

The Insolvency Act 1986

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

Name of Company  
Areton International Plastics Limited

Company number  
02606710

In the High Court of Justice, Chancery  
Division, Manchester District Registry  
[full name of court]

Court case number  
3328 of 2008

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

I (a) Gary Bell of Cowgill Holloway Business Recovery LLP, 49 Peter Street, Manchester,  
M2 3NG

\* Delete as applicable

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

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

(b) Insert date

(b 10 October 2008

Signed

Administrator

Dated

10/10/08

**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.

Gary Bell	
Cowgill Holloway Business Recovery LLP	
	Tel 0161 827 1216
Fax Number 0161 827 1211	

When you have completed and signed this form please send it to the Registrar of Companies at

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff



\*A05PX323\*

A11 15/10/2008 105

COMPANIES HOUSE

WEDNESDAY

Cowgill Holloway  
Business Recovery LLP  
49 Peter Street  
Manchester  
M2 3NG  
T 0161 827 1200  
F 0161 827 1211

**STRICTLY PRIVATE & CONFIDENTIAL  
OPEN ADDRESSEE ONLY**

**TO ALL CREDITORS**

Our ref GB/KLB  
Your ref  
Date 10 October 2008  
Please ask for Kellie Bell  
E-mail [kellie.bell@cowgills.co.uk](mailto:kellie.bell@cowgills.co.uk)  
Direct dial 0161 827 1216  
Direct fax 0161 827 1211

Dear Sirs

**ARETON INTERNATIONAL PLASTICS LIMITED - IN ADMINISTRATION**  
**RE. MEETING OF CREDITORS TO CONSIDER THE ADMINISTRATOR'S PROPOSALS**

I am writing with reference to my appointment as Administrator of the above named Company on 18 August 2008

I have now formulated my proposals for consideration by the creditors and, therefore, enclose the documentation detailed below -

- 1 A report of the Administrator's proposals to creditors,
- 2 Formal notice of a meeting of creditors in accordance with paragraph 51 of Schedule B1 to the Insolvency Act 1986,
- 3 A form of proxy to enable you, if you wish, to nominate a representative to attend on your behalf

Finally, when returning the proxy form, please enclose a statement supporting your claim

Yours faithfully

  
**GARY BELL**  
**ADMINISTRATOR**

The affairs, business and property of the Company are being managed by the administrator who acts as the Company's agent

Encs

Business Turnaround  
Business Rescue  
Insolvency

## Notice of a meeting of creditors

Name of Company  
Areton International Plastics Limited

Company number  
02606710

In the High Court of Justice, Chancery  
Division, Manchester District Registry  
(full name of court)

Court case number  
3328 of 2008

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

Notice is hereby given by (a) Gary Bell of Cowgill Holloway Business Recovery LLP, 49 Peter Street,  
Manchester, M2 3NG

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

that a meeting of the creditors of (b) Areton International Plastics Limited, c/o Cowill Holloway Business  
Recovery LLP, 49 Peter Street, Manchester, M2 3NG

(c) Insert details of place of  
meeting

is to be held at (c) 49 Peter Street, Manchester, M2 3NG

(d) Insert date and time of  
meeting

on (d) 27 October 2008 at 11 30am

The meeting is

\*Delete as applicable

\*(1) an initial creditors' meeting under paragraph 51 of Schedule B1 to the Insolvency Act 1986 ("the  
Schedule"),

I invite you to attend the above meeting

A proxy form is enclosed which should be completed and returned to me by the date of the meeting if you  
cannot attend and wish to be represented

In order to be entitled to vote under Rule 2.38 at the meeting you must give to me, not later than 12.00 hours  
on the business day before the day fixed for the meeting, details in writing of your claim

Signed

Administrator

Dated

10/10/08

\* Delete as applicable

A copy of the proposals is attached

**ARETON INTERNATIONAL PLASTICS LIMITED – IN ADMINISTRATION**

**REPORT AND PROPOSALS OF THE ADMINISTRATOR  
PURSUANT TO PARAGRAPH 49 OF SCHEDULE B1  
TO THE INSOLVENCY ACT 1986**

**Gary Bell appointed Administrator on 18 August 2008**

**The affairs, business and property are being managed by the Administrator.**

**The Administrator acts as the Company's agent.**

**STATUTORY INFORMATION**

Date of Incorporation 01 May 1999

Company Registered Number 02606710

Registered Office 49 Peter Street  
Manchester  
M2 3NG

Trading Address Units 47-48 Clywedog Road North  
Wrexham Industrial Estate  
Wrexham  
LL13 9XN

Principal Business Activities Manufacturers, designers, producers and dealers in plastic and plastic products

		<b>Appointed</b>	<b>Resigned</b>
Directors	Avi Zalcman	10 07 07	-
	Eliezer Hadomi	01 08 05	-
	Nadav Goldstein	09 10 07	-
	Michael Radermacher	05 05 08	-
	Amir Ohad	01 08 05	15 04 07
Company Secretary	Micha Tene	10 10 07	-

**Share Capital**

Authorised	Ordinary Shares A	875,000 x £1	£875,000
Allotted, called up and fully paid	Ordinary Shares A	667,000 x £1	£667,000

**667,000 £1                      £667,000**

Shareholders		<b>Ordinary Shares</b>
	Alqemia BV	666,066
	Mark Shaw	934
		<b>667,000</b>

**1      DETAILS OF APPOINTMENT OF THE ADMINISTRATOR**

Gary Bell was appointed Administrator of Areton International Plastics Limited on 18 August 2008

The appointment was made by the directors at the High Court of Justice, Manchester District Registry, Case Number 3328 of 2008

EC Regulations do apply and these proceedings are considered to be main proceedings within Article 3 of the EC Regulations 2002

**2.      CIRCUMSTANCES GIVING RISE TO APPOINTMENT**

Areton International Plastics Limited ("the Company") was incorporated by on 1 May 1991

The Company is part of Kafrit Industries (1993) Ltd, a public company traded on the Tel Aviv stock exchange. The group is ultimately controlled by K K A Holding Limited, a holding company incorporated in Israel which is controlled by Kibbuz Kfar-Aza, a co-operative society in Israel.

The Company was initially a stand alone Company founded in 1991 by Simon Burgess. On 1<sup>st</sup> May 1999 Mark Shaw joined the Company and was appointed director on 31<sup>st</sup> January 2000. Mark Shaw also became a minority shareholder (10%) of the Company.

The Company's principal business activity is that of manufacturers, designers, producers and dealers in additive masterbatches for the plastic industry. Masterbatches are concentrated mixtures of pigments and/or additives in a polymer carrier. The additives included in the masterbatch impact the properties of the final product. A masterbatch is produced by melting and mixing the pure ingredients and re-granulating the mixture. The process is done in twin screw extruders or other mixing equipment. Masterbatches allow the downstream user to process additives and / or colours in a very clean and efficient way during the plastics manufacturing process. The Company operates within the UK and throughout Europe, with a relatively equal split. The Company has a very small market share with sales of less than £5 million worldwide.

The UK masterbatch market is about £265 million (80 000 tons) per year, but has been declining during the last few years as many polymer moulding or extrusion companies reduced capacity or relocated capacity to East Europe or China.

The size of the additive masterbatch UK market, which is the Company's relevant market, is at about 20 000 tons per year and still shows a slow growth of 1 to 2 % per year. There are more than 30 individual producers of masterbatch in the UK, of which 15 produce additive masterbatches and compete directly with the Company. All this makes the market situation in the UK difficult and very competitive.

During the initial years of trade, sales of the Company steadily increased. However, profitability was not increasing in line with projections.

During 1998 to 2001 there was an increase in profitability. The Company was paying regular dividends to its shareholders, of which Simon Burgess was the controlling shareholder with 4,354 ordinary £1 shares.

In October 2003, Kafrit Industries (1993) Limited ("Kafrit") purchased 63% of the Company. The consideration paid was by way of cash and stocks and shares in Constab Additive Polymers (UK) Limited ("CAPUK"), as a combined deal.

On 11<sup>th</sup> November 2003, David Zveda and Amos Epstein, the CEO and the chairman of Kafrit at that time, were appointed Company Directors. On 20<sup>th</sup> November 2003 Mark Shaw resigned as Director and was nominated Company secretary.

Kafrit were keen to establish themselves in the UK as an important market for its product portfolio. The fact that the Company had a local production site with an established customer base was very attractive to Kafrit. Kafrit were also drawn to the Company's unique selling point which they believed to be flame retardant masterbatches.

The masterbatch industry is highly competitive and places a great deal of importance on just in time deliveries, with many customers requiring a fast technical service. A local base provided a fast solution within the industry. Kafrit were also of the opinion that local operations would be an advantage to sell and distribute other products produced by the Kafrit Group of Companies and increasing its production flexibility globally.

On 5<sup>th</sup> January 2004, the trade and certain assets of the Company's subsidiary undertaking, CAPUK, were moved from the original site in Portsmouth into the Company's site in Wrexham in order to enhance the product portfolio and to reduce the cost base going forward, thus increasing profits. CAPUK transferred its two production machines, stock and customers to the Company.

On 26<sup>th</sup> February 2004 David Zveda resigned as director and was replaced by David Shapiro on 9<sup>th</sup> March 2004

The profit and loss account for the year ended 31 December 2004 detailed a loss of £132,654

The profit and loss account for the year ended 31 December 2005 detailed a loss of £240,542

Both David Shapiro and Amos Epstein resigned from their directorships on 31 July 2005. On 1 August 2005, two new directors were appointed, Amir Ohad, Kafrit CEO, and Eliezer Hadomi, Kafrit chairman

On 16<sup>th</sup> August 2005, 13,515 ordinary £1 shares were issued to Kafrit for a consideration of £110,000. These were satisfied by cash at a premium of £7.14 per share over nominal value.

Near the end of 2006 Simon Burgess, the company Managing director then, left the Company and Kafrit bought all his shares for a sum of £41,000.

During 2006, the Company acquired CAPUK and Additive Polymers Limited (Formerly Additive Limited). These two companies were both dormant companies with capital and reserves of £1 each at the year ended 31 December 2006.

The Company realised its investment of £432,940 in CAPUK during 2006 on the Liquidation of that subsidiary. The net effect of the Liquidation was a loss on disposal of £9,150 (write off of £259,672 less a dividend distribution of £250,522).

On 29<sup>th</sup> May 2006, an ordinary resolution was passed increasing the authorised share capital of the Company from £30,132 to £75,000 by the creation of 44,868 Ordinary £1 shares of which 32,353 ordinary £1 shares were issued to Kafrit for a consideration of £127,586.

On 30<sup>th</sup> November 2006, an ordinary resolution was passed increasing the authorised share capital of the Company from £75,000 to £475,000 by the creation of 400,000 ordinary £1 shares. On this date, 250,000 ordinary £1 shares were issued to Kafrit for a consideration of £250,000.



The consideration for both share issues was settled via the capitalisation of part of the intercompany loan balance with Kafrit. In summary, Kafrit capitalised £377,586 of their debt into equity during the year ended 31<sup>st</sup> December 2006.

On 15<sup>th</sup> June 2007 an ordinary resolution was passed increasing the authorised share capital of the Company from £475,000 to £875,000 by the creation of 400,000 £1 ordinary shares. Subsequently, 230,000 £1 ordinary shares were issued to Kafrit at par and satisfied via capitalisation of an intercompany loan balance with Kafrit.

Avi Zalcman, Kafrit CEO, was appointed Company Director on 01<sup>st</sup> July 2007.

On 28<sup>th</sup> August 2007, 40,000 ordinary £1 shares were again, issued at par and satisfied via a capitalisation of the intercompany loan balance with Kafrit.

Nadav Goldstein, Kafrit CFO, was appointed Company Director on 09<sup>th</sup> October 2007.

A further 85,000 ordinary shares were issued at par on 19<sup>th</sup> November 2007, again, satisfied via an intercompany loan balance with Kafrit.

The financial statements for the year ended 31<sup>st</sup> December 2007 detailed a loss in the sum of £536,652 for the year and an insolvent balance sheet total of £53,456 as at 31<sup>st</sup> December 2007. At this time the indebtedness to the Bank and Kafrit amounted to £878,267 and £239,439 respectively.

On 05<sup>th</sup> May 2008, Michael Radermacher, Managing Director of Constab Polymer Additives GmbH, the German sister company of Areton, was the final Director to be appointed.

The directors elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRS). The directors presented their interim report on the affairs of the Company, together with the financial statements for the period ended 30<sup>th</sup> June 2008.

The interim financial statements for the for the six month period ended 30<sup>th</sup> June 2008 detailed a loss of £158,422 and an insolvent balance sheet of £211,878, as at 30<sup>th</sup> June 2008. These interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The Company had been dependant on the financial support of its bankers and its parent undertaking Kafrit in order to continue to trade and meet its debts as they fell due. At the period ended 31<sup>st</sup> December 2007, indebtedness to the Bank and Kafrit amounted to £878,267 and £239,439 respectively. By the six month period end, 30<sup>th</sup> June 2008 indebtedness to the Bank and Kafrit had risen to £1,117,779 and £934,441 respectively.

## **FAILURE**

The directors attribute the failure of the Company to the fact that it was not able to grow business and to gain critical mass.

One of the main reasons for the acquisition of the Company by Kafrit was to promote the cross / group selling, however the directors have advised that this did not prove successful. The transfer of business and know how from CAPUK to the Company did not go as smoothly as planned and a significant part of the former CAPUK business was lost. Exports to areas served by sales personnel of the mother or sister companies also turned out to be more difficult than planned and less profitable than in the past due to increasing competition in certain areas. During 2006 the Company lost its two biggest customers, Dow Europe and Royalite, which accounted for around £ 2,000,000 of its annual turnover. The Company was not able to replace this business. Business in the UK steadily declined since 2004 and, if at all, could only be replaced with lower margin export business.

One of the reasons for Kafrit to acquire the Company was the perceived strong position and unique product portfolio for the flame retardant market. However, it later transpired that the Company's position was not so strong and its product portfolio was limited. This was a factor in the failure of the business.

Since 2005 / 2006 the Company has developed some products in new market segments (foaming agents, wire and cable and fibres). These new applications were then thought to help turn the company around due to higher expected margins and high potential. The Company invested great amounts of resources and marketing effort in order to introduce and promote those products globally. However, the success was very limited and the new products could not replace business that was lost in the traditional markets of the Company.

In February 2007 Kafrit decided to appoint a special interim manager for the Company in order to implement a new turnaround plan and to provide its officers additional support. The plan suggested cutting low margin business, reducing shop floor staff and focusing its trading efforts into the UK market. Later that year Mark Shaw, then the Company managing director, left the Company and Kafrit took over completely and appointed its production manager in Israel to be the Company operational manager. The Company's financing and marketing units reported directly to the group vice president.

In May 2008, Dr Michael Radermacher, managing director of Constab Polyolefin Additives GmbH, the German sister company of Areton, was appointed as the Company's managing director. Dr Radermacher's goals were to stabilize operational and controlling systems, increase efficiency and strengthen inter company relationships.

A further reason for failure was that the Company was not able to build critical mass, as the production volume was too small and the Company's equipment was too old and unreliable. The Company had a typical cost structure of a masterbatcher: raw materials are the major expense and account for 70 to 80% of turnover. The remaining costs are mostly fixed. As the business volume could not be increased, the expected dilution of fixed costs did not happen. The average manufacturing costs per ton were always much higher than the comparable costs at the sister companies. Major capital investment would have been needed to improve the manufacturing equipment and make it more reliable and more efficient. Heavy need for working capital affected the company's cash flow and in some cases raw materials were not available due to suppliers refusing to supply without a meaningful guarantee from the parent company.

During 2006 the bank appointed a specialist in order to follow closely the company affairs and to control its own credit risk more effectively. The company had to provide further debentures to the bank in order to secure its credit lines.

The Company experienced a high fluctuation in staff turnover, in particular in the sales and financial department. It was therefore unable to build customer relationships which further decreased sales and increased its customer uncertainty regarding the company's future and trading position. This further increased tension among the staff and led to low morale.

**ASSIGNMENT DEED**

As at 15 August 2008, the Company's indebtedness to the bank totalled £894,143 18, which was made up as follows

**Barclays Sales Finance**

Balance Outstanding	-£578,012 59
Interest and Commission	-£1,327 90
Termination Fee	-£44,186 58
	<b>-£623,527.07</b>

**Other Accounts**

Bank Account 1	-£203,026 28
Bank Account 2	-£75,816 78
Bank Account 3	-£42,979 81
Bank Account 4	-£38,227 55
US Dollar Account	£0 49
Euro Account	£117,540 66
Barclays Asset Finance	-28,106 84
	<b>-£270,616 11</b>

<b>Total</b>	<b>£894,143.18</b>
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Barclays Bank Plc had the benefit of a fixed and floating charge debenture over all the undertakings and assets of the Company dated 11 October 2000. The benefit of this debenture was subsequently assigned to Kafrit on 15 August 2008, under a deed of assignment. Barclays Bank Plc also had the benefit of a chattels mortgage dated 17 July 2006. The benefit of this mortgage was also assigned to Kafrit on 15 August 2008, again, under a deed of assignment. The total consideration in respect of the assignment of the assets totalled £270,616 11.

The company renewed a Sales Ledger Financing Agreement ("SLFA") with the Bank on 31 March 2006. In accordance with the deed, the Bank assigned to Kafrit all of its rights title, benefit and interest in, under and in connection with the assignment debts. The total consideration for the assignment of the assets totalled £623,527 07.

It was following the publication of the financial statements for the period ended 30 June 2008 that the directors instigated insolvency proceedings.

### **3     THE ADMINISTRATION PERIOD**

On 18 August 2008, the Company entered into Administration under Part II of the Insolvency Act 1986

The Administrator and members of his staff attended the trading premises of the Company and notified the Company's employees that the Company had been placed into Administration

The fact that the Company had been loss making together with the inherent risks associated with the continued operation of the business meant a decision was made, on appointment, to cease manufacturing. The potential for serious claims for damages should quality issues arise or delays in delivery times occur outweighed any potential benefit from continued trading.

At the date of appointment there were a total of 26 employees. On this date 14 employees were made redundant.

The remaining 12 employees were retained in order to assist with the winding down of the Company, retention of title claimants, the dismantling of equipment and in order to provide financial information / assistance to the Administrator. It is anticipated that a contribution towards wages and other costs will be made by Kafrit.

A further six employees were made redundant on 5 September 2008 and a further redundancy was made on 3 October 2008. Three employees are still employed by the Company and have continued to provide their assistance to the Administrator.

#### **Retention of Title / Unsecured creditor claims**

The Administrator has liaised with all suppliers who claimed retention of title to goods held at the Company's trading premises. Retention of title claims have been agreed and the Administrator has arranged for them to collect their goods. This has reduced the unsecured creditor's balances significantly. The Administrator is currently waiting for creditors to submit their credit notes.

**Sale of Assets**

In accordance with Statement of Insolvency Practice 13, issued by the Association of Business Recovery Professionals, I can provide the following information -

The Company, at the direction of the Administrator sold, from the completion date (27 August 2008), such right, title and interest as the Company had at that time to the following assets

The Goodwill	£25,000
The Equipment	£125,000
Finished Goods	£130,000
<b>Total Consideration</b>	<b>£280,000</b>

The purchaser of these assets was Kafrit Industries (1993) Limited, an associated Company. The sum of £280,000 was paid upon completion. Our agents, SHM Smith Hodgkinson recommended the offer from Kafrit.

## **PURPOSES OF THE ADMINISTRATION**

Pursuant to paragraph 3(1) of Schedule B1 to the Insolvency Act 1986 (as amended), the Administrators of the Company must perform this function with the objective of

- a) Rescuing the company as a going concern or,
- 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)
- c) Realising property in order to make a distribution to one or more secured or preferential creditors

It is not reasonably practicable to achieve the objective specified in subparagraph 3(1)(a), and therefore the most appropriate objective to pursue is that specified in subparagraph 3(1)(c), realising property in order to make a distribution to one or more secured or preferential creditors

In order that the purposes of the administration may be achieved fully, the Administrator proposes to remain in office as administrator in order to realise the outstanding assets and book debts, as previously detailed

## 6. ADMINISTRATOR'S PROPOSALS

In accordance with paragraph 49 of Schedule B1 to the Insolvency Act 1986 (as amended), the Administrator makes the following proposals to creditors for achieving the purpose of the Administration

- i The Administrator will continue to realise the physical assets of the Company,
- ii The Administrator will continue to collect any book debts of the Company,
- iii If appropriate, where there are insufficient funds to enable a distribution to be made to unsecured creditors, then the Administrator shall without further recourse to creditors, propose to move the Company from Administration to dissolution pursuant to Paragraph 84 of Schedule B1 to the Insolvency Act 1986 (as amended),
- iv In the event of a distribution being available for unsecured creditors, the Company shall be placed into Creditors Voluntary Liquidation with Gary Bell of Cowgill Holloway Business Recovery LLP being appointed Liquidator. In accordance with Paragraph 83(7) of the Insolvency Act 1986 (as amended), Creditors may nominate a different person to act as Liquidator provided that the nominations are made after receipt of the proposals and before the proposals are accepted,
- v In the event that the sale of the Company's assets either in whole or in part involved the disposal of assets subject to security and in the event that the Administrator cannot come to terms with the creditor concerned, then the Administrator proposes to apply to Court under the provisions of Paragraph 70, 71 and 72 of Schedule B1 to the Insolvency Act 1986 (as amended) to dispose of property which is the subject to security as if it were not subject to security and goods which are under hire-purchase agreements as if all the rights of ownership under the agreement were vested with the Company,
- vi These proposals shall be subject to such modifications or conditions as the Court may approve or impose,
- vii That the Administrator will be discharged from liability under Paragraph 98(3) of Schedule B1 to the Insolvency Act 1986 (as amended) in respect of any act/action as Administrator. The discharge from liability will take effect immediately upon his appointment as Administrator ceasing to have effect,
- viii The Administrator proposed that the creditors resolve that the Administrator is to be remunerated on the basis of their hourly costs at scale rates calculated on the time properly spent in the course of the Administration, pursuant to Rule 2.106(2)(b) of the Insolvency Act 1986 (as amended), and that he may draw his remuneration on account as and when funds permit



- ix Remuneration drawn will be notified to any creditors committee appointed under Paragraph 57 of Schedule B1 to the Insolvency Act 1986 (as amended) In addition, the Administrator will be reimbursed for their incidental expenses

Hourly charge-out rates applicable to this matter are as follows

	£ / per hour
Partner	225
Manager	160
Junior Administrator	70
Cashier/Secretarial	60

An analysis of time spent in Administering this matter in accordance with Statement of Insolvency Practice 9 is set out below -

	Hours			Total Hours	Total Cost £	Average Cost £
	Partner	Manager	Junior Administrator			
Steps Upon Appointment	4 50	19 50	30 40	54 40	6,260 50	115 08
Planning & Strategy	8 50	13 30	-	21 80	4,040 50	185,34
General Administration	-	4 50	14 70	19 20	1,855 60	96 65
Asset Realisation/Management	39 40	17 50	-	56 90	11,665 00	205 00
Investigations	-	-	-	-	-	-
Employee Matters	2 10	23 40	9 70	35 20	4,895 50	139 08
Creditor Claims	16 00	43 00	5 40	64 40	10,858 00	168 60
<b>Totals</b>	<b>70 50</b>	<b>121 20</b>	<b>60 20</b>	<b>251 90</b>	<b>39,575 10</b>	<b>157 11</b>

*Note The above summary represents time costs as at 30 September 2008*

An explanatory note entitled "A Creditor's Guide to Administrators Fees" can be found on the Insolvency Practitioners Website at [www.insolvency-practitioners.org.uk](http://www.insolvency-practitioners.org.uk) under the "technical" link, alternatively a copy can be received from Cowgill Holloway Business Recovery free of charge. In accordance with Statement of Insolvency Practice 9, it is proposed that the Administrator be authorised to recover disbursements that arise from the recharge of internal costs at the following rates -

- Mileage 40p per mile
- Room Hire £100 per meeting

Unless the cost is specifically attributable to a case, the following items of expenditure will normally be treated as a general overhead and will not be subject to recharge -

- Telephone and facsimile
- Printing and photocopying
- Stationery

With the exception of the items referred to above, all other expense items are recharged to the case as they are incurred

## **7 STATEMENT OF AFFAIRS**

A Statement of Affairs has been prepared by Nadav Goldstein and will be signed shortly. A summary of the Statement of Affairs is shown at Appendix I. The Administrators' comments in respect of the Statement of Affairs are given below -

## **8. ASSETS**

### **Assets subject to Fixed Charge**

#### **Plant & Machinery**

My Agents detailed an estimated book value of Plant & Machinery of £180,000 and a market value, ex situ of £40,000. A sale of these items has achieved a sum of £88,933. From this sum the amount due to Kafrit under the assigned chattel mortgage of £28,107, has been deducted.

#### **Goodwill**

The books and records of the Company make no provision for the value of Goodwill; however, the Administrator was able to achieve a sale of this asset in the sum of £25,000.

#### **Book Debts**

The Company operated two accounts, a Sterling account and a Euro account.

At the date of appointment, a sum of £541,640 was due to the Company in respect of the Sterling account and a sum of €341,318 was due to the Company in respect of the euro account.

The Euro account has been converted into Sterling at the rate of 1.2438, resulting in a sum of £274,416 due to the company.

The combined amount due to the Company in respect of book debts totals £816,056. The estimated realisable value takes into account a bad debt provision of 25% and therefore it is anticipated that collections will total £612,042. The administrator is hopeful that such a write down is over prudent.

To date a sum of £522,083.02 has been received.

### **Other Assets**

#### **Raw Materials**

My Agents detailed an estimated book value of the Raw Materials of £230,000 and a market value, ex situ of £25,000. My agents advise that they have agreed a sale of part of the raw materials to Constab Polymer Additives GmbH, for the sum of £27,727. The remaining raw materials will be disposed of by my agents.

#### **Finished Goods**

My Agents detailed an estimated book value of the Finished Goods of £210,000 and a market value, ex situ of £25,000. A sale of these items has realised a total of £130,000.

#### **Quarantine (Write off)**

My Agents detailed an estimated book value of the quarantined goods of £155,000 and a market value, ex situ of Nil.

#### **Office Furniture & Equipment**

My Agents have advised that this equipment has a Market value of £8,500 within the working premises, and an ex situ value of £2,500. The ex situ value has been used as the estimated to realise value.

#### **Plant & Machinery**

My Agents detailed an estimated book value of Plant & Machinery of £73,000 and a market value, ex situ of £20,000. A sale of these items has realised a total of £36,067.

## 8. LIABILITIES

A summary of unsecured creditors is given below setting out their respective claims. Some claims may be disputed or of a contingent nature but are included at the amount claimed by the creditor for reasons of prudence and consistency. Creditors' claims will be subject to agreement by a Liquidator should one be appointed.

	£
Trade Creditors	504,435
Intercompany Creditor – Kafrit	982,490
Intercompany Creditor – Constab	60,775
PAYE / NIC	14,314
	<u>1,562,014</u>

### Trade creditors

The books and records detail trade creditors with a combined balance of £504,434.63.

Creditors' claims are subject to agreement and will not be prejudiced by omission from the Statement of Affairs or by inclusion in a different amount from that claimed.

### Intercompany Creditor

The intercompany balance of Kafrit Industries (1993) Limited totals £982,490, this balance is made up as follows:

Normal trade terms	£890,406
Other due to Kafrit	£92,084
<b>Total</b>	<b>982,490</b>

## **PAYE/NIC**

The claim of the Inland Revenue represents PAYE outstanding since January 2008

## **VAT**

There is a small refund due to the Company in respect of VAT however, it is anticipated that the HM Revenue & Customs will offset this against the sum due to them in respect of outstanding PAYE/NIC

## **Preferential Creditors**

The claims of the Department of Trade and Industry represent employees' estimated claims under The Employment Rights Act 1996 in respect of arrears of pay to a maximum of £800 per employee and holiday pay which are claimed preferentially

The estimated claim in respect of preferential creditors totals £25,600 This amount represents the directors' views

## **9 SECTION 176A FUND FOR UNSECURED CREDITORS**

Section 176A of the Act provides that, where the company has created a floating charge after 15 September 2003, the administrator must make a *prescribed part* of the company's *net property* available for 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 *Net property* means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e. after accounting for preferential debts and the costs of realisation) The *prescribed part* is calculated by reference to a sliding scale as follows

- ☐ 50% of the first £10,000 of *net property*,
- ☐ 20% of *net property* thereafter,
- ☐ Up to a maximum amount to be made available of £600,000

An administrator will not be required to set aside the *prescribed part* if

- ☐ the *net property* is less than £10,000 and he thinks that the cost of distributing the *prescribed part* would be disproportionate to the benefit, (Section 176A(3)) or
- ☐ he applies to the court for an order on the grounds that the cost of distributing the *prescribed part* would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A(5))

Rule 2.33 of the Rules requires that our proposals for achieving the purpose of the administration shall include, to the best of our knowledge and belief, an estimate of the value of the *prescribed part* and an estimate of the value of the Company's *net property*

Due to the assignment of the debenture previously held by Barclays Bank Plc, dated 11 October 2008 which was prior to 15 September 2003. The provisions of section 176A have no application, however, the Administrator is waiting for legal clarification on this point

## 9. CONCLUSION

Preferential creditors will be paid in full. The prospect of a dividend to unsecured creditors is dependant on the final realisation of book debts.

Pursuant to paragraph 51 of Schedule B1 of the Insolvency Act 1986 (as amended), the Administrators' proposals will be considered at an initial meeting of the Company's creditors summoned in accordance with the "Notice of Meeting" (form 2.20B) accompanying this document.

Subject to the approval of my proposals, I will report on my progress again in approximately six months after the date of the Administration.



**GARY BELL**  
**ADMINISTRATOR**

## APPENDIX I

**ARETON INTERNATIONAL PLASTICS LTD**  
**DIRECTORS ESTIMATED STATEMENT OF AFFAIRS**  
**AS AT 18 August 2008**

<b>ASSETS</b>	<b>Book Value £</b>	<b>Estimated to Realise £</b>
<b>Assets subject to Fixed Charge</b>		
Plant & Equipment	180,000	88,933
<b>Less: Kafrit Industries (1993) Limited</b>	<b>(28,107)</b>	<b>(28,107)</b>
Surplus/ (deficiency) as regards fixed charge holder c/d	<u>151,893</u>	<u>60,826</u>
Book Debts	816,056	612,042
Goodwill	-	25,000
	<u>816,056</u>	<u>637,042</u>
<b>Less: Kafrit Industries (1993) Limited</b>	<b>(866,036)</b>	<b>(866,036)</b>
Surplus (deficiency) as regards fixed charge holder c/d	<u>(49,980)</u>	<u>(228,994)</u>
<b>Other Assets</b>		
Plant & Equipment b/d	151,893	60,826
Plant & Equipment	73,000	36,067
Office Furniture & Equipment	3,500	2,500
Raw Materials	230,000	27,727
Finished Goods	210,000	130,000
Write off Stock / Quarantine	155,000	-
Insurance Refund	1,584	1,584
Business Rates Refund	-	3,910
<b>Estimated total Assets available for preferential creditors</b>	<u>824,977</u>	<u>262,614</u>
Arrears of pay, Holiday pay and Pension Contributions	<u>(25,600)</u>	<u>(25,600)</u>
<b>Estimated surplus as regards preferential creditors</b>	<b>799,377</b>	<b>237,014</b>



<b>Estimated total assets available for floating charge holders b/d</b>	<b>237,014</b>
<b>Less debts secured by floating charges b/d</b>	<b>(228,994)</b>

<b>Estimated Total Assets Available to Unsecured Creditors</b>	<b>8,020</b>
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## LIABILITIES

Unsecured Non-Preferential Claims		
Trade Creditors	(504,435)	
Inter Company Creditor – Kafrit	(982,490)	
- Constab	(60,775)	
Inland Revenue Arrears of PAYE/NIC	(14,314)	
Employees Claims	(180,000)	(1,742,014)
<b>Estimated deficiency as regards Creditors</b>		<b>(1,733,994)</b>
Issued & called up capital		(667,000)
<b>Estimated total deficiency as regards members</b>		<b>(2,400,994)</b>

Note The Statement of Affairs does not provide for the costs and expenses of the Administration

**APPENDIX II**

**ARETON INTERNATIONAL PLASTICS LIMITED – IN ADMINISTRATION  
RECEIPTS AND PAYMENTS ACCOUNT  
as at 10 OCTOBER 2008**

£

**RECEIPTS**

Goodwill	25,000
Equipment	125,000
Finished Goods	130,000
Book Debts	522,083
Insurance Refund	1,834
	<u>803,917</u>

**PAYMENTS**

Employees Childcare Vouchers	267
Employees Expenses	604
Statutory Advertising	141
Wages & Salaries	25,464
Wages Chaps Fees	380
	<u>26,856</u>

**Balance in Hand**

777,061

**STATEMENT OF INSOLVENCY PRACTICE 9 (E&W)  
REMUNERATION OF INSOLVENCY OFFICE HOLDERS**

**APPENDIX C  
A CREDITOR'S GUIDE TO ADMINISTRATORS' FEES  
ENGLAND AND WALES**

**1 Introduction**

- 1 1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

**2 The nature of administration**

- 2 1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court. The administrator of a company must perform his functions with the objective of
- rescuing the company as a going concern, or
  - 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
  - realising property in order to make a distribution to one or more secured or preferential creditors.

Administration may be followed by a company voluntary arrangement or liquidation.

**3 The creditors' committee**

- 3 1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is established at the meeting of creditors which the administrator is required to hold within 10 weeks of the commencement of administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide such information as it may require.

**4 Fixing the administrator's fees**

- 4 1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either
- as a percentage of the value of the property which the administrator has to deal with, or
  - by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage fix the percentage to be applied. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case,
  - any responsibility of an exceptional kind or degree which falls on the administrator,
  - the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties,
  - the value and nature of the property which the administrator has to deal with.
- 4 2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having

regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

## **5 What information should be provided by the administrator?**

### **5.1 When seeking fee approval**

5.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on

- the nature of the approval being sought,
- the stage during the administration of the case at which it is being sought, and
- the size and complexity of the case

5.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfill certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent.

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff.

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain

- Any significant aspects of the case, particularly those that affect the amount of time spent
- The reasons for subsequent changes in strategy.
- Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement
- Any existing agreement about fees
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

- 5.1.4 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff.

## **5.2 After fee approval**

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

## **5.3 Expenses and disbursements**

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes 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, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

## **6 What if a creditor is dissatisfied?**

- 6.1 If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

## **7 What if the administrator is dissatisfied?**

- 7.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

## **8 Other matters relating to fees**

- 8.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.
- 8.2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

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**Proxy (Administration)**

Please give full name and address for communication

Name of Creditor \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please insert name of person (who must be 18 or over) or the "chairman of the meeting" (see note below) If you wish to provide for alternative proxy-holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternative(s) as well

Name of proxy-holder

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

Please delete words in brackets if the proxy-holder is only to vote as directed i.e. he has no discretion

I appoint the above person to be my / the creditor's proxy-holder at the meeting of creditors to be held on 27 October 2008 at 11 30am any adjournment of that meeting The proxy-holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion)

**Voting instructions for resolutions**

\* Please delete as appropriate

1 For the acceptance / rejection\* of the administrator's proposals as circulated

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_2 For the appointment of  
of \_\_\_\_\_  
\_\_\_\_\_

representing \_\_\_\_\_

as a member of the creditor's committee

This form must be signed

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name in CAPITAL LETTERS \_\_\_\_\_

Only to be completed if the creditor has not signed in person

Position with creditor or relationship to creditor/member or other authority for signature

Remember please attach a statement of account with this form

**Particulars of claim for voting purposes**

£

Total claim (incl VAT) at 18 August 2008 (PLEASE ATTACH A STATEMENT OF CLAIM)

Estimated value of security held (if any)

Particulars of security \_\_\_\_\_