

The Insolvency Act 1986

Administrator's progress report

Name of Company

York House Construction Limited

Company number

03359049

In the

High Court of Justice, Chancery Division, Leeds District
Registry

Court case number

1862 of 2008

(a) Insert full name(s)
and address(es) of
administrator(s)We (a) R H Kelly and C G J KingErnst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR

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

from

to

(b) Insert date

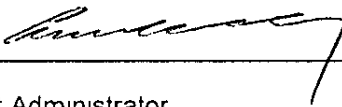
(b)

26 May 2015

(b)

25 November 2015

Signed



Joint Administrator

Dated

30 November 2015**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

Hannah Rees

Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR

Tel 0113 236 4390

DX Number

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Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff



York House Construction Limited (In Administration)

Extension progress report to the Court

9 October 2015



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Abbreviations

The following abbreviations are used in this report:

the Company	York House Construction Limited
the Bank or the Secured Creditor	National Westminster Bank plc
the Proposals	Joint Administrators' statement of proposals dated 14 January 2009
Progress Reports	Joint Administrators' progress reports
the Court	High Court of Justice, Chancery Division, Leeds District Registry
Eversheds	Eversheds LLP
QS	Quantity Surveyor

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Introduction

York House Construction Limited (in Administration)

High Court of Justice, Chancery Division, Leeds District Registry (No. 1862 of 2008)

Registered office address: c/o Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR

I write, in accordance with Rule 2.112(1) of The Insolvency Rules 1986, to provide the Court with a report on the progress of the Administration. This report covers the period from 26 May 2015 to 9 October 2015 and should be read in conjunction with the Proposals and the previous Progress Reports

York House Construction Limited, registered number 03359049, entered Administration on 26 November 2008 and R H Kelly and C G J King were appointed to act as Joint Administrators

The appointment was made by the Bank under the provisions of paragraph 14 of Schedule B1 to the Insolvency Act 1986. Under the terms of the appointment, any act required or authorised to be done by the Joint Administrators can be done by either of them

Extension to the period of Administration

The Court has previously granted the Joint Administrators the following extensions to the Administration

- ▶ 20 November 2009 - the Court agreed a 24 month extension of the Administration to 25 November 2011,
- ▶ 20 October 2011 - the Court agreed to a further 24 month extension of the Administration to 25 November 2013,
- ▶ 1 November 2013 the Court agreed a 12 month extension of the Administration to 25 November 2014, and
- ▶ 31 October 2014 - The Joint Administrators were granted a further 12 month extension to the Administration

The Joint Administrators intend to apply to the Court for a further 12 month extension to the Administration appointment in accordance with paragraph 76(2)(a) of Schedule B1 to the Insolvency Act 1986. The extension will enable the Joint Administrators to continue to the asset realisation process and distribute the Prescribed Part to unsecured creditors

The Secured Creditor has confirmed in writing that it has no objection to the proposed extension

Summary of progress since the Progress Report dated 8 October 2014

Contract debts

	Book value £000	Realised to date £000
Live contracts	4,043	800
Completed contracts	5,691	438
Total	<u>9,734</u>	<u>1,238</u>

To date, we have received £800,000 and £438,000 from the live and completed contracts, respectively

Resolution of the outstanding contract debtor issues continues to be a fundamental aspect of the Administration

Live contracts

At the date of our appointment, the Company had ten live contracts. The actions we have taken to realise the outstanding balances on these contracts are detailed in the previous Progress Reports.

There are two key live contracts remaining being the Donisthorpe Hall and the Staithgate Lane contract.

Donisthorpe Hall

We have previously been drawn into protracted negotiations with regard to this contract stemming from conflicting opinions over the costs to complete the works following the Company entering Administration. As previously reported, our QS had received the Employers notional final account which indicated a significant increase in the costs to complete the outstanding works under the contract. Our QS and legal advisors reviewed this information and prepared an amended notional final account based on the information available and taking into consideration the additional costs highlighted by the Employer. This process indicated some key differences between the final accounts and it has become apparent that seeking to resolve these differences in the absence of legal intervention would be difficult and potentially impact the outcome for creditors.

Given the onerous nature of seeking to resolve the final account we have instructed our legal advisers to engage with the Employer (and their legal advisers) to progress this matter directly which we believe will lead to a more commercial and practical solution. Should this approach prove to be unsuccessful we would intend to seek the Court's determination of the position with regard to this contract.

Staithgate Lane

During the course of the year the Employer on the Staithgate Lane contract has entered insolvency proceedings. We are considering our options in view of this development, however the prospect of recoveries from this contract is fairly remote.

Completed Contracts

To date, we have realised £438,000 from the completed contracts. We continue to pursue a number of the outstanding contract debtors.

The Company has a security interest in a property belonging to one of the key contract debtors and our legal advisers are currently engaging in negotiations to reach an acceptable settlement. Should an appropriate settlement not be achieved we will engage with our legal advisers to determine the best course of action to recover this debt, which may include enforcement of the security interest.

Receipts and payments account

I enclose a receipts and payments account for the period 26 November 2008 to 9 October 2015 at Appendix A. Please note this does not reflect estimated future realisations or costs.

Outcome for creditors

Secured creditors

At the date of our appointment the Bank's indebtedness totalled £1,383,000, including a potential exposure of c £205,000 in respect of a guarantee bond on the Donisthorpe Hall contract. This amount is subject to accruing interest and charges.

It may be possible to generate sufficient realisations to enable the Bank to be repaid in full. However, this is dependent on the level of future recoveries from negotiating contract settlements and the level of realisations generated from the Liquidation of the Company's subsidiary and guarantor company, YHC Developments Limited.

To date, we have distributed £1,000,000 to the Bank under its fixed and floating charges.

Preferential creditors

Preferential creditor claims of £190,583 have been paid in full.

Non-preferential creditors

To date we have received non-preferential, unsecured claims totalling £3.6m. This is significantly below the £10.3m illustrated in the directors' statement of affairs.

As the asset realisations process is still ongoing we are currently unable to quantify the extent of funds that will be available for distribution to non-preferential creditors of the Company and therefore, we have not formally commenced the process of eliciting and agreeing claims.

We believe it unlikely that there will be sufficient funds available to allow a distribution to be made to non-preferential creditors other than by virtue of the prescribed part.

The prescribed part

Based on our current estimate of floating charge realisations and before allowing for the costs of agreeing creditors' claims, we estimate that the prescribed part may total c £183,000. Before the costs of distribution, this equates to a dividend of approximately c 5 pence in the £ based on the level of non-preferential, unsecured claims received to date and approximately c.2 pence in the £ based on the level of non-preferential creditors shown in the directors' statement of affairs.

Due to recent changes in insolvency legislation the Joint Administrators are required to distribute the prescribed part during the Administration. The timing of the distribution will depend on resolving the ongoing contract settlement resolutions.

Administrators' remuneration and disbursements

The Administrators' remuneration was fixed on a time-cost basis by a resolution of the creditors passed on 4 February 2009

To date, the Administrators have incurred time costs of £552,409 against which no fee has been drawn. An analysis of the time spent is attached as Appendix B to this report. At Appendix C there is a statement of the Administrators' policy in relation to charging time and disbursements.

To date, the Administrators have incurred disbursements of £21,144.54 and no disbursements have been drawn on account. There is an analysis of Category 1 and Category 2 disbursements at Appendix B.

Type of expense	Incurred (£)	Paid (£)	Outstanding (£)
Postage	10,122.65	-	10,122.65
Photocopying	8,803.22	-	8,803.22
Courier	148.02	-	148.02
Sustenance	94.20	-	94.20
Taxi fares	45.31	-	45.31
Total	19,213.90	-	19,213.90
Category 2 disbursements	1,930.64	-	1,930.64
Total disbursements	21,144.54	-	21,144.54

Since our previous report our time has been spent on the following matters:

- ▶ Negotiating with Employers and assessing our option to recover the remaining outstanding balances on the live and completed contracts,
- ▶ Engaging with our legal advisors and the Bank to resolve the issues surrounding the Donisthorpe Hall contract debtor,
- ▶ Reporting to the Bank;
- ▶ Dealing with unsecured creditor claims and enquiries;
- ▶ Taxation matters,
- ▶ Statutory duties, and
- ▶ Other matters arising out of the Administration

Other matters

Future conduct of the Administration

The Joint Administrators will continue to act in accordance with their proposals. This work will include inter alia

- ▶ Further negotiations with Employers and realising the remaining balances on both the live and completed contracts,
- ▶ Dealing with unsecured creditor enquiries,
- ▶ Dealing with employee claims and queries,
- ▶ Dealing with statutory reporting and compliance issues,
- ▶ Making distributions to the secured creditor; and
- ▶ Distributing the Prescribed Part to unsecured creditors

Exit from the Administration

In the event that the only funds available for the Company's unsecured creditors are those set aside under the Prescribed Part, these funds will be distributed in the Administration. At the end of the Administration we will file at Companies House a notice pursuant to paragraph 84 of Schedule B1 to the Insolvency Act 1986 for the dissolution of the Company.

If it transpires that there are sufficient funds available to enable a distribution to unsecured creditors by way of a surplus having discharged the secured creditors in full, the Company will be placed into Creditors' Voluntary Liquidation upon the filing at Companies House of a notice pursuant to paragraph 83 of Schedule B1 to the Insolvency Act 1986, and in accordance with the Proposals the Liquidators will be R H Kelly and C G J King of Ernst & Young LLP.

Future reports

I will report to you again at the conclusion of the Administration or in six months' time, whichever is the sooner.

Should you wish to discuss any aspect of this report, please do not hesitate to contact my colleague, Tom Harvey, on 0113 298 2355.

Yours faithfully
for the Company


C G J King
Joint Administrator

R H Kelly is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants of Scotland and C G J King is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

The affairs, business and property of the Company are being managed by the Joint Administrators, R H Kelly and C G J King, who act as agents of the Company only and without personal liability.

We may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998.

Appendix A Receipts and payments account as at 9 October 2015

<i>Estimated to realise as per Statement of Affairs</i>	<i>Period to 25 May 2015</i>	<i>Period from 26 May 2015 to 9 October 2015</i>	<i>Total</i>
£	£	£	£
Receipts			
700 000 Property	534,660		534,660
261,422 Book Debts	11,987		11,987
337,430 Plant & machinery	353,243		353,243
4,542 935 Contract novations & final account settlements	1 226 237		1,226,237
80,000 Return of pre appointment duplicate payment	104 694		104,694
Rental income	23,175		23 175
Cash at date of appointment	165		165
Bank Interest	33,412	448	33 860
5 921 787	2,287,574	448	2 288 022
Payments			
Wages & salaries	20,626		20 626
Bank charges	340		340
Consultancy fees	78 021		78,021
Rent	39,988		39,988
Agents fees	91,028		91 028
Legal fees	114 871		114 871
ATE Insurance costs	15,862		15 862
Insurance	6,828	-	6 828
Retention of title settlements	4,000	-	4 000
Stationery and postage	6,401	-	6,401
Utilities	1 564		1 564
Mileage charges	345		345
Storage charges	5 558	315	5,873
Specific bond and public notices	1,811		1 811
Sundry expenses	25	-	25
Property expenses	775	-	775
Corporation Tax	7,237	617	7,854
	3,952 780	932	396 210
Net Realisations	1,665,206	(484)	1 891,812
Distributions			
Preferential creditors	190 583		190,583
Secured creditor National Westminster Bank Plc	1,000,000		1,000,000
	1,190,583		1,190,583
Funds in hand			
Cash at Bank	701,130	(546)	700,584
Net VAT receivable	582	63	645
	701,712	(483)	701,229

NB Some receipts and payments have been reclassified for completeness

Appendix B SIP 9 analysis as at 9 October 2015

	Partner / Director	Assistant Director	Senior Executive	Executive	Analyst	Total hours	Time cost (£)	Average hourly rate (£)
Accounting & administration	1 0	0 7	4 5	31 0	226 3	263 5	33 359	127
Bank & statutory reporting	44 8	40 8	11 8	122 9	98 0	318 3	78 066	245
Creditors	5 5	29 2	2 7	217 5	211 1	466 0	84,801	182
Debtors	98 7	218 7	13 0	149 0	60 2	539 6	167,393	310
Employee matters	4 7		3 0	78 0	32 5	118 2	21 841	185
General	22 5	7 2	3 1	0 5	37 7	71 0	17,696	249
Immediate tasks	4 5				45 4	49 9	6,689	134
Investigations	9 3	1 9		50 1	13 0	74 3	16,372	220
Legal issues	14 2		2 5	24 0		40 7	13,640	335
Other assets	2 0		0 3	7 5	29 0	38 8	6,011	155
Other matters	1 0	4 6	3 0	36 8	35 5	80 9	14,810	183
Property	5 5	3 3		4 6	46 0	59 4	9,873	166
Retention of title	6 9	1 6		8 1	54 3	70 9	11,368	160
Statutory duties	5 3	8 6		52 5	48 3	114 7	24 266	212
VAT & taxation	1 7	13 9	10 7	89 0	79 5	194 8	46,226	237
Total hours	227 6	330 5	54 6	871 5	1,016 8	2,501 0		
Time costs (£)	102,909	122,430	18,871	188,540	119,660		552,409	
Average hourly rate (£)	452	370	346	216	118		221	

The Category 1 and Category 2 disbursements incurred during the Administration are detailed below.

Category 1 disbursements are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party

Category 1	£
Postage	10,122 65
Photocopying	8,803 22
Courier	148 02
Sustenance	94 20
Taxi fares	45 81
	<u>19,213 90</u>

Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs

Category 2	£	Basis of charge
Mileage	1,930 64	Mileage is charged at 45p per mile
	<u>1,930 64</u>	
Total Expenses	<u>21,144 54</u>	

Appendix C Office Holders' Charging Policy for Fees and Disbursements

Fees

The Company's creditors as a whole determined at the creditors' meeting held on 4 February 2009 that the Administrators' remuneration should be fixed on the basis of time properly spent by the Administrators and their staff in attending to matters arising in the Administration

The Administrators engaged a manager and other staff to work on the cases. The work required was delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance was provided by accounting and treasury executives dealing with the company's bank accounts and statutory compliance duties. Work carried out by all staff was subject to the overall supervision of the Administrators.

All time spent by staff working directly on case-related matters was charged to a separate time code established for each case. Each member of staff had a specific hourly rate, which was subject to change over time. The average hourly rate for each category of staff over the period is shown in Appendix B, and the latest hourly rates used are shown below. The latest hourly rates may be higher than the average rates, if hourly rates increased over the period covered by this report.

The appropriate rates are shown below.

Effective from	Hourly rate (£)	
	1 July 2015	1 July 2014
Partner	660	630
Executive Director	630	600
Assistant Director	475	450
Senior Executive	370	350
Executive	265	250
Analyst		
Level 3	215	205
Level 2	160	150
Level 1	145	140
Account & Treasury Executive	130	125

A copy of the R3 (Association of Business Recovery Professionals) creditors' guide to Administrators' fees may be obtained by contacting Tom Harvey at the above address, or at www.r3.org.uk.

Disbursements

Statement of Insolvency Practice No 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the Committee. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from the Secured Creditor as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.