

The Insolvency Act 1986

Administrator's progress reportName of Company
Powder Coaters LtdCompany number
03028021In the High Court of Justice, Chancery Division, Leeds District
RegistryCourt case number
1884 of 2003(a) Insert full name(s) and
address(es) of
administrator(s)We (a) C P Holder & N A Brackenbury
3rd Floor Wellington Plaza
31 Wellington Street
Leeds, LS1 4DL

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

from

to

(b) 1 December 2004

(b) 18 May 2005

Signed

Joint / Administrator(s)

Dated

18/5/05

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

John Butler

Tel 0113 3860818

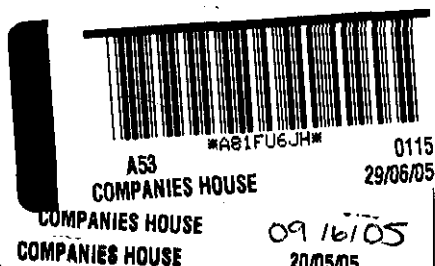
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Corporate Advisory & Restructuring Group

Kroll

**Joint Administrators'
Final Progress Report**

For the period
1 December 2004 to 18 May
2005

Powder Coaters Limited
- In Administration

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THE JOINT ADMINISTRATORS' FINAL PROGRESS REPORT

1 Statutory information

- 1.1 I was appointed Administrator of the Company jointly with Neil Brackenbury on 1 December 2003 by Leeds District Registry. Neil Brackenbury and I ("the Administrators") are licensed to act by the Insolvency Practitioners' Association (8269) and by the Institute of Chartered Accountants in England & Wales (9093) respectively. The application for the appointment of Administrators was presented by The Marketing Company (Yorkshire) Limited.
- 1.2 The Court reference number is 1884/2003 at the High Court, Chancery Division, Leeds District Registry, 1 Oxford Row, Leeds.
- 1.3 The trading address of the Company is Unit 3, Holmfield Industrial Estate, Holmfield, Halifax, HX2 9TN. Its registered number is 03028021.
- 1.4 The registered office of the Company is c/o Kroll, 5th Floor, Airedale House, 77 Albion Street, Leeds, LS1 5AP.
- 1.5 Any act required or authorised by an Administrator may be done by either or both of the Administrators acting jointly or solely.
- 1.6 The Company's centre of main interest is situated in the United Kingdom. The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000) therefore applies to the administration proceedings and they are main proceedings as defined by Article 3 of the EC Regulation.

2 Details of Progress

- 2.1 As detailed in the Proposals dated 26 January 2004 the major assets at the Company's premises were on finance agreements, the only significant assets remaining were stock, work in progress and debtors.
- 2.2 I decided to trade the business in order to maximise realisations of the Company's assets. Whilst trading, I marketed the business for two weeks and received interest from four parties. Given an expeditious sale was appropriate, I completed the sale of the business on 16 December 2003 to TMC (Yorkshire) Ltd t/a ColourCo.
- 2.3 The business was sold as a going concern which secured the jobs of nine employees.

- 2.4 At the date of appointment the debtors ledger was £86,500. Under the sale agreement the purchaser, TMC (Yorkshire) Ltd, collected the debts on a commission basis.
- 2.5 To date book debt realisations are £48,826. No further realisations are expected as the outstanding debtors have either claimed set-off or the invoices were paid prior to my appointment. Consequently, circa £37,500 has been written off.

3 Administrators' Receipts and Payments

- 3.1 A summary of receipts and payments covering the period from the date of my appointment to 18 May 2005 is attached at Appendix A. This shows £35,248 has been realised from the sale of the stock and plant & machinery/computer equipment.

4 Assets still to be realised

- 4.1 As previously reported the only assets still to be realised are the outstanding Directors' loan accounts totalling circa £71,000. I propose to place the Company into Compulsory Liquidation to allow a liquidator to further investigate these claims (see Section 8)

5 Administrators' Remuneration

- 5.1 The Administrators' remuneration has been approved by the secured and preferential creditors with reference to the time properly given by them and their staff in attending to matters arising from the Company's administration, in accordance with the Statement of Insolvency Practice 9 issued by the Society of Practitioners of Insolvency. A creditors' guide to administrators' fees is attached as Appendix D. I have also attached as Appendix B a summary of the time costs incurred by staff grade as at 11 May 2005. The Joint Administrators' time costs at 11 May 2005 are £44,821.
- 5.2 As previously reported, a meeting of the Company creditors was not convened, as there was insufficient property to enable a distribution to the unsecured creditors. In addition, no creditor committee has been formed. In light of this, our fees have been approved on the above time costs basis by the secured and preferential creditors following our proposals dated 26 January 2004.
- 5.3 The total fees drawn to date are £29,629.25 plus disbursements of £866.78 against these time costs. I can confirm no further amounts will be drawn.

6 Outcome for Creditors

- 6.1 Distributions to the secured creditor total £32,115. The secured creditor faces a shortfall of £90,484.
- 6.2 The preferential creditors have been paid in full.
- 6.3 There are insufficient funds to enable a dividend to be paid to the unsecured creditors of the Company. Furthermore, as the secured creditor's charge pre-dates 15 September 2003 I am not required to set aside a prescribed part for unsecured creditors pursuant to Section 176A(5) of the Insolvency Act 1986.

7 Extension of the Administration

- 7.1 As reported previously the Administration was extended by six months from 30 November 2004 to 31 May 2005.

8 Modification of the Proposals

- 8.1 I refer to the Proposals dated 26 January 2004 which stated that it would be unlikely there would be sufficient assets to enable a distribution to be made to the unsecured creditors. As no creditor requested a meeting, no meeting was called and the Administrators obtained approval from the secured creditor and 50% in value of the preferential creditors. The Administrators have proceeded to conduct the Administration in accordance with those proposals.
- 8.2 The original proposals anticipated at paragraph 4.7 that the Company would be dissolved once the Administration came to an end. It is now proposed that the Company be placed into compulsory liquidation. This is proposed because there are further assets a liquidator may wish to investigate.
- 8.3 The realisation of these assets does not justify keeping the Company in Administration for a longer period. The Administration will come to an automatic end on 31 May 2005 and to maintain the Administration for a longer period would require an application to court. The court would only extend the Administration for a maximum of six months, which may be an insufficient period of time.
- 8.4 The Joint Administrators do not seek the appointment as Joint Liquidators.

- 8.5 There is no requirement for you to vote on this proposal. The Administrators are, however, required to hold a creditors' meeting to discuss the proposal if 10% of creditors request such a meeting. If you wish to hold such a meeting you must notify me in the prescribed form before 26 May 2005. In the absence of any such notification, I will proceed to place the Company into compulsory liquidation.

9 Ending the Administration

- 9.1 The Administrators intend to apply to Court to seek:
- The discharge of the Administration Order
 - The Administrators be released from liability
 - The Company be wound up by the Court and the Official Receiver be appointed liquidator.
- 9.2 The hearing is due to be heard on 27 May 2005 at 10.30am at Leeds District Registry, Oxford Row, Leeds. There is no requirement for creditors to attend this hearing.

For and on behalf of
Powder Coaters Limited



CP Holder
Joint Administrator

Powder Coaters Limited
(In Administration)
Joint Administrator's Trading Account

Statement of Affairs £		From 01/12/2004	From 01/12/2003
		To 18/05/2005 £	To 18/05/2005 £
	POST APPOINTMENT SALES		
Nil	Sales	Nil	11,999.71
		Nil	11,999.71
	OTHER DIRECT COSTS		
Nil	Wages	Nil	1,632.28
Nil	PAYE & NIC	Nil	567.42
		Nil	(2,199.70)
	TRADING EXPENDITURE		
Nil	Insurance	Nil	1,364.69
Nil	Hire of Equipment	Nil	97.14
Nil	Sundry Expenses	44.05	131.30
		(44.05)	(1,593.13)
Nil	TRADING SURPLUS / (DEFICIT)	(44.05)	8,206.88

Powder Coaters Limited
(In Administration)
Joint Administrator's Abstract of Receipts & Payments

Statement of Affairs £		From 01/12/2004 To 18/05/2005 £	From 01/12/2003 To 18/05/2005 £
	SECURED ASSETS		
Nil	Goodwill	Nil	1.00
Nil	Intellectual Property	Nil	1.00
		Nil	2.00
	SECURED CREDITORS		
Nil	Chargeholder (2)	2.00	2.00
		(2.00)	(2.00)
	ASSET REALISATIONS		
Nil	Plant & Machinery	Nil	2,000.00
Nil	Stock	Nil	33,248.00
Nil	Book Debts	Nil	48,826.48
Nil	Bank Interest Gross	546.04	720.01
Nil	Bank Interest Net of Tax	Nil	73.80
Nil	Trading / Surplus (Deficit)	(44.05)	8,206.88
		501.99	93,075.17
	COST OF REALISATIONS		
Nil	Advisory Fee	Nil	5,000.00
Nil	Office Holders Fees	10,427.75	29,629.25
Nil	Office Holders Expenses	Nil	866.78
Nil	Professional Fees	750.00	750.00
Nil	Agents/Valuers Fees (1)	Nil	3,000.00
Nil	Legal Fees (1)	15,526.46	15,526.46
Nil	Stationery & Postage	Nil	45.00
Nil	Statutory Advertising	Nil	85.68
Nil	Bank Charges	98.19	134.30
Nil	Debt Collection Commission	Nil	2,441.32
		(26,802.40)	(57,478.79)
	PREFERENTIAL CREDITORS		
Nil	DE Arrears & Holiday Pay	2,015.53	2,015.53
Nil	Employee Arrears/Hol Pay	909.06	909.06
Nil	Pension Schemes	178.00	178.00
Nil	PAYE / NIC	380.79	380.79
		(3,483.38)	(3,483.38)
	FLOATING CHARGE CREDITORS		
Nil	Floating Charge Creditor	32,113.00	32,113.00
		(32,113.00)	(32,113.00)
		(61,898.79)	0.00

N A Brackenbury
Joint Administrator

Appendix B

TIME ANALYSIS FOR THE PERIOD 1 DECEMBER 2003 TO 11 MAY 2005

	Partner / Director	Manager	Other Sen / Prof	Assistan ts / Support	Hours to Date	Total Time Cost	Avg RPH
Administration and Planning	39.7	18.0	91.6	55.7	205.0	26,687.5	130
Investigations	5.0	0.0	6.0	0.0	11.0	1,785.0	162
Realisation of Fixed Charge Assets	0.0	3.5	0.0	0.0	3.5	700.0	200
Realisation of Debtors	4.2	0.0	30.0	4.8	39.0	4,396.0	113
Realisation of Floating Charge Assets	12.5	2.5	0.0	10.5	25.5	4,142.5	162
Trading	1.0	0.0	8.7	26.1	35.8	3,091.5	86
Creditors	0.0	0.0	25.3	10.2	35.5	4,018.5	113
TOTAL	62.4	24.0	161.6	107.3	355.3	44,821.0	126

TIME ANALYSIS FOR THE PERIOD 1 DECEMBER 2004 TO 11 MAY 2005

	Partner / Director	Manager	Other Sen / Prof	Assistants / Support	Hours to Date	Total Time Cost	Avg RPH
Administration and Planning	6.7	0.0	22.0	7.9	36.6	4,925.5	135
Investigations	0.0	0.0	0.0	0.0	0.0	0.0	0
Realisation of Fixed Charge Assets	0.0	0.0	0.0	0.0	0.0	0.0	0
Realisation of Debtors	0.2	0.0	0.0	0.0	0.2	50.0	250
Realisation of Floating Charge Assets	6.0	0.0	0.0	0.0	6.0	1,379.5	230
Trading	0.0	0.0	0.0	0.0	0.0	0.0	0
Creditors	0.0	0.0	0.2	1.6	1.8	138.5	77
TOTAL	12.9	0.0	22.2	9.5	44.6	6,493.5	146

Description of Work Performed

Administration and planning

The time relates to meetings and correspondence with the Company directors and their advisors regarding the Company's financial position. Also agreeing the strategy for the assignment, preparation of reports to secured creditors and unsecured creditors. This category also includes case related travel time.

Investigations

This time relates to investigating the conduct of the directors.

Realisation of assets

The time relates to the marketing and sale of the business and assets. The business was successfully sold as a going concern and this time relates to dealing with the interested parties and contract negotiations with the purchaser.

Trading

This time relates to trading the Company for two weeks.

Creditors

This time relates to general queries and notification of the Administration to the creditors, and dealing with employee matters.

**ADDITIONAL INFORMATION IN RELATION TO ADMINISTRATORS' FEES
PURSUANT TO STATEMENT OF INSOLVENCY PRACTICE 9****1 Policy**

Detailed below is Kroll's policy in relation to:

- Staff allocation and the use of subcontractors
- Professional advisors
- Disbursements

1.1 Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a Partner, Manager, Senior and Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and on larger, more complex cases, several Seniors/Assistants may be allocated to meet the demands of the case.

With regard to support staff, we would advise that time spent by cashiers in relation to specific tasks on an assignment is charged. Only if there is a large block of time incurred by a member of the secretarial team, e.g. report compilation and distribution, do we seek to charge and recover our time in this regard.

We have not utilised the services of any subcontractors in this case.

Professional advisors

On this assignment we have used the professional advisors listed below. We have also indicated alongside, the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Basis of Fee Arrangement
Walker Morris (legal advice)	Hourly rate & disbursements
Alexander Forbes (insurance)	Hourly rate & disbursements
De Romes (valuation and disposal advice)	Hourly rate & disbursements

Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

1.2 Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Category 2 disbursements do require approval from creditors. These disbursements can include costs incurred which relate to payments due to associated companies for the provision of services to the office holder. On this case no Category 2 disbursements have occurred.

2 Charge-out rates

A schedule of Kroll charge-out rates effective from 1 March 2005 is as follows:

		REGIONAL BANK RATES (per hour) £
<i>Partner: -</i>		
	Partner 1	300
	Partner 2	250
	Associate Partner / Dir	230
<i>Manager: -</i>		
	Senior Manager	220
	Manager	200
<i>Other Senior Professionals: -</i>		
	Experienced Senior	165
	Senior	145
	Administrator	110
<i>Assistants & Support Staff: -</i>		
	Assistant	75
	Experienced Cashier	110
	Cashier	75
	Assistant Cashier	55
	Support	55

A CREDITORS' 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 Administrators' 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 in order to achieve one or more of the following statutory purposes:
- 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, liquidation, dissolution or survival of the Company.

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 Administrators' remuneration. The committee is established at the meeting of creditors, which the Administrator is required to hold within 10 weeks of the commencement of the Administration to consider his proposals (subject to certain conditions). 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 the power to summon the Administrator to attend before it and provide such information as it may require.

4 Fixing the Administrators' fees

- 4.1 The basis for fixing the Administrators' remuneration is set out in Rule 2.106 of the Insolvency (Amendment) Rules 2003, 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, to 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 Administrators' 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 fulfil certain statutory obligations that might be seen to bring no 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 the 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.