

The Insolvency Act 1986

Administrator's progress report


Name of Company Nichol & Laidlow Limited	Company number 02920119
In the High Court of Justice, Leeds District Registry	Court case number 9 of 2013

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

From 7 January 2013	To 6 July 2013
Signed	
	Joint Administrators
Dated	09/08/13

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

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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

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COMPANIES HOUSE

Joint Administrators'
Progress Report
for the period
7 January 2013 to
6 July 2013
Nichol & Laidlow Limited
In Administration

1 August 2013

Contents

1	Statutory information ...	1
2	Progress of the Administration ...	1
3	Investigations ...	3
4	Pre-administration costs ...	3
5	Joint Administrators' remuneration ...	3
6	Estimated outcome for creditors ...	4
7	Ending the Administration ...	5
8	Creditors' rights ...	6
9	Next report ...	6

Appendices

Receipts and Payments Account for the period 7 January 2013 to 6 July 2013	Appendix A
Time Analysis for the period 7 January 2013 to 6 July 2013 ..	Appendix B
Additional information in relation to the Joint Administrators' remuneration pursuant to Statement of Insolvency Practice 9 ..	Appendix C

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1 Statutory information

- 1.1 Anne O'Keefe was appointed Joint Administrator of Nichol & Laidlow Limited (the Company) together with Graham Wild and Simon Wilson on 7 January 2013 by Stephen Laidlow and Louise Thomson c/o The Bakery, Bridge End Industrial Estate, Anick Road, Northumberland, NE46 4DQ
- 1.2 The Administration is being handled by Zolfo Cooper's Manchester office, situated at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.
- 1.3 The Administration is registered in the Leeds District Registry, under reference number 9 of 2013
- 1.4 The trading address of the Company was The Bakery, Bridge End Industrial Estate, Anick Road, Northumberland, NE46 4DQ. The business traded under the same name.
- 1.5 The registered office of the Company has been changed to c/o Zolfo Cooper, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB and its registered number is 02920119
- 1.6 In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Joint Administrators are to be exercised by any or all of the Joint Administrators.

2 Progress of the Administration

- 2.1 Attached at Appendix A is the Joint Administrators' Receipts and Payments Account for the period 7 January 2013 to 6 July 2013
- 2.2 The analysis of receipts and payments for the period excludes the following costs which have been incurred but not yet paid. This cost will be paid within the period agreed with the supplier

Cost category	Supplier	Amount not yet paid
Legal fees	Pinsent Masons LLP	9,000

- 2.3 As detailed in the Joint Administrators' Statement of Proposals dated 29 January 2013 (the Proposals), the Joint Administrators pursued the second objective to achieve 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)
- 2.4 The Joint Administrators achieved the objective through a sale of the Company's business and assets on appointment. The details of the sale were circulated to creditors by a letter dated 14 January 2013 in accordance with Statement of Insolvency Practice 16 (SIP16). Should you wish to receive a further copy of this letter, please contact Hannah Smallwood by telephone on 0161 838 4552, by email at hsmallwood@zolfocooper.eu or by post using the registered office address. Alternatively, a copy can be viewed on the creditor portal at <https://www.zcinfoportal.com> using the username: Nichol & Laidlow and password of 10846004
- 2.5 The sale of the Company's business and assets achieved a significantly higher return to the Company than would have been possible on a break-up basis, whilst securing the ongoing employment of staff and therefore reducing the preferential claims to nil

Debtors

- 2 6 The Company's sales ledger was subject to an invoice finance facility with Barclays Sales Finance (BSF). The total ledger outstanding at the date of appointment was £271,000.
- 2 7 BSF holds a specific fixed charge in relation to the ledger and was owed approximately £176,000 in relation to funds advanced to the Company. Following the appointment of the Joint Administrators, BSF agreed to collect the ledger via its internal debt collection unit and to date approximately £174,000 has been collected.
- 2 8 Based on current information, there is likely to be surplus available after the collection of the book debts. Under the terms of the security, this surplus is due to the Bank to discharge any shortfall under its other fixed charge. The Joint Administrators have obtained legal advice and can confirm the security is valid.

Plant and machinery

- 2 9 Two machines, which were subject to finance arrangements with Lombard North Central PLC (Lombard) and Barclays Asset Sales Finance (BASF), were excluded from the sale (Excluded Assets).
- 2 10 Following appointment, the Joint Administrators instructed GVA Grimley Limited (GVA) to provide valuations and advice in relation to the disposal strategy. GVA contacted similar manufacturers in the area who confirmed they had no interest in purchasing these assets. As such, the Excluded Assets were placed into an auction held on 28 February 2013, the costs of which were met by Lombard and BASF.
- 2 11 The highest offers received were significantly below the valuation levels and GVA advised that placing the assets into another auction would be unlikely to result in higher offers being received. As there was no equity available to the Administration, Lombard and BASF are now dealing directly with GVA to sell the Excluded Assets.

Hedging product

- 2 12 The Company purchased an interest rate hedging product from its secured creditor via Barclays Capital.
- 2 13 This product was subject to a mis-selling complaint from the Company prior to the Administration. Barclays Capital has agreed to review the sale of the product and this investigation is ongoing. The Joint Administrators are co-operating with the review process and will remain in office pending the outcome of this review process.

Insurance claim

- 2 14 Following appointment, the Joint Administrators were advised of an ongoing insurance claim of approximately £200,000 against the Company's insurer. The claim was submitted by a customer in respect of contaminated product.
- 2 15 The claim has been admitted by the insurer, however, a final valuation of the claim has not yet taken place. The policy is complex and due to the Company being placed into Administration, the claim process has been disrupted. As a result, the Joint Administrators are negotiating the terms of a side agreement to enable payment to be made once the valuation process has been finalised.

- 2.16 The customer has agreed to pay a contribution to the Joint Administrators' fees and costs in relation to dealing with the insurance claim
- 2.17 In addition, the Company submitted a claim to its insurer in respect of the contaminated product and approximately £2,000 is due to be paid to the Company following the settlement of the customer's claim

3 Investigations

- 3.1 The Joint Administrators conducted investigations into the conduct of the directors and transactions entered into prior to the Company's insolvency, as required by the Company Directors Disqualification Act 1986, and Statement of Insolvency Practice 2 - Investigations by Office Holders in Administrations and Insolvent Liquidations. Based upon the outcome of the Joint Administrators' investigations, there were no matters identified that required further action

4 Pre-administration costs

- 4.1 The pre-administration costs were reported in the Proposals and the Joint Administrators requested approval from Barclays Bank PLC (the Bank), as the secured creditor, which was received on 30 January 2013

- 4.2 Below are pre-appointment fees charged and expenses paid by the Joint Administrators

NAME OF REPORTER	DATE AND TIME OF SERVICE PROVIDED	TOTAL CHARGE APPROVED
Zolfo Cooper LLP	Reviewing the short term cash flow, monitoring the daily cash position, insolvency planning for the Company whilst in administration and planning the pre-packaged sale of the business and assets	1,913
Pinsent Mason LLP	Assisting the negotiation of the sale and preparation of the sale contract	7,500
Total		9,413

5 Joint Administrators' remuneration

- 5.1 On 30 January 2013, the Bank approved that the basis of the Joint Administrators' remuneration be fixed by reference to the time properly spent by the Joint Administrators and their staff on matters arising in the Administration
- 5.2 The Joint Administrators' time costs for the period 7 January 2013 to 6 July 2013 are £48,652. This represents 249 hours at an average rate of £196 per hour. Attached at Appendix B is a Time Analysis for the period which provides details of the costs incurred by activity and by staff grade. Approval of the Joint Administrators' remuneration has been sought in accordance with rule 2.106 of the Insolvency Rules 1986 as amended.
- 5.3 Principal areas of activity during the period are discussed in further detail below
- **Administration and planning** - time has been incurred monitoring and implementing the initial case strategy including reviewing the Company's mis-selling complaint in respect of the hedging product, complying with statutory duties and performing general administrative work. Case related treasury and support time is also recorded here
 - **Investigations** - time has been incurred conducting investigations into the directors' conduct together with the Company's dealings prior to the appointment of the Joint

Administrators and the submission of a report to the Department for Business, Innovation and Skills pursuant to the Company Directors Disqualification Act 1986

- **Realisation of assets - fixed charge** - time has been incurred communicating with the debt collector and monitoring collections
 - **Realisation of assets - floating charge** - liaising with the agent in respect of the Excluded Assets, establishing the most appropriate realisation strategy, overseeing the auction, negotiating with interested parties and communicating with Lombard and BASF. In addition, time spent communicating with the customer, insurer and the solicitor in respect of the insurance claim is also recorded here
 - **Creditors** - time has been incurred notifying all creditors of the appointment, preparing the SIP16 notification, statutory reports and reporting to the secured creditor.
- 5 4 A copy of 'A Creditors' Guide to Administrations' which includes guidance on Administrators' fees can be downloaded from Zolfo Cooper's creditor portal (<http://www.zcinfoportal.com>). If you would prefer this to be sent to you in hard copy please contact Hannah Smallwood on 0161 838 4552 or hsmallwood@zolfocooper.eu
- 5 5 To date, fees totalling £38,000 plus disbursements of £1,111 have been drawn on account
- 5 6 The Joint Administrators can confirm that the following category 2 disbursements have been taken
- Photocopying - charged at the rate of ten pence per sheet for notifications and reports to creditors and other copying
 - Printing - charged at the rate of ten pence per sheet for black and white printing and 15 pence per sheet for colour
 - Business mileage for staff travel - charged at the rate of 45 pence per mile
- 5 7 Information in relation to the Joint Administrators' policy on staffing, the use of sub-contractors, payment of disbursements and details of current charge-out rates by staff grade is provided at Appendix C.

6 Estimated outcome for creditors

Secured creditor - Barclays Bank plc and Barclays Sales Finance

- 6 1 The Company granted a legal charge dated 21 December 1994 in respect of the property, a fixed and floating charge to the Bank on 24 June 2002 and a mortgage in respect of one of the Excluded Assets dated 29 July 2009.
- 6 2 At the date of appointment the Bank was owed £1.08 million (excluding interest and charges) under its security. To date, distributions of £350,000 and £35,000 under the fixed and floating charges have been paid. The Bank will suffer a shortfall
- 6 3 In addition, the Bank provided an invoice discounting facility through BSF. At the date of appointment, BSF was owed approximately £176,000 (excluding interest and charges) and has collected £174,000 to date against the debt.

Preferential creditors

- 6 4 All employees transferred to the purchaser as a result of the sale of the business and assets under the Transfer of Undertakings (Protection of Employment) Regulations 2006
- 6 5 As a result of the above, preferential claims are not expected to be received.

Unsecured Creditors' Fund

- 6 6 Pursuant to section 176A of the Insolvency Act 1986, where there is a floating charge which post-dates 15 September 2003, the Joint Administrators are required to create a fund from the Company's net property available for the benefit of the unsecured creditors (Unsecured Creditors' Fund), which is commonly known as the 'prescribed part'
- 6 7 As the Company granted a floating charge to the Bank before 15 September 2003, there is no requirement to create an Unsecured Creditors' Fund

Unsecured creditors

- 6 8 Based on current information, unsecured creditors' claims are anticipated to be approximately £822,000. There will be insufficient funds to enable a dividend to be paid to the unsecured creditors of the Company

7 Ending the Administration

- 7 1 The Administration is due to end automatically on 6 January 2014, however, it may not be possible to conclude all outstanding matters in the Administration prior to this date. Therefore, the Joint Administrators are seeking the approval of the Bank for an extension to the Administration period of six months in accordance with paragraph 78 of schedule B1 of the Insolvency Act 1986

Dissolution of the Company

- 7.2 The Company has no property to permit a distribution to its unsecured creditors. Therefore, the Joint Administrators will file a notice, together with their final progress report, at court and with the Registrar of Companies for dissolution of the Company. The Joint Administrators will send copies of these documents to the Company and its creditors. The appointment will end following the registration of the notice by the Registrar of Companies.

Discharge from liability

- 7.3 The Joint Administrators will be discharged from liability under paragraph 98 of schedule B1 of the Insolvency Act 1986 directly after their appointment as Joint Administrators ceases to have effect.

8 Creditors' rights

- 8.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the agreement of at least 5% of the value of the unsecured creditors) may request in writing that the Joint Administrators provide further information about their remuneration or expenses (other than pre-administration costs) which have been itemised in this progress report
- 8.2 Any secured creditor, or an unsecured creditor (with the agreement of at least 10% of the value of unsecured creditors) may, within eight weeks of receipt of this report, make an application to court on the grounds that the basis fixed for the Joint Administrators' remuneration is inappropriate, or that the remuneration charged or the expenses incurred by the Joint Administrators as set out in this report are excessive.

9 Next report

- 9.1 The Joint Administrators are required to provide a progress report within one month of the end of the next six months of the Administration, or earlier if the Administration has been finalised
- 9.2 This report has been prepared for creditors in support of the request to extend the Administration by six months to 6 July 2014. In the event that the request to extend the Administration is approved, a further report will be circulated to all creditors within one month of the next six month period ended 7 January 2014, or sooner if the Administration has been finalised

For and on behalf of
Nichol & Laidlow Limited



Anne O'Keefe
Joint Administrator

Encs

**Receipts and Payments Account for the period
7 January 2013 to 6 July 2013**
Appendix A
**Statement
of Affairs**

£		£
	Fixed charge assets	
	Receipts	
375,000	Freehold property	375,000
381	Plant and machinery	-
73,696	Factored book debts	-
	Goodwill	1
-	Intellectual property	1
	Bank interest	6
		<u>375,008</u>
	Payments	
	Pre-appointment costs	
	Zolfo Cooper	1,913
	Legal fees	7,500
	Insurance of assets	567
	Bank charges	2
		<u>(9,982)</u>
	Distributions	
	Fixed chargeholder	350,000
		<u>(350,000)</u>
	Balance of fixed charge assets	<u>15,026</u>
	Floating charge assets	
	Receipts	
100,000	Claim on Barclays Capital	-
144,850	Plant and machinery	149,998
5,150	Motor vehicles	-
5,000	Stock	5,000
	Rates refund	249
-	VAT refund	195
-	Insurance refund	25
-	Bank interest	77
		<u>155,544</u>

**Receipts and Payments Account for the period
7 January 2013 to 6 July 2013 (cont'd)**
Appendix A

Statement of Affairs	
£	£
Payments	
Joint Administrators' fees	38,000
Preparation of statement of affairs	1,500
Legal fees	14,534
Category 1 disbursements	
Bordereau	225
Statutory advertising	85
Stationery and postage	564
Telephone charges	2
Category 2 disbursements	
Mileage	140
Photocopying	95
Bank charges	24
	<u>(55,169)</u>
Distributions	
Floating chargeholder	35,000
	<u>(35,000)</u>
Balance of floating charge assets	<u>65,375</u>
Total balance	<u>80,401</u>
Represented by	
Interest bearing accounts	71,499
VAT receivable	8,902
	<u>80,401</u>

Time Analysis for the period 7 January 2013 to 6 July 2013

Appendix B

	Employee grade (hours)				£		
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning							
Planning		-		13	13	149 50	115
Strategy and control	10	46	23	42	121	2,856 00	236
Statutory duties		24	23	37	84	1,706 50	203
Case administration	06	05	18	338	367	4,737 00	129
Accounting and treasury	04	25	04	187	220	2,950 50	134
Travel and waiting time		-	-	50	50	575 00	115
Internal documentation	01	02		103	106	1,308 50	123
Investigations							
Director conduct reports	05	05	08	77	95	1,491 00	157
Internal documentation		-		16	16	184 00	115
Realisation of assets - fixed charge							
Asset realisation strategy		-		20	20	230 00	115
Asset identification and valuation		-	15	-	15	345 00	230
Sale of assets		-	09	03	12	241 50	201
Realisation of assets - debtors							
Crown debtors		-	01		01	23 00	230
Internal and external documentation				04	04	46 00	115
Realisation of assets - floating charge							
Asset realisation strategy		48		04	52	1,569 50	302
Asset identification and valuation			17	43	60	922 50	154
Sale of assets	01	20	15	03	39	1,044 50	268
Recovery of assets		72	29	02	103	3,010 00	292
Dealing with third party assets				61	61	712 50	117
Asset accounting and administration	01	01	02	18	22	325 00	148
Creditors							
Creditor claims			03		03	69 00	230
Internal documentation		-		15	15	172 50	115
Creditor strategy	-	55		-	55	1,732 50	315
Reporting to creditors	25	50	178	-	253	6,656 50	263
Secured creditors	50	208	16	-	274	8,950 50	327
Unsecured creditors	01	74	13	297	385	6,169 50	160
Employees		-		41	41	473 50	115
Totals	104	635	374	1374	2487	48,651 50	196

Additional information in relation to the Joint Administrators' remuneration pursuant to Statement of Insolvency Practice 9

Appendix C

1 Policy

Detailed below is Zolfo Cooper's policy in relation to

- staff allocation and the use of sub-contractors,
- professional advisors, and
- disbursements

1.1 Staff allocation and the use of sub-contractors

The Joint Administrators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case

The case team will usually consist of a partner, a senior associate, an associate and an analyst. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Joint Administrators' charge-out rate schedule below provides details of all grades of staff and their experience level.

With regard to support staff, time spent by treasury in relation to specific tasks on an assignment is charged but secretarial time is only recovered if a large block of time is incurred, eg report compilation and distribution

The Joint Administrators have not utilised the services of any sub-contractors in this case

1.2 Professional advisors

On this assignment the Joint Administrators have used the professional advisors listed below. The Joint Administrators have also indicated the basis of their fee arrangement with them, which is subject to review on a regular basis

NAME OF PROFESSIONAL ADVISOR	BASE OF FEE ARRANGEMENT
Pinsent Masons LLP (legal advice)	Hourly rate and disbursements
Willis Limited (insurance)	Risk based premium
GVA Grimley Limited (valuation and disposal advice)	Percentage of realisations

The Joint Administrators' choice was based on their perception of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of their fee arrangement with them.

1.3 Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case eg postage, case advertising, invoiced travel and external printing, room hire and document

storage Any properly reimbursed expenses incurred by the Joint Administrators and their staff will also be chargeable

Category 2 disbursements do require prior approval by creditors before they are paid. If they are incurred, they will be drawn in accordance with the resolution approved by creditors. Category 2 disbursements that may be incurred are as follows:

- Photocopying - charged at the rate of ten pence per sheet for notifications and reports to creditors and other copying.
- Printing - charged at the rate of ten pence per sheet for black and white printing and 15 pence per sheet for colour.
- Business mileage for staff travel - charged at the rate of 45 pence per mile.

2 Charge-out rates

A schedule of Zolfo Cooper charge-out rates for this assignment effective from 1 April 2013 is detailed below, together with those applicable prior to that date. Time is charged by partners and case staff in units of six minutes.

Rates from 1 April 2013		Rates pre 1 April 2013	
Description	£	Description	£
Partner 1*	445	Partner 1*	445
Partner 2*	415	Partner 2*	395
Director	360	Director	340
Associate director*	320	Senior associate 1*	315
Senior associate	280	Senior associate 2*	265
Associate	240	Associate	230
Analyst	220	Analyst	220
Junior analyst	125	Junior analyst	115
Senior treasury associate	170	Senior treasury associate	155
Treasury associate	110	Treasury associate	105
Treasury analyst	85	Treasury analyst	80
Support	79	Support	75

***Key**

Partner 1 - partners with three or more years' experience at partner level

Partner 2 - partners with fewer than three years' experience at partner level

Promotion from senior associate to associate director from 1 April 2013 is on the basis of performance and experience. Prior to that, the distinction from senior associate 2 to senior associate 1 was made for staff with two or more years' experience at senior associate level.