

Rule 2.33

Form 2.17B

The Insolvency Act 1986

Statement of administrator's proposals

2.17B

Name of Company A-Plas Limited	Company number 03718736
In the Manchester County Court [full name of court]	Court case number 569 of 2010

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

We, (a) Paul Stanley of Begbies Traynor (Central) LLP, 340 Deansgate, Manchester, M3 4LY and Jason Dean Greenhalgh of Begbies Traynor (Central) LLP, 340 Deansgate, Manchester, M3 4LY

* Delete as applicable

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

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

(b) Insert date

(b) 31 March 2010

Signed



Joint / Administrator(s)

Dated

31 March 2010

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.

Begbies Traynor (Central) LLP	
340 Deansgate, Manchester, M3 4LY	
	Tel 0161 837 1700
Fax Number 0161 837 1762	DX Number

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



A31 03/04/2010 553
COMPANIES HOUSE

SATURDAY

31 March 2010

PRIVATE & CONFIDENTIAL

TO ALL CREDITORS

Our Ref XX013ADM/PS/JG/RP/ADM63c02

Your Ref

Contact Rachael Taylor

DD 0161 837 1750

Dear Sirs,

**A-PLAS LIMITED (In Administration) ("the Company")
ADMINISTRATORS' PROPOSALS**

The Company entered into administration in accordance with the provisions of paragraphs 22 of Schedule B1 to the Insolvency Act 1986 of Schedule B1 to the Insolvency Act 1986 on 26 February 2010. Paul Stanley and I were appointed as joint administrators of the Company and we have now formulated our proposals for consideration by the creditors.

I enclose the following documents:

1. A report of the administrators' proposals to creditors,
2. Formal Notice of conduct of business by correspondence (Form 2 25B) in accordance with paragraph 58 of Schedule B1 to the Insolvency Act 1986 and Rule 2.48 of the Insolvency Rules 1986,
3. Formal Resolutions for your consideration.

To register your vote, please return the completed Form 2 25B no later than 14 April 2010.

Yours sincerely
For A-Plas Limited


Jason Greenhalgh
Joint Administrator

Enc

The affairs, business and property of the Company are managed by the joint administrators who act as the Company's agents and without personal liability.

340 Deansgate, Manchester, M3 4LY
T 0161 837 1700 F 0161 837 1762 E manchester@begbies-traynor.com W www.begbies-traynor.com

Begbies Traynor is a trading name of Begbies Traynor (Central) LLP, a limited liability partnership registered in England No OC306540, registered office 340 Deansgate, Manchester, M3 4LY.

Paul Stanley is licensed in the United Kingdom to act as an Insolvency Practitioner by the Institute of Chartered Accountants in England and Wales.

Jason Dean Greenhalgh is licensed in the United Kingdom to act as an Insolvency Practitioner by the Insolvency Practitioners Association.

Any reference to a partner is to a member of the limited liability partnership. A list of partners is available for inspection at the registered office. A member of the Begbies Traynor Group Specialist Professional Services www.begbies-traynorgroup.com

Partners, Directors and Consultants acting as administrators or administrative receivers contract as agents and without personal liability.

Rule 2.48

Form 2 25B

Notice of conduct of business by correspondence

Name of Company.
A-Plas Limited

Company number
03718736

In the
High Court of Justice, Chancery Division,
Manchester District Registry

[full name of court]

Court case number
569 of 2010

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

Notice is hereby given by (a) Paul Stanley and Jason Dean Greenhalgh of Begbies Traynor, 340 Deansgate, Manchester, M3 4LY

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

to the creditors of (b) A-Plas Limited, c/o Begbies Traynor, 340 Deansgate, Manchester M3 4LY

(c) Insert number of
resolutions enclosed

that, pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, enclosed are (c) 4 resolutions for your consideration. Please indicate below whether you are in favour or against each resolution

(d) Insert address to which
form is to be delivered

This form must be received at (d) The office of Begbies Traynor, 340 Deansgate, Manchester M3 4LY

(e) Insert closing date

by 12 00 hours on 14 April 2010 (e) in order to be counted. It must be accompanied by details in writing of your claim. Failure to do so will lead to your vote(s) being disregarded

Repeat as necessary for the
number of resolutions
attached

Resolution (1)	I am *in Favour / Against
Resolution (2)	I am *in Favour / Against
Resolution (3)	I am *in Favour / Against
Resolution (4)	I am *in Favour / Against
Resolution (5)	I am *in Favour / Against

*Delete as appropriate

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM

Name of creditor

Signature of creditor

(If signing on behalf of creditor, state capacity e.g. director / solicitor)

If you require any further details or clarification prior to returning your votes, please contact me / us at the address above

Signed

Joint / Administrator(s)

Dated

31 March 2010

The Insolvency Act 1986

A-PLAS LIMITED (In Administration) ("the Company")
Company Number. 03718736

Paul Stanley and Jason Dean Greenhalgh were appointed joint administrators on 26 February 2010

The affairs, business and property of the Company are being managed by the joint administrators, who act as the Company's agents and without personal liability

Resolution

To accompany Notice of conduct of business by correspondence (Form 2 25B)

(Pursuant to Paragraph 58 of Schedule B1 to the Insolvency Act 1986 and Rule 2 48 of The Insolvency Rules 1986)

In connection with

Vacation from office discharge from liability

(Pursuant to Paragraph 98 of Schedule B1 to the Insolvency Act 1986)

- 1 "That the joint administrators be and they are hereby discharged from liability in respect of any actions of theirs as administrators, pursuant to Paragraph 98 of Schedule B1 to the Insolvency Act 1986, with effect from the date their appointment as joint administrators ceases to have effect¹ "
- 2 That the joint Administrators' proposals for achieving the purpose of the administration, as set out in the document entitled *The Statement of Proposals of the Joint Administrators for Achieving the purpose of the administration pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 2 33 of the Insolvency Rules 1986*, be and hereby are approved
- 3 That the joint administrators' remuneration be fixed by reference to the time properly given by the joint administrators (as administrators) and the various grades of their staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP for attending to matters arising in the administration
- 4 That the joint administrators be authorised to draw disbursements, including disbursements for services provided by their firm (defined as Category 2 disbursements in Statement of Insolvency Practice 9), in accordance with their firm's policy, details of which accompanied the *Statement of Proposals of the Joint Administrators for Achieving the Purpose of the Administration pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 2 33 of the Insolvency Rules 1986*

¹ The date that the Notice of end of administration (Form 2 32 B) is endorsed with the date of filing by the court, or the date specified on the Notice of automatic end of administration (Form 2 30 B) or the date specified on the Notice of court order ending administration (Form 2 33 B) or the date that the Notice of move from administration to creditors' voluntary liquidation (Form 2 34 B), or Notice of move from administration to dissolution (Form 2 35 B), is registered by The Registrar of Companies

- 5 The Administration comes to an automatic end after 12 months, being 26 February 2011. However, should we consider that we are not in a position to finalise the Administration in this timescale, the Joint Administrators are authorised Pursuant to Paragraph 76(2)(b) of Schedule B1 to the Insolvency Act 1986 and Rule 2.112 of The Insolvency Rules 1986) to seek consent of creditors to extend the Administration. Therefore, if necessary -

- "The administrators' term of office be extended for a further 6 months following the anniversary of their appointment

Paul Stanley and Jason Dean Greenhalgh were appointed joint administrators on 26 February 2010

The affairs, business and property of the Company are being managed by the joint administrators, who act as the Company's agents and without personal liability

A-Plas Limited (In Administration)

Statement of proposals of the joint administrators for achieving the purpose of the administration pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 2.33 of the Insolvency Rules 1986

The joint administrators' statement of proposals has been produced for the sole purpose of advising creditors pursuant to the provisions of the Insolvency Act 1986. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	A-Plus Limited (In Administration)
"the administration"	The appointment of administrators under Schedule B1 of the Insolvency Act 1986 on 26 February 2010
"the joint administrators"	Paul Stanley and Jason Dean Greenhalgh of Begbies Traynor (Central) LLP, 340 Deansgate, Manchester, M3 4LY
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency Rules 1986
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(a), Insolvency Act 1986)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security and (ii) in relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(b), Insolvency Act 1986)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Insolvency Act 1986

2. STATUTORY INFORMATION

Name of Company	A-Plas Limited	
Trading name(s)	A-Plas Limited	
Date of Incorporation	24 February 1999	
Company registered number	03718736	
Company registered office	C/O Begbies Traynor, 340 Deansgate, Manchester M3 4LY	
Former registered office	Unit 9 Fowler Industrial Estate, Chorley New Road, Horwich, Bolton, BL6 5LU	
Trading address	As Above	
Principal business activities	Construction – Manufacture of PVC Products	
Directors and details of shares held in Company	Name	Shareholding
	Mr Shaun O'Connor	<i>Nil</i>
	Mr David Syddall (Resigned 12 February 2010)	<i>Nil</i>
Company Secretary and details of shares held in Company	Name	Shareholding
	Mr David Anthony Syddall (Former secretary – was made redundant on 12 February 2010) & (Resigned 12 February 2010)	<i>Nil</i>
Auditors	Jackson Stephen LLP, Chartered Accountants and Business Advisors, Warrington	
Share capital	100 Ordinary Shares	
Shareholders	Wesley Jones (Former Director)	2 Ordinary
	Patricia Anne Jones (Former Director)	49 Ordinary
	Allan Jones (Former Director)	49 Ordinary

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Name(s) of joint administrator(s)	Paul Stanley, and Jason Dean Greenhalgh Licensed Insolvency Practitioners of Begbies Traynor (Central) LLP, 340 Deansgate, Manchester, M3 4LY
Date of administrators' appointment	26 February 2010
Court	High Court of Justice, Chancery Division, Leeds District Registry
Court Case Number	569 of 2010
Person(s) making appointment / application	Mr Shaun O'Connor
Acts of the joint administrators	The joint administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time
EC Regulation on Insolvency	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000) applies to these proceedings which are main proceedings within the meaning of Article 3 of the Regulation

STATUTORY PURPOSE OF ADMINISTRATION

Paragraph 3 of Schedule B1 to the Act provides as follows

- "3 (1) The administrator of a company must perform his functions 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), or
 - (c) realising property in order to make a distribution to one or more secured or preferential creditors
- (2) Subject to subparagraph (4), the administrator of a company must perform his functions in the interests of the company's creditors as a whole
- (3) The administrator must perform his functions with the objective specified in subparagraph (1)(a) unless he thinks either
- (a) that it is not reasonably practicable to achieve that objective, or
 - (b) that the objective specified in subparagraph (1)(b) would achieve a better result for the company's creditors as a whole
- (4) The administrator may perform his functions with the objective specified in subparagraph (1)(c) only if
- (a) he thinks that it is not reasonably practicable to achieve either of the objectives specified in subparagraph (1)(a) and (b), and
 - (b) he does not unnecessarily harm the interests of the creditors of the company as a whole "

4. CIRCUMSTANCES GIVING RISE TO THE APPOINTMENT OF ADMINISTRATORS

The following Company history has been provided by the director Mr Shaun O'Connor

In 1985 A-Plas Windows Limited was formed by Alan and Patricia Anne Jones. The Company grew rapidly in the first few years of trading and at peak employed 27 personnel. It produced windows, doors, patios and conservatories. Alan Jones was founder and director of a company called Solarlite Windows before he set up A-Plas Windows Limited. Solarlite Windows disbanded and the funds from the sale of the assets were used to set up A-Plas Windows Limited.

The registered office from incorporation in 1985 to 3 March 2006 was situated at Unit 4, Glebe Mill, Library St Westhoughton, Bolton BL5 3AU. From the 3 March 2006 to 1 October 2009 it changed to The Trade Centre, Library Street, Westhoughton, Bolton BL5 3AU. On the 1 October 2009 the registered office changed to Unit 9 Fowler Industrial Estate, Chorley New Road, Horwich, Bolton BL6 5LU.

There are 3 major shareholders within the Company, Wesley Jones who holds 2 ordinary shares at £1 each, Patricia Anne Jones who holds 49 ordinary shares at £1 each, and Allan Jones who also holds 49 ordinary shares at £1 each. The total ordinary shares issued within the Company are 100 ordinary shares.

Jackson Stephen LLP, Broseley House, 116 Bradshawgate, Leigh, Lancashire WN7 4NT were approached to act as the Company's accountants. The Company banked with Barclays Bank PLC, Bolton Business Centre, Victoria Square, Bolton, Lancashire BL1 1BY.

In April 1999 Alan and Patricia retired from the Company and Shaun O'Connor and David Anthony Syddall took over as directors. In the first three years following their appointment the Company grew and the future of the Company looked promising. Unfortunately the result of several of its Customers entering various forms of insolvency left A-Plas with some bad debts.

The Company approached Barclays Bank for an overdraft facility in the sum of £20,000. This was granted, however in 2008 it was hit with more bad debts. At the beginning of 2009 a major company entered into a Company Voluntary Arrangement which left A-Plas with a further bad debt of £48,000.

The Company changed its name from A-Plas Windows Limited to A-Plas Limited, on 2 November 2009.

The industry had taken a severe downturn in recent months and together with the loss of trade and historic debt, both directors believed it may only survive if the overheads were cut and therefore Mr Syddall's redundancy was highlighted as a necessary action.

The Company in total owed an estimated amount of £253,000. This is made up of £20,000 PAYE, £10,000 VAT, £20,000 to Barclays Bank PLC, £60,000 owed to the director's loan account, £140,000 to trade creditors and £3,000 to the landlord for unpaid rent of the premises.

The directors had previously agreed a repayment schedule with HM Revenue and Customs, but they were finding it difficult to meet the agreed amounts. The overdraft at Barclays Bank PLC was at the maximum limit and with no further funds available from the bank they were concerned that they would be unable to make payments as they fell due.

There were minimal orders received over the last couple of months, and the busy period was not due to arrive until early spring. Mr O'Connor believed that the Company may be able to trade through the quiet period now that the Company had reduced the overheads further. It would however take time to review the effects of the cost cutting, and therefore this was adding further risk and liability, should the business not pick up.

The Company was compounded with 5 smaller bad debts in a period of three months totalling around £70,000. The directors knew that drastic action was required and immediately cut their wages, stopped all their pension contributions and invested £30,000 each into the Company. At this time the directors made the decision to downgrade the workforce and specialize in the manufacturing of Bi Fold Doors. Several members of staff were made redundant but this was still not enough to prevent the Company from falling behind with payments to creditors. As a further cost cutting measure, director David Syddall was made redundant on 12 February 2010. Mr O'Conner explained that the Company would now be liable to make a payment to Mr Syddall in respect of his redundancy. This would be discussed at a later date when the Company was better placed to deal with the issue. Although this was not ideal, Mr Syddall considered that the Company had little option and would continue to liaise with the Company to ensure payment at a later date.

Despite the reduced overheads the lack of incoming orders and historic debt, the director Shaun O'Connor realised the business could not continue and contacted the Company Accountants who referred the Company to Begbies Traynor for specialist advice. The options were explained and it was resolved shortly afterwards that the most appropriate course of action was to place the Company into Administration.

It was explained to Mr O'Conner that an administrator's preferred course of action would be to trade the business while a purchaser was found. However, in this case as there were no funds to facilitate trading, it would not be possible in this case and therefore a sale of the business and assets would be the next best option.

The administration procedure was described to Mr O'Conner and it was decided that he would look to make an offer for the business and assets. This would enable the business to continue to trade with minor interruptions, and to be able to continue to provide employment around 9 employees.

The director spoke with the largest trade creditors and the landlord who both provided their support to the restructuring of the business via Administration, and confirmed that they would support the business going forward. The directors, as the largest single creditors were also consulted and they were also happy to support the administration. This includes Mr Syddall who is not involved with the purchaser, or the new company in any way. Barclays Bank Plc verbally confirmed as an unsecured creditor, they had no objection to the Pre-Pack sale of the business and assets, and confirmed that they were not willing to provide any further funding to the Company to cover the Administration trading.

5. STATEMENT OF AFFAIRS

The directors' estimated statement of affairs as at 26 February 2010 is attached at Appendix 2. It makes no provision for the costs of the administration or any subsequent liquidation or voluntary arrangement. This is a draft version of the document received from the Company's accountant. We have sent the original document to the director for his signature, and on receipt of the signed form, we will send this for filing at Companies House. Our comments on the estimated statement of affairs are as follows:

Assets

The Company's assets consist of Plant and Machinery, Motor Vehicles and Stock. These were all valued by Messrs Wignall Brownlow on 12 February 2010. The assets have been valued on a market value basis. Messrs Wignall Brownlow advised on the value of the assets as part of a sale of the ongoing business, reflecting the benefit to a potential purchaser of the assets being operational and in situ. In order to provide such an opinion Messrs Wignall Brownlow has assumed that the purchaser would be prepared to pay the premium on the market value of the assets, and that all other issues relating to a sale of the business are resolved to the satisfaction of all parties.

The balance of the book debt ledger on appointment stood at £57,942. The director anticipates that, £20,387 should be realisable. Our debt collection department have reviewed the debtors and based on current information have anticipated that we may only receive approximately £8,000.

Our debt collection department have contacted the majority of the debtors. We have since found that £24,226 of the ledger relates to now insolvent companies, this will therefore be irrecoverable. Some of the

outstanding debtor's can not be reached due to a lack of company contact details and numbers. The Company director has been contacted by our debt collection department with this issue, and unfortunately he can not help us in locating the Company details. To date we have received £5,846

Liabilities

The Company's trade and expense creditors, as per the information current at the time that the Statement was received, total £163,657. The bank current account liability amounts to £23,295, HM Revenue and Customs have outstanding balances of £28,293 for PAYE and £18,118 for VAT. The director's loan accounts amounts to £62,641 (Shaun O'Connor £31,000 and David Syddall £31,641), and the amount outstanding to the shareholders in respect of loans totalling £21,558. The redundancy claim of £10,830 relates to Mr David Syddall who was made redundant on 12 February 2010.

6. THE ADMINISTRATION PERIOD

Receipts and Payments

Attached at Appendix 1 is our account of receipts and payments from the commencement of administration, 23 March 2010 to date, incorporating our projected outcome for creditors.

We instructed Jeff Wignall of Wignall Brownlow to visit the trading premises and produce an inventory and valuation of the assets. A valuation was received that indicated that the assets were valued at £7,500 on a forced sale basis, but £11,000 on an open market basis. The vehicle was valued at £900 on a market value basis.

An offer for the assets was received on 25 February 2010 in the sum of £11,500 plus VAT. This was in line with the valuation carried out on an open market basis and the only offer received at the time. Following a discussion with independent agents Wignall Brownlow LLP, they recommended acceptance of the offer. As the offer was acceptable we did not consider that further interest should be sought and that doing this may have even jeopardised the offer received.

The Notice of Appointment of Administrators was placed into Court on 26 February 2010 and on our appointment, the sale was completed. This confirmed the appointment of Jason Greenhalgh and Paul Stanley as Joint Administrators of the Company.

A sale agreement was drawn up and dated 26 February 2010. The agreement was between A-Plas Limited, The Administrators, Aplas (UK) Limited and Shaun O'Connor. The agreement was forwarded to the appropriate parties.

The assets sold as part of the sale agreement included

The Business Records

The Equipment

The Goodwill

The IPR / Customer Contracts

The Stock

The Motor Vehicles

In the agreement it stated that the purchaser, Aplas (UK) Limited, would pay the balance of £11,500 to A-Plas Limited in Administration in two instalments. The first instalment was to be paid on completion and the second instalment was to be paid no later than 12 March 2010. I can confirm that we have received the full

balance. The first payment was received on 2 February 2010, and the second payment was received on 15 March 2010.

The sale of the business has provided continued employment for the employees as they were transferred to the purchaser Aplas (UK) Limited. It has ensured that the landlord has retained a tenant. It has also provided an ongoing customer for the trade creditors. Any orders received in the last week would be honoured by the new company and any deposits received would be protected. The director has also undertaken to help with the debt collection and to correct any faults which will result in the debts being paid.

Following the appointment, on 3 March 2010, the administration staff visited the trading premises in order to collect all of the books and records required for the administration of the case. This included creditor's schedules, VAT and PAYE details, the wage records, a back up of the accounting system on Sage, bank statements, debt ledgers, invoices and any other paperwork that we would consider to be vital to our investigations and statutory duties. We have also contacted Jackson Stephens LLP for the wage records, which will assist in calculating Mr Syddall's claim.

The Registrar of Companies was given notice of the appointment to be filed, and also the form AD01 which replaces the Company's current registered office with c/o Begbies Traynor, 340 Deansgate, Manchester, M3 4LY.

A VAT 769 form was sent to HM Revenue & Customs as notification of the insolvency event, and notice was sent to the Claim Handling Unit in Newcastle to advise that the employees P45 and P35 forms would be submitted in due course.

Notification was sent to the Company's former accountants, solicitors and insurance brokers, together with all of the utility companies.

We contacted Barclays Bank PLC on 1 March 2010, and sent a copy of the Notice of Appointment form 2.12B.

Notification was placed in the London Gazette via our advertising agents Courts Advertising Limited. The joint administrators opted against placing an advert in a local paper as we believed that the creditors of the Company would have all been identified by the director. The creditors were also situated nationwide and therefore we did not believe it cost effective to place the advert into a local paper.

The director was given a letter of instruction and questionnaires to complete. A Notice to submit a Statement of Affairs was sent to Jackson Stephens LLP A-Plas Limited accountants.

We sent notice to all of the Company's creditors on 1 March 2010 which included a letter and copy of the notice of appointment and information regarding the pre-pack sale. Since this date we have responded to creditor queries on the telephone and via mail correspondence and updated our records accordingly.

We have been instructed by the director that there will not be any Retention of Title creditors to deal with in this case.

The Company's debtor ledger had a starting position on appointment of £56,000. To date we have received payments of just under £6,000. We have established that £25,000 of the debt relates to insolvent companies, of which now will not be collectable, and another £5,000 worth of the debts are from companies who we are unable to locate any contact details.

We are in contact with the remaining companies however, we have not been provided with the telephone details for customers who have received goods under a private name. We can therefore only contact these customers in writing.

Pre-packaged sale of the business and assets

Creditors of the Company have already been provided with information on the pre-packaged sale of the Company's business and assets by letter dated 1 March 2010

The information previously provided to creditors is as follows

INFORMATION ABOUT THE PRE-PACKAGED SALE OF THE COMPANY'S ASSETS AND UNDERTAKING ON 26 FEBRUARY 2010

Who was the source of Begbies Traynor (Central) LLP's initial introduction to the Company?

This matter was referred to Begbies Traynor (Central) LLP by Jackson Stephens Accountants Limited, who has been completing and finalising the Companies accounts

What was the extent of Paul Stanley and Jason Dean Greenhalgh, and Begbies Traynor (Central) LLP's involvement with the Company before appointment?

Proposed joint administrator Jason Dean Greenhalgh met with Dave Syddal and Shaun O'Connor on 12 February 2010 to discuss the position of the Company and the best steps to take in putting the Company into Administration. A further meeting with Shaun O'Connor the director of the company was held on 26 February 2010

Begbies Traynor (Central) LLP carried out a brief review of the Company's business

Prior to their appointment the proposed administrators advised the Company and not the directors on their personal position, the directors were encouraged to take independent advice

What marketing of the Company's undertaking and assets was undertaken by the Company?

None. It was a concern that any marketing would have had an adverse affect on the business due to the nature of the contracts undertaken. It was unlikely that any further interest would be generated and due to the lack of funding it was not possible to trade the business why a marketing campaign was undertaken. Prior to the appointment we had no authority from the director to market the business. Any marketing may have jeopardised the offer received from Aplas (UK) Limited

What valuations of the Company's undertaking and assets were obtained?

Agents were instructed to value and market the undertaking and assets.

<u>Categories of Assets</u>	<u>Valuation £</u> <u>(MV Assuming restricted market period)</u>
<i>Machinery and Equipment</i>	<i>7,500</i>
<i>Stock</i>	<i>4,000</i>

Jeff Wignall of Wignall Brownlow, Chartered Surveyors, has undertaken a valuation of the assets of the Company which are of a nominal value and limited in quantity mainly due to the low level of stock carried by the Company

What alternative courses of action were considered by Paul Stanley and Jason Dean Greenhalgh?

It was considered that a Creditors Voluntary Liquidation may also be possible. However the director expressed the preference for administration as this would protect the goodwill of the Company, safeguard a number of jobs and allow the business to be restructured.

What requests were made to potential funders to fund working capital requirements during the administration?

Barclays Bank PLC and the directors were consulted about funds to cover the cost of trading via the Administration both declined the request.

What consultations were made with major creditors?

Discussions have been had with the major creditors, the directors of the Company, who are also one of the largest creditors of the Company. Barclays Bank PLC and the landlord were also consulted.

What was the date of the transaction?

26-February-2010

What were the assets sold and what was the nature of the transaction?

The Company acting by the direction of the Administrators shall sell and buyer shall purchase with effect from the Completion Date such right, title and interest as the Company then has in the following assets:

*The assets sold were
Business Records
Equipment
Goodwill
IPR/Customer Contracts
Stock
Motor Vehicles*

To the intent that the buyer shall from the Completion Date carry on the Business as a going concern.

What was the consideration for the sale, including payment terms, and other conditions of the contract that could materially affect the consideration?

The offer was for £11,500.

Is the sale part of a wider transaction? If so a description of the other aspects of the transaction.

Yes. The contract effectively provided for a sale of the business and assets, and has also protected 6 jobs and resulted in protection of the debtors ledger claims from preferential creditors have been minimised and trade creditors still have a customer. The landlord has also retained a tenant.

Who was the purchaser?

Aplas (UK) Limited

Is there a connection between the purchaser and the directors, shareholders or secured creditors of the Company?

Yes. The joint administrators have been made aware that Shaun O'Connor is a director and shareholder of the purchasing Company and also of A-Plas Limited.

Are any directors, or former directors, of the Company involved in the management or ownership of the purchaser, or of any other entity into which any of the assets have been transferred? If so, who are they?

See Above

Had any directors of the Company given guarantees for amounts due from the Company to a prior financier? Is that financier financing the new business?

No

What options, buy-back arrangements or similar conditions are attached to the contract of sale?

None

7. JOINT ADMINISTRATORS' PROPOSALS FOR ACHIEVING THE PURPOSE OF THE ADMINISTRATION

Purpose of the Administration

We are required to set out our proposals for achieving the purpose of the administration which in this context means one of the objectives specified in paragraph 3 of Schedule B1 to the Act as set out at section 3 of this report above

For the reasons set out in our report, we presently consider that it is not reasonably practicable to achieve the objective specified in subparagraph 3(1)(a). This is due to the fact that the company was unable to trade through the quiet periods, and without backing from the bank, there was no possibility of recovering from the debts that had been incurred. It was also likely to be impossible, with the economic climate, that the company would be able to generate sufficient funds to enable them to pay their arrears.

Consequently it is not reasonably practicable to achieve the objective specified in subparagraph 3(1)(a), and consequently the most appropriate objective to pursue in this case is that specified in subparagraph 3(1)(b), namely 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).

This is the purpose the joint administrators feel is the most appropriate as the employees have retained employment, and therefore protected the Company and the Redundancy Payments office from significant claims for notice and redundancy pay. The customers will continue to receive warranty cover to correct any problems, and any minor repairs will be done to protect the debtor ledger. The landlord has retained a tenant and suppliers have retained a customer. Any ROT claims will also be dealt with and should maximise the return to suppliers as the purchaser will utilise the stock on site (and should pay for any suppliers caught by Retention of Title clause and not previously paid for by A-Plas Limited). Any HP Companies will also continue to receive ongoing payments and therefore minimise their losses.

Although it appears that there will not be a dividends to unsecured creditors, the Joint Administrators believe that the sale of the business has resulted in a better outcome for creditors than would have been if the Company had ceased to trade and been placed into Liquidation. The realisation of the assets has been enhanced by the sale via Administration and should maximise the debt collection results.

Proposals

It is proposed that

- 1 The Joint Administrators propose to realise the assets and undertaking of the Company in such a manner as they consider appropriate with a view to achieving the purposes set out in Paragraph 3(1) of Schedule B1 to the Insolvency Act 1986
- 2 The Joint Administrators propose in the interim to take all necessary actions to preserve the value of the Company's assets
- 3 If appropriate, the Joint Administrators propose to take steps to dissolve the Company
- 4 The Joint Administrators propose to be remunerated on the basis of their hourly costs at rates calculated on the time properly spent in the course of the administration and may draw their remuneration on account as and when funds permit

Remuneration drawn will be notified to any creditors' committee appointed under paragraph 57 of Schedule B1 to the Act. The Joint Administrators will be reimbursed for their incidental expenses. In the absence of a creditors' committee, details of time incurred and disbursements drawn will be reported to creditors in accordance with *Statement of Insolvency Practice 9* issued by the Joint Insolvency Committee on behalf of the Administrators' licensing bodies.

A copy of this Firm's policy note on fees and disbursements, to include details of the hourly rates charges by the relevant grades of staff, is attached as an appendix II

- 5 Since the Administration is complete and the Administrators think that the purpose of the Administration has been achieved, then the creditors, in accordance with Paragraph 98(2) of Schedule B1 to the Insolvency Act 1986, hereby consent to the Joint Administrators being discharged from liability in respect of any action as Joint Administrators. The discharge from liability will take effect from the date the Administration Order is discharged.

As there are no further funds anticipated from the tangible assets of the Company, we only have the debtor ledger from which to recover any further funds.

The purpose of the administration will be achieved by speaking with each individual debtor in order to clarify whether any part of the funds are recoverable from the disputes.

As we believe that subparagraph 3(1)(b) has been achieved from the sale of certain assets to Aplas(UK) Limited, the administration will continue to progress until we believe that we have realised the maximum from the debtor ledger collection, and that the joint administrators have fulfilled their statutory duties.

In order that the purpose of the administration may be fully achieved, we propose to remain in office as administrators in order to maximise the realisations, and to conduct our statutory duties and returns when required. The principal matters to deal with in this respect are

- Maximise debtor realisations for the benefit of the creditors
- Carry out file reviews and ensure that all matters are dealt with appropriately

Following these events we propose to finalise distributions to the preferential creditors.

Exit from Administration

On present information we consider that the Company will have insufficient property to enable a distribution to be made to unsecured creditors. Consequently, as soon as we are satisfied that we have fully discharged our duties as administrators and that the purpose of the administration has been fully achieved, we propose to implement the provisions of Paragraph 84 of Schedule B1 to the Act. Under these provisions, on the

registration of a notice sent by us to the Registrar of Companies, our appointment as administrators ceases to have effect, and at the end of three months the Company will automatically be dissolved

Where an administrator sends such a notice of dissolution to the Registrar of Companies, he must also file a copy of the notice with the court and send a copy to each creditor of the Company, and on application by any interested party the court may suspend or disapply the automatic dissolution of the company

Discharge from Liability

As per the Resolutions detailed earlier in the report for your consideration, we are requesting your prior approval for our discharge from liability at the appropriate time. This will enable the joint administrator to cease to act when he thinks fit, following the completion of the administration

Distribution to Creditors

Secured Creditors

There is no fixed or floating charge holder in this case

Preferential Creditors

As per the subparagraph 3(1)(c) purpose specifies, there will not be a distribution made to the preferential creditors, the only claim received is Mr David Syddall's redundancy pay which does not include holiday pay, outstanding wages and notice period pay

Unsecured Creditors

Due to the level of realisations, and the costs of the administration, I do not anticipate that there will be any funds available to distribute to the unsecured creditors

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 realising the floating charge assets). The floating charge holder may not participate in the distribution of the prescribed part of the Company's net property. The *prescribed part of the Company's net property* 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 of net property* 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))

To the best of the joint administrators' knowledge and belief, there are no unsatisfied floating charges created or registered on or after 15 September 2003 and, consequently, there is no net property as defined in Section 176A(6) of the Act and, therefore, no prescribed part of net property is available for distribution to the unsecured creditors

Administrators' Remuneration

The joint administrators propose that the basis of their remuneration be fixed under Rule 2 106 of the Rules by reference to the time properly given by them (as administrators) and the various grades of their staff calculated at the prevailing hourly rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration

These proposals contain a statement by the administrators, in accordance with paragraph 52(1)(b) of Schedule B1 to the Act, that they consider that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of Section 176A(2)(a) of the Act. In these circumstances, it is for each secured creditor and the preferential creditors of the Company to determine the basis of the joint administrators' remuneration under Rule 2 106 of the Rules

In the absence of an initial meeting of creditors (see section 8 Conclusion, below) and the establishment of a creditors' committee, the joint administrators' remuneration is fixed by the approval of the secured and preferential creditors in accordance with Rule 2 106 (5A)

Appendix 3 sets out the administrators' firm's hourly charge out rates and the time that they and their staff have spent in attending to matters arising in the administration since Joint Administrators

Administrators' disbursements

The joint administrators propose that disbursements, including disbursements for services provided by their firm (defined as Category 2 disbursements in Statement of Insolvency Practice 9) be charged in accordance with their firms policy, details of which are set out at Appendix 3. These disbursements will be identified by the administrators and subject to the approval of those responsible for determining the basis of the administrators' remuneration

8. CONCLUSION

Pursuant to paragraph 58 of Schedule B1 to the Act, the joint administrators' proposals will be considered at an initial meeting of the Company's creditors conducted by means of a postal resolution in accordance with the Notice of conduct of business by correspondence (Form 2 25B) accompanying this document. Rule 2 48(7) provides that a creditor or creditors of the Company whose debts amount to at least 10% of the total debts of the Company, may requisition a meeting of creditors, rather than the meeting being conducted by correspondence. Any such requisition must be in the prescribed manner in accordance with Rule 2 37 and be made within 5 business days of the date on which the administrators' statement of proposals is sent out

In the absence of an initial creditors' meeting we will report on progress again approximately six months after the commencement of the administration, or at the conclusion of the administration, whichever is the sooner


Jason Dean Greenhalgh
Joint Administrator

Date 31 March 2010

**JOINT ADMINISTRATORS' ACCOUNT OF
RECEIPTS AND PAYMENTS, INCORPORATING
ESTIMATED OUTCOME FOR CREDITORS**

A-PLAS LIMITED ADMINISTRATORS' ACCOUNT OF RECEIPTS AND PAYMENTS, INCORPORATING ESTIMATED OUTCOME FOR CREDITORS

26 February 2010 to 31 March 2010

As per the
Statement of
Affairs

Receipts &
Payments to
date £

Estimated
Receipts &
Payments £

Estimated
Projected
Outcome £

RECEIPTS

10 000	Furniture & Equipment	10,000	-	10,000
1 000	Motor Vehicles	1,000	-	1,000
-	Goodwill	1	-	1
497	Stock/WIP	497	-	497
20,387	Book Debts	5,846	2,154	8 000
-	Business Records	1	-	1
-	Customer Contracts	1	-	1
-	Rates Refund	380	-	380
31,884		17,725	2,154	19,879

PAYMENTS

Agent Fees	(915)	-	(915)
Statutory Advertising	(76)	-	(76)
Specific Bond	-	(20)	(20)
Joint Administrators Fees	-	(15 859)	(15,859)
Corporation Tax	-	(10)	(10)
Accountancy Fees	-	(3 000)	(3,000)
Net property available to Unsecured creditors	16 735	(16 735)	(0)

Balance	16,735	(16,735)	(0)
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Held as

VAT Receivable	173
Bank 1 Current	10 811
Client Account	5,750
	16 735

The Statement of Affairs figures have been shown in order to provide creditors with a comparison to the actual assets realised

(Subject to Bank Interest, Charges & Final Costs of Administration)

**DIRECTOR'S ESTIMATED STATEMENT OF
AFFAIRS AS AT 26 FEBRUARY 2010**

Insolvency Act 1986

A-Plas Limited
Estimated Statement Of Affairs as at 26 February 2010

	Book Value £	Estimated to Realise £
ASSETS		
Plant & Machinery	24,936 00	10,000 00
Motor Vehicles	2,120 00	1,000 00
Stock/WIP	497 00	497 00
Book Debts	57,942 00	20,387 00
		<u>31,884 00</u>
LIABILITIES		
PREFERENTIAL CREDITORS -		
		<u>NIL</u>
		31,884 00
<hr/>		
Estimated prescribed part of net property where applicable (to carry forward)		<u>NIL</u>
		31,884 00
DEBTS SECURED BY FLOATING CHARGE		
		<u>NIL</u>
		31,884 00
<hr/>		
Estimated prescribed part of net property where applicable (brought down)		<u>NIL</u>
		31,884 00
<hr/>		
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)		
Trade & Expense Creditors	163,657 48	
Barclays Bank PLC - Current Account	23,295 00	
HM Revenue and Customs - PAYE	28,293 00	
HM Revenue and Customs - VAT	18,118 00	
Directors Loan Account - Shaun O'Connor	31,000 00	
Directors Loan Account - David Syddall	31,641 00	
Alan and Patricia Jones - Shareholders	21,558 00	
Redundancy Claim	10,830 00	
		<u>328,392 48</u>
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)		<u>(296,508 48)</u>
		(296,508 48)
<hr/>		
Issued and called up capital		
Ordinary Shareholders	100 00	
		<u>100 00</u>
TOTAL SURPLUS/(DEFICIENCY)		<u>(296,608 48)</u>

DIRECTOR'S ESTIMATED STATEMENT OF AFFAIRS

Notes to the Directors Estimated Statement of Affairs

- 1 The book value for Plant and Machinery of £24,936 was provided by the Company records, the estimated to realise value of £10,000 was valued by Messrs Wignall Brownlow. The assets have been valued on a market value basis.
- 2 The book value for the Motor Vehicle of £2,120 was provided by the Companies records. The estimated to realise value of £1,000 was value by Messrs Wignall Brownlow. The assets have been valued on a market value basis.
- 3 The estimated to realise for Stock and WIP amounts to £497, this was valued by Wignall Brownlow.
- 4 The book value for the book debts amounts to £57,942 this was provided by the Company records. The director anticipated that the book debts would realise £20,387 however, after our debt collection department reviewed the debtors they anticipated that we could only receive an estimated amount of £8,000.
- 5 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. The amount for Trade and Expense creditors amount to £163,657.48. This figure consist of an amount from the companies sage systems as at 26 February 2010, plus further claim received since that date.
- 6 The amount due to Barclays Bank PLC as at 26 February 2010 amounts to £23,295, the information was provided by the Company accountants from the latest bank statement.
- 7 The claim of HM Revenue & Customs represents PAYE and NIC outstanding at the date of appointment amounts to £28,293, as per the books and records.
- 8 The claim of HM Revenue & Customs represents VAT outstanding at the date of appointment amounts to £18,118 as per the Companies accountants.
- 9 The directors loan accounts consists of two amounts, Shaun O'Connor for £31,000 and David Syddall for £21,558. The information was provided by the Company books and records.
- 10 The amount due to Alan and Patricia Jones, shareholders of the Company amounts to £21,558. This information was provided from the Company records.
- 11 The redundancy claim consists of one employee, Mr David Syddall, the director of the Company who was made redundant on 12 February 2010. The redundancy claim totals £10,830.
- 12 Transactions with directors and associates.

Standard practice requires disclosure to the meeting of any transactions (other than in the ordinary course of business) between the Company (including any of its subsidiaries or any other company in which it has or had an interest) and any of its directors or their associates (as defined in Section 435 of the Act) in the period of two years prior to the commencement of administration, and in the period since the commencement of the administration, or proposed to be undertaken.

At this stage in the administration, I am not aware of any matters or transactions which require reporting to creditors. Should you be aware of any issues, please do not hesitate to contact me to discuss these.

The joint administrators have six months in which to carry out their investigations and submit their report. Should any matters arise in this period, the information will be enclosed within our findings.

JOINT ADMINISTRATORS' TIME COSTS AND EXPENSES

Remuneration drawn will be notified to any creditors' committee appointed under paragraph 57 of Schedule B1 to the Act. In the absence of a creditors' committee, details of time incurred and disbursements drawn will be reported to creditors in accordance with *Statement of Insolvency Practice 9* issued by the Joint Insolvency Committee on behalf of the administrators' licensing bodies.

Total time spent to 31 March 2010 on this assignment amounts to 35.10 hours at an average composite rate of £160 per hour resulting in total time costs to £5,616.

To assist creditors in determining this matter, the following further information on time costs and expenses are set out:

- ☐ Begbies Traynor (Central) LLP's policy for re-charging expenses
- ☐ Begbies Traynor (Central) LLP's charge-out rates
- ☐ Narrative summary of time costs incurred
- ☐ Table of time spent and charge-out value

In addition a copy of *A Creditors' Guide to Administrators' Fees* is available on request. Alternatively, the guide can be downloaded from <http://www.begbies-traynorgroup.com/Files/A%20Creditors'%20Guide%20to%20Administrators'%20Fees.pdf>

Time costs analysis for the period from 26 February 2010 to 30 March 2010

Time costs analysis for the period from 26 February 2010 to 30 March 2010

[illegible]

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

Where Petition Presented or Appointment Made On or After 15 September 2003

ENGLAND AND WALES

1 Introduction

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

2 The nature of administration

- 2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:

- rescuing the company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration,

or, if the administrator thinks neither of these objectives is reasonably practicable:

- realising property in order to make a distribution to secured or preferential creditors

3 The creditors' committee

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

4 Fixing the administrator's fees

- 4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:

- as a percentage of the value of the property which the administrator has to deal with, or
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

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

- the complexity (or otherwise) of the case,
- any responsibility of an exceptional kind or degree which falls on the administrator,
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties,
- the value and nature of the property which the administrator has to deal with.

- 4 2** If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.
- 4 3** There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets.

In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of

- each secured creditor of the company, or
- if the administrator has made or intends to make a distribution to preferential creditors
 - each secured creditor of the company, and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval,

having regard to the same matters as the committee would

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company.

- 4 4** A resolution of creditors may be obtained by correspondence.

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 added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4 1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on

this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

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

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

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

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

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

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

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

5.2 After fee approval

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

5.3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for

approving his remuneration. Such expenses must be directly incurred by the administrator and must be calculated in accordance with 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.

9 Provision of information – additional requirements

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company. The information which must be provided is

- the total number of hours spent on the case by the administrator or staff assigned to the case,
- for each grade of staff, the average hourly rate at which they are charged out,
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.

This guide is contained within Appendix C of Statement of Insolvency Practice 9 – Remuneration of Insolvency Holders (SIP 9) effective April 2007

A-PLAS LIMITED – IN ADMINISTRATION

ADMINISTRATION – A GUIDE FOR UNSECURED CREDITORS¹

Administration – When a company is facing financial difficulties it can be placed into administration. This means that the affairs, business and property of the company will be managed by a person appointed for that purpose.

A licensed insolvency practitioner has given you this because you, or your business, may be owed money by a company that is in administration.

This guide aims to help you understand your rights as a creditor and to describe how best these rights can be exercised. It is intended to relate only to England and Wales. It is not an exhaustive statement of the relevant law or a substitute for specific professional or legal advice.

We have made every effort to ensure the guide is accurate, but R3 cannot accept responsibility for the consequences of any action you take in reliance on its contents. If, having read the guide, you remain in any doubt about your rights, you should consult a licensed insolvency practitioner or solicitor.

Depending on the circumstances of the case, creditors who play an active role in an insolvency can make a significant difference to how much the insolvency practitioner will be able to recover for them. We hope that you will read this guide carefully and consider whether taking an active role as a creditor in this case could benefit you or your business.

In what circumstances does a company find itself in administration?

When a company is facing financial difficulties it can be placed into administration. This means that, during the period for which it is in administration, the affairs, business and property of the company will be managed by a person ('the administrator') appointed for that purpose. The administrator must be a licensed insolvency practitioner.

How can a company be placed into administration?

A company may be placed into administration

- by an order of the court, on application by, amongst others, the company, its directors, one or more creditors, or, if it is in liquidation, its liquidator,
- without a court order, by the direct appointment of an administrator by the company, its directors or a creditor who holds comprehensive security of a type which qualifies him to make such an appointment.

What is the purpose of administration?

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The administrator must perform his functions with the objective of

- rescuing the company as a going concern, or
- achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or
- realising property in order to make a distribution to one or more secured or preferential creditors

The administrator must perform his functions with the first of these objectives unless he thinks either

-
- that it is not reasonably practicable to achieve that objective, or
 - that the second objective would achieve a better result for the company's creditors as a whole

The administrator may perform his functions with the third objective only if

- he thinks that it is not reasonably practicable to achieve either of the first two objectives, and
- he does not unnecessarily harm the interests of the creditors of the company as a whole

What are the powers of an administrator?

An administrator's powers are very broad. They include powers to carry on the company's business and realise its assets. The administrator displaces the company's board of directors from its management function and has the power to remove or appoint directors.

The administrator must prepare proposals for approval by the creditors setting out how he intends to achieve the purpose of administration.

Does the administrator pay unsecured creditors the money owed to them?

Debts due to unsecured creditors are frozen at the date of the administrator's appointment.

If the outcome of the administration is survival of the company, the management of the business and assets can be returned to the directors on the conclusion of the administration. The directors and staff of the company will then deal with unsecured creditors' pre-appointment claims.

If survival of the company is not possible, but sufficient sums are realised from the sale of the company's business and assets to enable funds to be distributed to unsecured creditors, the administrator may be able to deal with their claims and pay them a dividend, but he may only do so with the permission of the court.

Otherwise, after payment of the costs and expenses of the administration, any surplus funds will normally be passed to a liquidator, who will deal with creditors' claims. The administrator may himself become the liquidator.

Sometimes the outcome of the administration will be a company voluntary arrangement, within which creditors' claims will be dealt with

Six months after writing off the debt in your accounts, you can claim VAT Bad Debt Relief from HM Revenue & Customs for the VAT you have paid

If you believe that you own something in the company's possession, you should contact the administrator as soon as possible with full proof of ownership and be prepared to identify what you are claiming. The administrator will examine your claim carefully before deciding whether to release the goods in question, pay you for them or otherwise

How does administration come to an end?

An administration may come to an end

- automatically after one year – but this period may be extended with the agreement of the creditors or the permission of the court if more time is needed to achieve the purpose of administration,
- by court order, if the administrator thinks the purpose of administration cannot be achieved, or, where he was appointed by the court, if he thinks the purpose has been achieved
- where the administrator was appointed out of court, if he thinks the purpose has been achieved

On conclusion of an administration

- the company may be returned to the control of its directors and management,
- the company may go into liquidation,
- the company may be dissolved (if there are no funds for distribution to unsecured creditors),
- if a voluntary arrangement has been agreed during the administration, the arrangement may continue according to its terms (it is possible for a voluntary arrangement to run concurrently with an administration)

Is the administrator bound by contracts entered into by the company prior to his appointment?

An administrator has a general duty to the company to attempt to achieve the purpose of administration. In doing so, the administrator may find it impracticable to have the company perform certain contracts entered into prior to his appointment, although he will have regard to the financial implications of breaches of the company's contracts. Special provisions apply to employment contracts.

Is the administrator liable for sums due under contracts entered into by the company subsequent to his appointment?

An administrator is not personally liable for contracts entered into as administrator, but normally the administrator will pay for goods or services provided subsequent to his appointment, as an expense of the administration.

As an unsecured creditor, what information am I entitled to?

The administrator must notify all known creditors of his appointment as soon as reasonably practicable, and must send a copy of his proposals for achieving the purpose of administration to all creditors within eight weeks of his appointment. A meeting of all creditors must then normally be held within ten weeks of the date the company went into administration in order to consider the administrator's proposals. However, there is no need for the administrator to hold a meeting if he has stated in his proposals that

- the company has sufficient property to enable all creditors to be paid in full,
- the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets, or
- neither of the first two purposes of administration can be achieved

However, he must hold a meeting if requested by creditors whose debts amount to at least 10% of the total debts of the company

After approval of the administrator's proposals, a report on the progress of the administration is sent to all creditors every six months and at the end of the administration

Can the unsecured creditors form a creditors' committee?

Yes. A creditors' committee may be appointed at a meeting of creditors and must consist of at least three and not more than five creditors. The creditors' committee receives reports from the administrator and may meet periodically.

Creditors' committee members are not paid, but will receive their reasonable travelling expenses as a cost of the administration.

Can a creditor initiate or continue legal actions against a company in administration?

No. Any petition for the winding up of the company must be dismissed or suspended. In addition, except with the consent of the administrator or the permission of the court

- no steps may be taken to enforce security over the company's property or to repossess goods in the company's possession under any sale or hire agreement,
- no other proceedings, execution, or legal process may be commenced or continued, and no distress may be levied, against the company or its property, and
- a landlord may not exercise a right of forfeiture in relation to premises let to the company

How is the administrator's fee determined?

The creditors' committee (if there is one) agrees the administrator's fee. Otherwise, it can be fixed by the creditors or the court. Although the fee can be fixed as a percentage of the value of the property dealt with, it is normally based on the following factors

- the time properly spent by the administrator and his staff,
- the complexity of the case,
- any exceptional responsibility borne by the administrator,
- the effectiveness with which the administrator carries out his duties, and
- the value and nature of the company's assets

R3 has produced a separate guide explaining insolvency office holders' remuneration, which is available from the person who gave you this guide

What should I do if I am dissatisfied with the administrator's handling of the case?

You should first contact the administrator to try and resolve the problem. If you are still not satisfied, you may be able to make an application to court.

If you think that the administrator is guilty of professional misconduct, you should contact his regulatory body.

R3 is the UK's leading trade association for licensed insolvency practitioners and business recovery professionals. R3 does not license or discipline its members; this is the responsibility of the practitioner's regulatory body. The regulatory bodies are:

The Association of Chartered Certified Accountants

Tel 020 7396 7000

www.accaglobal.com

The Institute of Chartered Accountants in England and Wales

Tel 020 7920 8100

www.icaew.co.uk

The Institute of Chartered Accountants in Ireland

Tel 00 353 1 637 7200

www.icaire

The Institute of Chartered Accountants of Scotland

Tel 0131 347 0100

www.icas.org.uk

The Insolvency Practitioners Association

Tel 020 7623 5108

www.ipa.uk.com

The Law Society of England and Wales

Tel 020 7242 1222

www.lawsoc.org.uk

The Law Society of Northern Ireland

Tel 028 9023 1614

www.lawsoc-ni.org

The Law Society of Scotland

Tel 0131 226 7411

www.lawscot.org.uk

The Insolvency Service

Tel 020 7291 6895

www.insolvency.gov.uk



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