Rule 2 46 Form 2 23B

The Insolvency Act 1986

# Notice of result of meeting of creditors 2.23B

| Name of Company | Company number |
|---|---|
| Areton International Plastics Limited | 02606710 |

| In the | Court case number |
|---|---|
| High Court of Justice, Chancery Division, Manchester District Registry [full name of court] | 3328 of 2008 |

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

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

* Delete as applicable

hereby report that *a meeting / ~~an adjourned meeting~~ of the creditors of the above company was held at

(b) Insert place of meeting
(c) Insert date of meeting

(b) 49 Peter Street, Manchester, M2 3NG on (c) 27 October 2008 at which -

* Delete as applicable

*1 Proposals / ~~revised proposals~~ were approved

~~*2 Proposals / revised proposals were modified and approved~~

The modifications made to the proposals are as follows

(d) Give details of the modifications (if any)

(d) Not applicable

(e) Insert time and date of adjourned meeting

*4 The meeting was adjourned to (e) Not applicable

(f) Details of other resolutions passed

*5 Other resolutions (f) Not applicable

~~The revised date for automatic end to administration is~~ ________________

*Delete as applicable

A creditors' committee ~~*was /~~ was not formed

WEDNESDAY

*ASWEV4DO*
AIQ 29/10/2008 47
COMPANIES HOUSE

Signed ____________________

Administrator

Dated 27/10/08

*Delete as applicable

A copy of the *original proposals ~~/ modified proposals / revised proposals~~ is attached for those who did not receive such documents prior to the meeting

## 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

| | |
|---|---|
| Cowgill Holloway Business Recovery LLP | |
| 49 Peter Street, Manchester M2 3NG | |
| | Tel Number 0161 827 1200 |
| Fax Number 0161 827 1211 | DX Number |

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

**mpanies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff**

# 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<br>Manchester<br>M2 3NG | | |
| Trading Address | Units 47-48 Clywedog Road North<br>Wrexham Industrial Estate<br>Wrexham<br>LL13 9XN | | |
| Principal Business Activities | Manufacturers, designers, producers and dealers in plastic and plastic products | | |
| | | **Appointed** | **Resigned** |
| 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 | | | **Ordinary Shares** |
| | Alqemia BV | | 666,066 |
| | Mark Shaw | | 934 |
| | | | **667,000** |

## 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 1st May 1999 Mark Shaw joined the Company and was appointed director on 31st 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 11th November 2003, David Zveda and Amos Epstein, the CEO and the chairman of Kafrit at that time, were appointed Company Directors On 20th 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 5th 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 26th February 2004 David Zveda resigned as director and was replaced by David Shapiro on 9th 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 16th 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 £ 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 29th 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 30th 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 31st December 2006

On 15th 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 01st July 2007

On 28th 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 09th October 2007

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

The financial statements for the year ended 31st 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 31st December 2007 At this time the indebtedness to the Bank and Kafrit amounted to £878,267 and £239,439 respectively

On 05th 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 30th June 2008

The interim financial statements for the for the six month period ended 30th June 2008 detailed a loss of £158,422 and an insolvent balance sheet of £211,878, as at 30th June 2008 Theses 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 31st December 2007, indebtedness to the Bank and Kafrit amounted to £878,267 and £239,439 respectively By the six month period end, 30th 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 manger 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 goals were to stabilize operational and controlling systems, increasing efficiency and strengthening 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 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 un-certainty regarding the company 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 |
| | **-£623,527.07** |
| | |
| **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 |
| | **-£270,616.11** |
| | |
| **Total** | **£894,143.18** |

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 |
| **Total Consideration** | **£280,000** |

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 property 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 |
| **Totals** | 70 50 | 121 20 | 60 20 | 251 90 | 39,575 10 | 157 11 |

*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 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 to realise 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 |
| | **1,562,014** |

**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 |
| **Total** | **982,490** |

**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 2000 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

| ASSETS | Book Value £ | Estimated to Realise £ |
|---|---|---|
| **Assets subject to Fixed Charge** | | |
| Plant & Equipment | 180,000 | 88,933 |
| **Less: Kafrit Industries (1993) Limited** | **(28,107)** | **(28,107)** |
| Surplus/ (deficiency) as regards fixed charge holder c/d | **151,893** | **60,826** |
| | | |
| Book Debts | 816,056 | 612,042 |
| Goodwill | - | 25,000 |
| | **816,056** | **637,042** |
| | | |
| **Less: Kafrit Industries (1993) Limited** | **(866,036)** | **(866,036)** |
| Surplus (deficiency) as regards fixed charge holder c/d | (49,980) | (228,994) |
| | | |
| **Other Assets** | | |
| 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 |
| | | |
| ***Estimated total Assets available for preferential creditors*** | **824,977** | **262,614** |
| | | |
| Arrears of pay, Holiday pay and Pension Contributions | (25,600) | (25,600) |
| | | |
| ***Estimated surplus as regards preferential creditors*** | **799,377** | **237,014** |

| | | |
|---|---|---|
| ***Estimated total assets available for floating charge holders* b/d** | | **237,014** |
| *Less debts secured by floating charges b/d* | | (228,994) |
| ***Estimated Total Assets Available to Unsecured Creditors*** | | 8,020 |
| **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) |
| **Estimated deficiency as regards Creditors** | | **(1,733,994)** |
| Issued & called up capital | | (667,000) |
| **Estimated total deficiency as regards members** | | **(2,400,994)** |

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 |
| | **803,917** |
| **PAYMENTS** | |
| Employees Childcare Vouchers | 267 |
| Employees Expenses | 604 |
| Statutory Advertising | 141 |
| Wages & Salaries | 25,464 |
| Wages Chaps Fees | 380 |
| | **26,856** |
| **Balance in Hand** | **777,061** |