address(es) of
administrator(s)

Notice is hereby given by (a) J M Titley & A Poxon of Leonard Curtis
Hollins Mount, Hollins Lane, Bury, Lancashire BL9 8DG

(b) Insert full name and
address of registered office of
the company

that, under paragraph 58 of Schedule B1 of the Insolvency Act 1986 and Rule 2 48 of the Insolvency Rules 1986, the
business of an Initial Creditors' Meeting of (b) PATON BROWN LIMITED,

Calico House Printworks Lane Levenshulme Manchester M19 3JP


will be conducted by correspondence

The resolutions to be considered include resolutions specifying the bases upon which the Administrators' remuneration and disbursements are to be calculated, requesting that unpaid pre-administration costs may be paid as an expense of the Administration, and specifying the date upon which the Administrators are discharged from liability in respect of any action of theirs as Administrators

The closing date for receipt of Forms 2 25B by the Joint Administrators is 14 February 2011 The form must be accompanied by a statement of claim, if one has not already been lodged, and sent to the Joint Administrators' office

Any creditor who has not received Form 2 25B can obtain one from the Joint Administrators' office

Signed


J M Titley - Joint Administrator(s)

Dated

28 January 2011

* Delete as applicable

A copy of the *proposals / revised proposals is attached

Notice of conduct of business by correspondence

Name of Company
PATON BROWN LIMITED

Company number
02281036

In the
HCJ Manchester District Registry

[full name of court]

Court case number
2640 of 2010

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

Notice is hereby given by (a) J M Tittley & A Poxon of Leonard Curtis

Hollins Mount, Hollins Lane, Bury, Lancashire BL9 8DG

(b) Insert full name and
address of registered
office of the company

to the creditors of (b) PATON BROWN LIMITED, Calico House, Printworks Lane,

Levenshulme, Manchester M19 3JP

(c) Insert number of
resolutions enclosed

that, pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, enclosed are (c) Five
resolutions for your consideration Please indicate below whether you are in favour or against each resolution

This form must be received at (d) Leonard Curtis

(d) Insert address to which
form is to be delivered

Hollins Mount, Hollins Lane, Bury, Lancashire BL9 8DG

by 12 00 hours on (e) 14 February 2011 in order to be counted It must be accompanied by
details in writing of your claim Failure to do so will lead to your vote(s) being disregarded

(e) Insert closing date

Resolution 1

That the Joint Administrators' proposals be approved

I am *in Favour / Against

Resolution 2

Under Rule 2 106 of the Insolvency (Amendment) Rules 2010 and in the absence of a Creditors' Committee, the remuneration of the Joint Administrators be fixed by reference to time properly spent by them and their staff in attending to matters arising from the Administration, and the Joint Administrators be authorized to draw remuneration as and when funds are available on account of their time costs

I am *in Favour / Against

Resolution 3

That unpaid pre-administration costs may be paid as an expense of the Administration

I am *in Favour / Against

Resolution 4

For the discharge of Category 2 disbursements as detailed on the attached guide to fees

I am *in Favour / Against

Resolution 5

That the Joint Administrators be discharged from liability under Paragraph 98(3) of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment ceasing to have effect

I am *in Favour / Against

If you require any further details or clarification prior to returning your votes, please contact me / us at the address above

Signed

J M Tittley

Joint / Administrator(s)

Date

28/1/11

TO BE COMPLETED BY CREDITOR WHEN RETURNING
FORM

Name of creditor

Signature

Capacity

(if signing on behalf of creditor, state capacity eg director / secretary)