

AM03

Notice of administrator's proposals



Companies House

SATURDAY



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15/04/2017

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COMPANIES HOUSE

1 Company details

Company number 03898452

Company name in full Cordell Group Limited

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Robert Alexander Henry

Surname Maxwell

3 Administrator's address

Building name/number Fourth Floor

Street Toronto Square

Post town Toronto Street

County/Region Leeds

Postcode LS1 2HJ

Country

4 Administrator's name

Full forename(s) Lee

Surname Lockwood

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address

Building name/number Fourth Floor

Street Toronto Square

Post town Toronto Street

County/Region Leeds


Postcode LS1 2HJ

Country

② Other administrator
Use this section to tell us about
another administrator.

AM03

Notice of Administrator's Proposals

6	Statement of proposals	
	<input checked="checked" type="checkbox"/> I attach a copy of the statement of proposals	
7	Sign and date	
Administrator's Signature	<div>Signature</div> <div>✕  ✕</div>	
Signature date	<div><div>^d0^d7</div><div>^m0^m4</div><div>^y2^y0^y1^y7</div></div>	

AM03

Notice of Administrator's Proposals



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Ashley Coates
Company name	Begbies Traynor (Central) LLP
Address	Fourth Floor Toronto Square
Post town	Toronto Street
County/Region	Leeds
Postcode	L S 1 2 H J
Country	
DX	
Telephone	0113 244 0044



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

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.

Cordell Group Limited (In Administration)

Statement of proposals for achieving the purpose of administration pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of the Insolvency (England and Wales) Rules 2016

Important Notice

This 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. Any estimated outcomes for creditors included in these proposals are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	Cordell Group Limited - In Administration
"the administration"	The appointment of administrators under Schedule B1 of the Act on 23 February 2017
"the administrators", "we", "our", "us"	Robert Alexander Henry Maxwell of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ and Lee Van Lockwood of Begbies Traynor (Central) LLP, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ.
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency (England and Wales) Rules 2016 (as amended)
"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(1)(a) of the Act)
"security"	<ul style="list-style-type: none">(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act); 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(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Act

2. STATUTORY INFORMATION

Name of Company	Cordell Group Limited	
Trading names:	Cordell Group ASR Technology Cordell Specialist Engineering Services	
Date of Incorporation:	22 December 1999	
Company registered number:	03898452	
Company registered office:	Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HJ	
Former registered office:	159 - 160 High Street, Stockton-on-Tees, TS18 1PL	
Trading addresses:	159-160 High Street, Stockton on Tees, TS18 1PL; Wilton Centre, Wilton, Redcar TS10 4RF; Unit 8B Willows Court, Teesside Industrial Estate, Thornaby, Stockton-on-Tees, TS17 9PP; BT50/2 Perry Avenue, Teesside Indisutrail Estate, Thornaby, Stockton-on-Tees, TS17 9LN; and Malleable Way, Portrack Lane, Stockton-on-Tees, TS18 2QX.	
Principal business activities:	Engineering Design, Fabrication and Construction	
Directors and details of shares held in the Company (if any):	Name	Shareholding
	David Rush	1,080,001 – A Ordinary (90%) 111,548 – B Ordinary (51%) 737,313 – C Ordinary (100%)
	Brenda Rush	120,000 – A Ordinary (10%) 31,895 – B Ordinary (15%)
	Robert McBride	N/A
	Nigel Park	N/A
	Neal Hanson	3,409 – B Ordinary (2%)
	David Weston	4,000 – B Ordinary (2%)
	Garry Lawson	6,350 – B Ordinary (3%)
	Andrew Fotheringham	51,750 – B Ordinary (24%)
Company Secretary and details of the shares held in Company (if any):	Name:	Shareholding
	Nigel Park	N/A
Auditors:	Tait Walker Chartered Accountants, Medway House, Fudan Way, Teesdale Park, Stockton on Tees. TS17 6EN	
Share capital (voting shares):	1,200,001 A Ordinary shares at nominal value of £1 each	
Shareholders:	David Rush - 1,080,001 shares (90%) Brenda Rush - 120,000 shares (10%)	

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Date of appointment:	23 February 2017
Court:	High Courts of Justice, Chancery Division, Leeds District Registry
Court Case Number:	179 of 2017
Persons making appointment:	The directors of the Company
Acts of the administrators:	The 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 Proceedings:	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 sub-paragraph (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 sub-paragraph (1)(a) unless he thinks either-
- (a) that it is not reasonably practicable to achieve that objective, or
 - (b) that the objective specified in sub-paragraph (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 sub-paragraph (1)(c) only if-
- (a) he thinks that it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph (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 OUR APPOINTMENT

Company History

The Company was incorporated in December 1999 following a merger between Cordforth Group Limited and Darlington Engineering Limited (both subsequently dissolved). The Company was a multi-discipline engineering business based in the North East of England. It grew from a relatively small family run business, to a group with peak annualised turnover of approximately £50m in 2013.

Much of the Company's growth was driven by acquisition. Between incorporation and November 2007, it acquired seven businesses which it fully integrated. It later acquired a further five businesses which were held as 100% subsidiaries; albeit some of the operations were integrated into the Company. Full details are provided below.

Entity Acquired	Business Taken on By	Date Acquired	Status
Engineering Services Scotland Limited	Cordell Engineering Services Scotland Limited ("CESS")	March 2008	Was run as a stand alone subsidiary but operations wound down in 2014. Was dormant at 23 February 2017.
ASR Technology Limited	Cordell ASR Technology Limited ("CASR")	August 2008	Business was integrated into the Company. Was dormant at 23 February 2017.
STS (Southern Technical Services) Limited	Cordell Southern Technical Services Limited ("CSTS")	December 2011	Run as a separate entity with central functions undertaken by the Company. Limited company also entered Administration on 23 February 2017.
DarbyTech Training Equipment Inc – Based in Canada. ("DarbyTech")	<i>Unchanged</i>	November 2013	Operations integrated into the Company with company presence retained in Canada for sales purposes.
Ahmad Albinali Cordell Arabia Limited ("AC Arabia")	<i>Unchanged</i>	April 2015 (full shareholding)	Separate stand alone entity. Continues to trade.

Collectively, the Company and its five subsidiaries referred to above are known as "the Group". The Company was the main trading entity within the Group.

By the end of 2013, the Group began to experience difficulties as it had to exit a large contract to maintain an industrial plant based in Scotland. It needed to exit the contract (which it had entered into via the Scottish subsidiary – CESS) due to a dispute between the operator of the plant and the unionised workforce. The costs of exiting this contract were significant due to direct losses and the need to reduce the Group's employee numbers and other overheads after cessation. The losses incurred by CESS, of approximately £1.5m, were funded by the Company.

A general decline in the Oil and Gas sector in 2014 (which had historically accounted for around 25% of the Company's turnover) put further pressure on the business. During 2015, the Company's largest maintenance contract was also lost, resulting in an immediate reduction in annual turnover of around £6m.

The above reduced Group annual turnover to approximately £30m by 2016. In order to keep costs in line with declining turnover, management sought to reduce employee numbers and overheads. However, the Company had entered into a number of medium term property leases which, whilst the buildings were no longer required, it could not exit. Having acquired a number of businesses through acquisition, the Company also had a large proportion of staff with long service records; resulting in large redundancy costs as it tried to restructure. Due to these factors, the Company was unable to cut costs quickly enough to match the fall in turnover, resulting in cash flow pressure.

At the start of 2016, the Company took on two new large contracts at relatively low margins. These contracts proved not sufficiently profitable to help the Company turn around. These two contracts both came to an end in early 2017 and were not replaced. The loss of turnover prevented the Company from being able to manage a challenging cash flow position. In light of this, the Company became unable to pay its debts as and when they fell due.

It should also be noted that the Company had also been supporting losses in its stand alone subsidiaries. At 23 February 2017, it had intercompany debts due from CSTS and AC Arabia of £1.24m and £305k respectively. The loan to AC Arabia was in addition to £616k invested historically by way of equity and an unpaid book debt of £69k. Supporting these businesses also contributed to the failure of the Company.

Build up to Insolvency

In early October 2016, the Company's board of directors approached Begbies Traynor Group ("BTG") for independent financial advice. Under terms of an engagement letter dated 11 October 2016, BTG was instructed to undertake a review of the business and identify options available. The review highlighted the difficult financial position of Company and its subsidiaries and set out various options, including: refinance (to generate additional cash through debt), a sale of the Group (to secure equity investment) and various insolvency options.

Having discussed the options with management and Company's primary funder, Santander (UK) plc ("the Bank"), it was agreed to pursue a dual strategy of seeking to refinance the business whilst also seeking a sale of the Company and its subsidiaries (both as a whole and separately). It was recognized that either option would need to generate additional finance for the Group; in order to pay for necessary restructuring costs. A second engagement letter dated 31 October 2016 instructed BTG to assist with this process.

Refinance Option

As the main asset of the Company was its book debts, efforts were focused upon finding an asset based lender that would be able to finance the sales ledger. Eight potential funders were identified and all eight signed non-disclosure agreements and reviewed information provided in a data room. Six of the potential funders went on to meet management. However, it became apparent that the nature of the work undertaken by the Company made funding the debts difficult. In addition, the Bank had lent significantly against the book debts in the past, making generating additional cash from a refinance challenging.

A number of the potential lenders advised that they would be willing to lend but only with the support of additional equity. The existing controlling shareholders were approached to discuss further investment but were unable to commit to this.

Sale of Group – Private Equity

At the same time as seeking new debt, five private equity providers, operating within the distressed market, were approached to discuss an acquisition of the Group. All five signed non-disclosure agreements and three met with management.

A preferred bidder was identified. This bidder also advised that they would like to work in tandem with an asset based lender and management's choice, from those referred to above, were invited to work with the equity provider; they accepted.

Offer letters were received from both the private equity provider and asset based lender and advanced due diligence was undertaken

Sale of Group – Trade Buyers

In addition to the above, 11 potential trade buyers were identified by the Company's board of directors; based upon their industry knowledge. Of those approached, four signed non-disclosure agreements and reviewed data provided. One trade party showed significant interest and was considered by the Company's board to be a good strategic fit. Advanced due diligence was undertaken by this party, including: site visits, interviews and a detailed financial review. This was run alongside the potential sale to the private equity provider in order to provide two options.

Outcome

On 23 January 2017, after significant due diligence, the proposed trade buyer pulled out of the process; referencing a concern about the ability to integrate the Group into its own structure.

With cash flow pressure beginning to mount, a sale to the private equity provider was pushed forward. However, late in January, one of the Company's main customers advised that it would no longer be paying invoices raised against applications on a large project; in favour of awaiting a final account discussion. This had a material effect on the Company's short term cash flow forecast and, in turn, the funding that would be required from the private equity provider. As a result, the private equity provider formally pulled out of discussions on 31 January 2017. At this time, a notice of intention to appoint Administrators was filed in relation to CGL.

With the insolvency of the Company becoming likely, a notice of intention to appoint Administrators over CSTS was filed on 3 February 2017; due to its direct financial reliance on the Company.

Follow on Strategy

In light of the above, it was accepted that preserving shareholder value of the Group was unlikely. A revised marketing strategy was undertaken seeking a buyer for the whole or any part of the Group on an asset only basis (i.e selling the whole or part of the business through Administration via a pre-arranged sale).

All those parties contacted previously were re-approached. A further 154 potential trade buyers were also contacted and BTG Corporate Finance (part of the Begbies Traynor Group) circulated the opportunity to over 1,000 professional contacts.

The additional marketing resulted in further interest which was pursued. In order to fully explore this interest, a second notice of intention to appoint was filed in relation to the Company and, later, CSTS. Whilst initial indications were that there may have been a buyer for some, or all, parts of the Group, unfortunately, no material offers were received. The most common reasons we received were:

- There was too much risk in trying to transfer customer contracts;
- The employee liabilities were significant; and
- Obtaining some of the accreditation held by the Group may be difficult.

Alongside the above, contingency planning work was undertaken to assess the best options to pursue if no sale could be secured. It was identified that, in relation to the Company, a short period of trading in administration was likely to:

- Maximise the collection of book debts;
- Provide opportunity to properly document and pursue two large final account balances;
- Create a trading profit;
- Stagger the loss of jobs; and
- Provide further opportunity to retain some employment by seeking to transfer certain contracts.

In relation to CSTS, its key contracts couldn't be completed within a short period. The remaining profitability of the key contracts was also uncertain and trading may, therefore, have resulted in losses. In light of this, the decision was taken to place CSTS into Administration and cease all operations immediately.

5. STATEMENT OF AFFAIRS

The directors have not yet produced a statement of affairs. However, an estimated financial position of the Company, as at 23 February 2017, is attached at Appendix 2. It makes no provision for the costs of the administration or any subsequent liquidation or voluntary arrangement.

A full set of notes also accompanies the estimated financial position which explains the assumptions we have made in arriving at the estimate.

We would like to draw creditors' attention to the fact that we have not included detail relating to the realisation of outstanding work in progress ("WIP"). Full details of this are explained in Section 6 of this report.

6. THE ADMINISTRATION PERIOD

Receipts and Payments

Attached at Appendix 1 is our account of receipts and payments from the commencement of administration, 23 February 2017 to 13 April 2017. Full details of the items shown within the receipts and payments account, plus an explanation of other actions taken during the Administration, are provided below.

Book Debts

At the date of appointment, the Company's "book debts" totalled £2.4m. These debts were subject to an invoice discounting agreement with the Bank. This figure excludes WIP and uninvoiced debtors.

As at 13 April 2017, a total of £1.39m had been received in respect this class of asset. The majority of this figure relates to the payment of debt by the Company's largest customers. Payment of this debt was secured as a result of the trading strategy adopted; detailed below. Without the continuation of trade following the Administration, we are of the opinion that book debt collections would have been markedly reduced.

Debtors who were not offered a continuation of service have raised queries and counter-claims in relation to the outstanding balances. This is likely to have happened in all instances if the business had ceased immediately on 23 February 2017.

The debts which have not yet been recovered are being pursued by the Joint Administrators and our quantity surveyors, Leslie Keats ("LK"). At present, it is anticipated that approximately £215,000 of further "book debt" realisations will be made.

LK are proposing to be paid 15% for any debt collection it makes directly. This would equate to £32,250 if they are able to realise the whole £215,000. All debts realised to date have been secured directly by the Joint Administrators and so, would not attract a recovery charge from LK. The fees of LK are yet to be agreed by the Bank; in its capacity as secured creditor.

Trading

In the weeks prior to the Administration, we worked with the directors of the Company to develop the most appropriate Administration strategy. Having searched for a buyer for some or all of the Company's business, it was not considered appropriate to continue trading for an unlimited period, in Administration, with a view to seeking a going concern sale. Trading under these conditions with no known end date or guaranteed outcome was expected to be loss making and, having already exhausted interest in the business, there was no obvious benefit.

Closing the business entirely, immediately upon Administration, was also considered. However, this was likely to jeopardise outstanding book debts as the majority of the Company's work was done under contracts and collecting book debts and WIP (the Company's principle asset) would have been challenging.

It was, therefore, decided to trade the business for a short period in order to complete certain contracts (subject to agreement with the customers). In the first few days of Administration, seven of the Company's main customers were approached (being those with the largest debt balances and contracts that were capable of being brought to a natural conclusion). With the exception of one customer all of them agreed to sign letters committing them to: pay outstanding debt, value and WIP up to 23 February 2017 and pay for work done in Administration.

Following the reaction of the customers, a cash flow forecast was produced to model Administration trading. The cash flow showed that, ignoring the collection of book debts, Administration trading would be break even or profitable. At the date of appointment, outstanding employee wages and salaries (for those who would need to be retained) totalled £168k and a break even position was, therefore, only made possible by the agreement of customers to value and pay outstanding WIP.

Ongoing trading would also help ensure rapid, undisputed collection of the major outstanding debts and provide additional time with the Company's staff to consider two large outstanding WIP balances (not collected as part of the agreements referred to above).

The Company employed 212 people as at 23 February 2017. A total of 53 people were made redundant immediately on appointment as they were not directly involved in the provision of services to the seven customers referred to above. The majority of employees initially retained were made redundant in phases as and when the customer contracts were complete or transferred. However, a total of 45 staff were transferred under TUPE regulations in relation to one of the contracts.

Trading ceased on 31 March 2017. Current expectations are that our period of trading will result in a small profit. At present, £88,000 of book debts have been used, with the Bank's permission, to help fund trading. Once this is repaid, a break even position is expected.

Plant, Machinery and Office Equipment

Immediately prior to Administration, we instructed our agents, Eddisons Commercial Limited ("Eddisons"), to undertake a valuation of the Company's tangible assets. They have valued these assets but we are not disclosing their value as an auction of the assets is due to take place shortly.

In addition to the above, the Company had a small amount of residual stock which has been valued at £2,500. This is significantly lower than the book value of the Company's stock being £74,089.

Eddisons are in the process of preparing an auction of the assets, from the Company's premises, via an internet based sale process. In order to achieve this, the Company's leasehold property at Malleable Way, Stockton-on-Tees, has been retained. The cost of continuing to use the property (around £17,119 for a month to the end of April 2017) is considered the most cost effective way to realise the assets. The various sales and a reconciliation of monies generated is expected to be complete by early May 2017.

WIP

Total outstanding WIP at the date of Administration was £3.43m.

Of this amount £263,045 was secured from customers as part of the agreement to trade on post Administration and has been classified as Administration trading receipts; as the WIP would have been lost under any other circumstances.

There is a further £397,690 spread across a number of customers and is considered challenging to collect by LK. This WIP relates to work being undertaken on contracts which were ended abruptly on Administration and may be subject to set off and counter claim.

The balance of work in progress, £2.77m, relates to two large contracts. One of these contracts was completed immediately prior to Administration and the customer is engaged in meaningful dialogue about the outstanding balance due to the Company. The second relates to a contract that was near to completion. Unfortunately, this was the only customer who would not agree to our continued trading in Administration and as a result, the Company was unable to fully complete their work. However, the vast majority of work done under this contract had been completed and we are seeking to engage with the customer about the balance outstanding.

Negotiations in relation to both of these large contracts are in a sensitive position and to avoid prejudicing the outcome, we do not propose to provide any further details at this time. In particular, details regarding expected outcome.

LK will be assisting with the pursuit of outstanding WIP. Their costs for this are still to be agreed.

Freehold Property

The Company owns one freehold property; it's former head office at 159 to 160 High Street, Stockton-on-Tees, TS18 1PL ("the Property"). Prior to Administration, the Company had begun the process of selling the Property and had agreed a sale to the local Council for £275,000.

Our agents, Eddisons, advised that the sale was likely to result in the best return and the sale process was, therefore, continued. A sale is expected to complete in May 2017.

The Bank has a fixed charge over the Property and will benefit from any sale proceeds. Any costs of sale will be agreed directly with the Bank.

Investments

As set out in Section 4 of this report, the Company held five 100% subsidiaries at the date of appointment.

The businesses of both CESS and CASR had either been wound down or fully integrated into the Company at the date of Administration. Therefore, there is no immediate value in either investment. However, consideration is being given to any group tax losses that they may hold and how these may be utilised.

CSTS entered Administration on the same day as the Company and, therefore, the value of the Company's related shareholding is nil.

The business of DarbyTech had, for the most part, been integrated into the Company by the date of Administration; with the Canadian entity being kept in place as a 'shop window' to the North American and other markets. DarbyTech had been acquired by the Company on a deferred consideration basis and the Company still owed approximately £115,000 under the agreement. As a result of the Administration, the former owners of DarbyTech have invoked provisions of the sale agreement to take back the shares in DarbyTech. We have assessed the position and do not believe the value of the recoverable investment in DarbyTech to exceed £115,000 and have, therefore, not challenged the former owners' attempts to regain the business. Our solicitors, Walker Morris, have also advised that the position of the former owners is valid.

AC Arabia continues to trade. It has been historically reliant upon the Company for financial support and, prior to the Administration, the directors of the Company had instructed the board of AC Arabia to wind down its operations and repatriate as much money as possible. This process is ongoing. We are also seeking a buyer for the business. The directors of the Company had forecast a return from the investment in AC Arabia of £150,000 and had recently reflected this in the Company's accounts. However, we consider that any return is uncertain at this time.

7. ESTIMATED OUTCOME FOR CREDITORS

The sums owed to creditors at the date of appointment (as detailed in the estimated financial position set out in Appendix 2) are as follows:

Secured creditor

The Company's assets are subject to a fixed and floating charge granted in favour of the Bank. This security is provided by way of debenture dated 25 May 2012 and registered at Companies House on 30 May 2012 and a legal mortgage over the Company's freehold property at 159-160 High Street, Stockton-on-Tees.

The Bank also has a fixed charge over the Company's book debts, having provided most of its lending by way of a confidential invoice discounting facility.

The Bank's lending to the Company has not been formally quantified but is estimated at £2.13m.

Cross guarantees are in place in respect of other group companies. This includes a guarantee supported by a debenture over Cordell Southern Technical Services Limited ("CSTS"). This company was also placed into Administration on 23 February 2017. It is currently forecast that there will be no return to the Bank from the Administration of CSTS or any other of the cross guarantees.

It is estimated that the Bank will suffer a shortfall against its lending in relation to monies it will recover under its fixed charge security over the Company.

There may be a further return to the Bank under its floating charge security. However, this is dependent on the level of realisations made in relation to WIP. We intend to make no further comment on this at this stage to avoid prejudicing the collection of WIP.

Preferential creditors

Estimated preferential claims from employees for arrears of wages, salary and holiday pay are £152,578. Of this amount, £105,527 is anticipated to relate to amounts already paid to employees by the Department for Business, Energy and Industrial Strategy. This figure is significantly less than it would have been had the Company ceased to trade on 23 February 2017.

In addition to the above, there may be a subrogated wages claim in relation to £167,765 of wages which were paid following Administration in relation to employee arrears of wages. This claim is at an early stage and if agreed, the preferential element will be less than the figure stated above.

The return to preferential creditors will be dependent upon the value of WIP recovered. As set out above, we do not wish to prejudice current discussions in respect of large WIP balances by providing any information in these proposals which may effect negotiations. However, we will state that we anticipate recovering enough from this source to make a distribution to preferential creditors. We will provide a more detailed assessment of this in our next report when we anticipate that negotiations in respect of WIP will be finalised.

Unsecured creditors

Claims of unsecured trade creditors are estimated at £2.0m. In addition to this figure, we anticipate that unsecured claims in relation to employees made redundant: immediately prior, on or after the date of Administration, will be in region of £1.7m

The figures above also exclude any liability to HM Revenue and Customs, which we forecast to be in the region of £500,000. There are also likely to be claims from customers for incomplete work. As most of the Company's major contracts were continued upon Administration, any such claims will have been materially mitigated.

A return to unsecured creditors is wholly dependent on the recovery of WIP. At this point in time, we are unable to confirm that unsecured creditors will receive a dividend. However, there are, in particular, two large WIP balances to pursue which may make a dividend to unsecured creditors likely in the future.

It should not be assumed that because we are making a statement under paragraph 52(1)(b) of Schedule B1 to the Act (i.e. that there will be insufficient realisations to enable a distribution to unsecured creditors – other by virtue of the Prescribed Part) that we are making any omissions in relation to the collection of WIP. The full balance of WIP will be pursued.

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Section 176A of the Act provides that, where the company has created a floating charge on or 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 debts. *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 the administrator thinks that the cost of distributing the *prescribed part* would be disproportionate to the benefit; (Section 176A(3)) or
- ❑ the administrator 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)).

We consider that it is in the best interests of the creditors not to disclose estimates of the prescribed part of the Company's net property at this time on the grounds that the disclosure could seriously prejudice the commercial interests of the Company.

Effect of administration on limitation periods under the Limitation Act 1980

As explained in our initial correspondence confirming our appointment as administrators, the Limitation Act 1980 continues to apply to all debts due from the Company. Case law indicates that where a company is in administration, time does not stop running for limitation purposes pursuant to the Limitation Act 1980. If you have any concerns in relation to your claim against the Company becoming time-barred during the course of the administration, we strongly recommend that you seek independent legal advice on the options available to you to prevent this.

8. OUR 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 this report, we presently consider that it is not reasonably practicable to achieve the objective specified in sub-paragraph 3(1)(a), and consequently the most appropriate objective to pursue in this case is that specified in sub-paragraph 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).

Achieving the objective set out in sub-paragraph 3(1)(a), aimed at keeping the business trading in its existing form, was not reasonably practicable in this instance due to the level of the Company's liabilities. Extensive marketing of the business was undertaken in the build up to the Administration but no buyer for the shares could be found.

In order that the purpose of the administration may be fully achieved, we propose to remain in office as administrators in order to conclude the realisation of the Company's property. The principal matters to deal with in this respect are:

- Finalisation of Administration trading (collection of trading debts and payment of outstanding liabilities);
- Pursuit of outstanding book debts and WIP including the two large contracts;
- Sale of the Company's freehold property at 159 – 160 High Street, Stockton-on-Tees, TS18 1PL;
- Sale of the Company's plant and machinery; and
- Realisation of the Company's investment in AC Arabia.

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

Exit from Administration

Dissolution

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.

Creditors' Voluntary Liquidation

It may transpire that a distribution to unsecured creditors of the Company, which is not a distribution of the prescribed part¹, becomes likely.

We have the power to make a distribution of the prescribed part to unsecured creditors in the administration but any other distribution to them requires the permission of court. It is considered that the court will only grant such permission in exceptional circumstances where the normal course for making distributions to unsecured creditors in a voluntary liquidation is inappropriate. Additionally, there may be matters for enquiry concerning a company's affairs which are not within the scope of an administrator's powers and which can only be properly dealt with by a liquidator.

Consequently, if a distribution to unsecured creditors does become likely, 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 83 of Schedule B1 to the Act whereby on the registration of a notice sent to the Registrar of Companies, our appointment as administrators shall cease to have effect and the Company will automatically be placed into creditors' voluntary liquidation. Paragraph 83(7) provides:

The liquidators for the purpose of the winding up shall be-

- (a) a person nominated by the creditors of the company in the prescribed manner and within the prescribed period, or
- (b) if no person is nominated under paragraph (a), the administrator.

We confirm that as part of our proposals we propose that we, or in the event of there being a subsequent change of persons appointed as administrator, the individuals in office as such immediately prior to the Company being placed into liquidation, do act as joint liquidators in the subsequent winding up of the Company. Creditors may nominate a different person as the proposed liquidator provided that the nomination is made after the receipt of the proposals and before the proposals are approved. The appointment of a person nominated as liquidator takes effect by the creditors approval, with or without modification, of our proposals.

It is proposed that for the purpose of the winding up, any act required or authorised under any enactment to be done by the joint liquidators is to be done by all or any one or more of the persons for the time being holding office.

Extending the Administration

It may transpire that it is not possible to finalise the administration as envisaged within one year of the date of our appointment. In particular, this situation will arise if we are not able to the realisation of contract retentions falling due after the appointment anniversary. Yet Paragraph 76 of Schedule B1 to the Act provides that the appointment of an administrator shall cease to have effect at the end of the period of one year beginning with the date on which it takes effect. However, our term of office may be extended either by court order for a specified period or by consent of the creditors for a specified period not exceeding twelve months. It may therefore become necessary at some future time for us to seek creditor consent to extending the period of the administration for up to a further twelve months following the anniversary of our appointment in order to ensure that the objective of the administration can be fully achieved.

9. PRE-ADMINISTRATION COSTS

In the period before the Company entered administration, we carried out a financial review of the Company and other Group entities. In relation to the first piece of work, this was undertaken under an engagement letter dated 11 October 2016. Our time costs in relation to this work were £33,832. However, we agreed with

¹ Insolvency Act 1986, Sch B1, para 83(1)

the Company's board of directors to cap our costs at £10,000 plus VAT and disbursements. This figure was paid and the balance of time costs written off.

Following this initial review we also assisted the Company with the implementation of the chosen way forward; a dual strategy of seeking a refinance and a sale of the business. Our scope of work in relation to this was set out in a second engagement letter dated 31 October 2016. Our time costs in relation to this work totalled £151,825. However, we agreed with the Company's board of directors to cap our cost at £49,377 plus VAT and disbursements. This figure was paid and the balance of time costs written off.

As it became apparent that the only option available to the Company would involve a formal insolvency process, we began to undertake work which fell outside of the scope of work detailed in either of the two engagement letters referred to above. This work involved planning for an insolvency event and included:

- Assessing various insolvency strategies, with a view to finding the most appropriate process to maximise the return to the Company's creditors;
- Creating financial forecasts to compare various strategic options;
- Working with the directors of the Company to identify potential parties which may acquire the business via an insolvency process;
- Assessing various customer contracts to determine whether any could be continued in Administration;
- Identifying and organising relevant resources;
- Producing and filing two notice of intention to appoint administrators;
- Advising the Company generally; and
- Liaising with major creditors, including the Bank and HM Revenue and Customs.

The actions set out above are referred to as "the Work". The Work was carried out pursuant to an instruction from the board of directors of the Company.

The Work was carried out before the Company entered administration to ensure that, upon entering Administration, the best outcome for creditors could be achieved. Without this planning work, it is likely that the Company would have simply shut down and significant value lost. For these reasons we consider that the Work has furthered the achievement of the objective of administration being pursued, 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).

The pre-administration costs are broken down as follows:

Description	Name of recipient	Net amount £	VAT £	Gross amount £
Our fees in relation to the Work	Begbies Traynor	19,998.00	3,999.60	23,997.60
Mileage at 45p per mile	Begbies Traynor	127.80	25.56	153.36
Rail Fare	Transpennine Express	80.30	16.06	96.36
Taxi Fare	Euro Cabs	15.00	3.00	18.00
Business Advertising	BTG Corporate Finance	1,050.00	210.00	1,260.00
TOTAL PRE-ADMINISTRATION COSTS		21,271.10	4,254.22	25,525.32

In relation to the travel costs listed above, these were incurred in travelling to the Company's head office in order to undertake the Work. Work done by BTG Corporate Finance (part of the Begbies Traynor Group) relates to the advertising and marketing of the Company, and other Group entities, as part of the strategy to try and achieve a sale as a going concern via a solvent sale.

The pre-administration costs are unpaid and we are seeking that they be paid as an expense of the administration. Approval to discharge such costs ("the unpaid pre-administration costs") as an expense is required from the creditors' committee, or in the absence of a committee, or if the committee does not make

a determination, the secured creditor ("the Bank") and the preferential creditors. Payment of the unpaid pre-administration costs requires separate approval and is not part of our proposals subject to approval.

In order to provide sufficient information to consider approval of the payment of the unpaid pre-administration costs, a Pre-Administration Time Costs Analysis and a Pre-Administration Time Costs Summary appear at Appendix 3. These show the number of hours spent by each grade of staff involved in the case and give the average hourly rate charged. They also provide an explanation of the work undertaken prior to our appointment.

For the avoidance of doubt, we are not seeking payment of outstanding times costs incurred in relation to the engagement letters of 11 October 2016 or 31 October 2016.

10. REMUNERATION AND DISBURSEMENTS

Remuneration

We propose that the basis of our remuneration be fixed under Rule 18.16 of the Rules by reference to the time properly given by us and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP for attending to matters as set out in the fees estimate.

We consider that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part fund of any net floating charge property. In these circumstances, if there is no creditors' committee, or the committee does not make a determination, it is for each secured creditor and the preferential creditors of the Company to determine the basis of our remuneration under Rule 18.18 of the Rules. Please note that we are required to disclose any business or personal relationships with parties responsible for approving our remuneration. Our firm is currently on Santander (UK) plc panel of approved suppliers of insolvency services. As a result, we consider that our firm has a business relationship with the secured creditor. However, we do not consider that the relationship will give rise to a conflict of interest in this case.

Appendix 3 sets out our firm's hourly charge out rates, our fees estimate and the time that we and our staff have spent in attending to matters arising in the administration since 23 February 2017.

Disbursements

We propose that disbursements for services provided by our firm and/or entities within the Begbies Traynor group, be charged in accordance with our firm's policy, details of which are set out at Appendix 3. These disbursements will be identified by us and will be payable subject to the approval of those responsible for determining the basis of our remuneration.

Estimate of expenses

We are required by the Rules to provide creditors with details of the expenses that we consider will be, or are likely to be, incurred in the course of the administration. This information is set out below and also appears at Appendix 3.

Trading expenditure

Up to 13 April 2017, £652,206 had been paid in direct labour as part of the Administration trading strategy. A further £38,590 is still to be paid and will be the final payment towards direct labour.

Costs of £36,982 has been paid in relation to subcontracted labour. A final payment of £1,689 will be made shortly. This labour was required to supplement the Company's workforce during trading.

Employee expense relating to mileage, accommodation and other costs, totalling £7,062, have been paid. A final payment of £185 is to be made in relation to the class of expenditure.

Contributions to employee pension schemes are being calculated. They are expected to total approximately £25,000. Nothing has been paid over in this regard to date.

PAYE/NI contributions for the period have been calculated at £324,005. This is yet to be paid.

Rent for leasehold premises necessary to trade has been paid, totalling £20,824. A further £17,119 is expected to be paid to allow Eddisons time to remove certain of the Company's assets from leasehold premises.

Direct purchases of £179,788 have been made during the Administration. It is anticipated that that further costs for purchases as well as other overheads (such as utilities) will total approximately £50,000.

The insurance premium to cover public liability and employer's liability during trading was £12,100 and has been paid. Our insurance brokers, Eddisons Insurance Services Limited (part of the Begbies Traynor group) organised the insurance and have related invoices totalling £4,000. These invoices remain unpaid at this time.

Other smaller items of trading expenditure incurred and paid are detailed in Appendix 1.

As set out earlier in the report, all of the above costs (both paid and unpaid), together with future expected income, are forecast to result in a break even trading position.

Other expenditure

We have been assisted throughout the Administration by our solicitors, Walker Morris. The key matters they have assisted with include: drafting and filing appointment documents, drafting initial letters for customers, opining on retention of title claims, reviewing the position of DarbyTech and providing other general advice, their costs to date total £22,974 plus disbursements of £114. We anticipate that their total costs may exceed £40,000 (including a charge for conveyancing in relation to the Property) and this may be significantly more if there are material disputes going forward.

Eddisons have provided valuation advice and are assisting us with the disposal of the Company's tangible assets. No fees have been paid to date. However, it is anticipated that their fees will be in the region of £38,000. Full details of Eddisons' charging structure is provided as part of Appendix 3. Eddisons are also expected to incur costs of approximately £1,000 in relation to the sale of the Property.

As set out above, LK's fees / costs have yet to be agreed.

Statutory advertising costs of £85 have been incurred and paid.

The Administrators' bond (statutory insurance protecting the preferential and unsecured creditors) has been set and attracts a premium of £800. This has been incurred but not yet paid.

Swear fees of £30 have been incurred in relation to the witnessing of initial appointment documents. This cost has not yet been paid.

Disbursements in relation to mileage, parking and subsistence have been incurred by the Administrators but not yet paid. These costs total £1,024, £73 and £6 respectively.

11. OTHER INFORMATION TO ASSIST CREDITORS

Report on the conduct of directors

We have a statutory duty to investigate the conduct of the directors and any person we consider to be or have been a shadow or de facto director during the period of three years before the date of our appointment, in relation to their management of the affairs of the Company and the causes of its failure. We are obliged to submit confidential reports to the Department for Business, Energy and Industrial Strategy.

As administrators of the Company we are required by best practice guidance to make enquiries of creditors as to whether they wish to raise any concerns regarding the way in which the Company's business was conducted prior to the commencement of the administration, or wish to bring to our attention any potential recoveries for the estate. If you would like to bring any such issues to our attention please do so in writing to the address detailed at Section 1 of this report. This request for information is standard practice and does not imply any criticism or cause of action against any person concerned in the management of the Company's affairs.

Investigations to be carried out

We will undertake an initial assessment of possible actions in relation to the manner in which the business was conducted prior to the administration of the Company and potential recoveries for the estate in this respect.

Deemed delivery

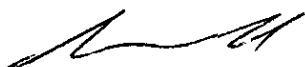
These proposals will be deemed to have been delivered on 19 April 2017.

12. CONCLUSION

As explained in Section 8 above, the Company has insufficient property to enable a distribution to be made to unsecured creditors (other than by virtue of the prescribed part).

In the circumstances, we are not required to seek a decision from the creditors on the approval of our proposals. However, creditors, whose debts amount to at least 10% of the total debts of the Company, may request that a decision is sought from the unsecured creditors as to whether to approve our proposals, via a qualifying decision procedure. Any such request must be delivered to our office in writing by 2 May 2017. If no such requests are received, our proposals are deemed to have been approved by the creditors. Where the proposals are deemed to have been approved, we will write to you to confirm that is the position.

Subject to the approval of our proposals 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.



R A H Maxwell
Joint Administrator

Date: 13 April 2017

ACCOUNT OF RECEIPTS AND PAYMENTS

23 FEBRUARY 2017 to 13 April 2017

Trading Account

	£	£
POST APPOINTMENT SALES		
Sales	848,718.74	
Trade Funding	<u>88,208.48</u>	
		936,927.22
PURCHASES		
Purchases	<u>179,787.55</u>	
		(179,787.55)
OTHER DIRECT COSTS		
Sub Contractors	36,982.13	
Direct Labour	652,205.91	
Direct Expenses	<u>7,062.07</u>	
		(696,250.11)
TRADING EXPENDITURE		
Rents	20,823.81	
Insurance	12,100.00	
Bank Charges	10.00	
Cleaning	230.00	
Vehicle Running Costs	2,343.34	
Postages	92.67	
Utilities	<u>740.84</u>	
		(36,340.66)
TRADING SURPLUS/(DEFICIT)		<u><u>24,548.90</u></u>

ACCOUNT OF RECEIPTS AND PAYMENTS

23 FEBRUARY 2017 to 7 April 2017

Receipts & Payments Account

FIXED CHARGE ASSETS

SECURED ASSETS

Book Debts	<u>1,385,046.44</u>	1,385,046.44
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COSTS OF REALISATION

Trade Funding	88,208.49	
Payment to Release Debt	<u>27,360.20</u>	(115,568.69)

SECURED CREDITORS

Chargeholder	<u>1,269,477.75</u>	(1,269,477.75)
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FIXED CHARGE SURPLUS / (SHORTFALL)

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FLOATING CHARGE ASSETS

ASSET REALISATIONS

Plant & Machinery	25.00	
Uncharged Book Debts	3,450.00	
Sundry Refund	1,977.31	
Cash in Hand	34.00	
Trading Surplus / (Deficit)	<u>24,548.90</u>	30,035.21

COST OF REALISATIONS

Statutory Advertising	<u>84.60</u>	(84.60)
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FLOATING CHARGE SURPLUS / (SHORTFALL)

29,950.61

REPRESENTED BY

Vat Receivable	53,122.69
Vat Payable	(169,748.77)
Bank 1 Current	146,100.84
Petty Cash	475.85
	<u>29,950.61</u>

ESTIMATED FINANCIAL POSITION AS AT 23 February 2017

	Notes	Book Values	Estimated to Realise
Fixed Charge Book Debts			
Book Debts	1	2,397,252	1,600,000
Less: Due to Santander (UK) plc	2	(2,131,000)	<u>(2,131,000)</u>
Surplus / (Shortfall) as regards Santander (UK) plc			<u>(531,000)</u>
Other Fixed Charge Assets			
Freehold Property	3	275,000	275,000
Leasehold Improvements	4	498,596	-
Investment in AC Arabia	5	150,000	50,000
Investment in Other Subsidiaries	6	299,287	-
Goodwill	7	595,010	-
Less: Due to Santander (UK) plc (b/d)	8		<u>(531,000)</u>
Surplus / (Shortfall) as regards Santander Bank plc			<u>(206,000)</u>
Floating Charge Assets			
Work in Progress	9	3,434,283	Undisclosed
Plant, Machinery & Motor Vehicles	10	494,926	Undisclosed
Office Equipment	10	157,978	-
Stock	11	74,089	2,500
Inter-company Loans	12	1,542,266	-
Staff Loan	13	37,060	37,060
Prepayments		241,386	<u>-</u>
Assets Available to Preferential Creditors			39,560
Less: Preferential Creditors - Employee Claims	14		<u>(152,578)</u>
Surplus / (Shortfall) as regards Preferential Claims			(113,018)
Less: Prescribed Part	15		<u>-</u>
Assets Available to Santander (UK) plc	8		(113,018)
Less: Floating Charge Claim (b/d)			<u>(206,000)</u>
Surplus / (Shortfall) as regards Floating Charge Claim			(319,018)
Less: Unsecured Creditors - Employee Claims	16		(1,719,675)
Less: Unsecured Creditors - Trade and Other Creditors	17		(1,998,365)
Less: Unsecured Creditors - HM Revenue & Customs	18		(500,000)
Add Back: Any Prescribed Part Distribution			<u>-</u>
Surplus / (Shortfall) as regards Unsecured Claims			(4,537,058)
Less: Share Capital - A Ordinary			(1,200,001)
Less: Share Capital - B Ordinary			(219,161)
Less: Share Capital - C Ordinary			<u>(737,313)</u>
Surplus / (Shortfall) as regards Shareholders			<u>(6,693,533)</u>

ESTIMATED FINANCIAL POSITION AS AT 23 February 2017 – NOTES

1. The value of outstanding book debts at 23 February 2017, being £2.4m, is taken from Company's electronic systems. The estimated to realise figure is based upon current realisations of £1.4m plus an estimate of what, from the residual ledger, may be collectible. We have instructed Leslie Keats ("LK"), a professional firm of quantity surveyors to assist in in collecting the debts.
2. The Company's book debts are subject to an invoice discounting agreement with Santander (UK) plc ("the Bank"). The amount owed to the Bank by the Company is yet to be formally agreed but is estimated at £2,131,000. This debt relates to approximately £1.8m of lending against book debts and a medium term loan of £332,000.
3. A sale of the Company's freehold property, at 159-160 High Street, Stockton-on-Tees, TS18 1PL, had been agreed to the local Council prior to 23 February 2017. The Company had made adjustments in its management accounts to reflect a sale at this level. The sale is being progressed and is expected to complete at £275,000.
4. Improvements in leasehold properties have been capitalised on the Company's management accounts. At the date of Administration, the Company operated from five leasehold properties. It is estimated that there will be no value that can be realised in relation to the leases which are viewed as onerous.
5. The Company holds 100% of the shares in Ahmad Albinali Cordell Arabia Limited ("AC Arabia"); an entity registered and operating from Saudi Arabia. Until recently, the Company carried the cost of investment in relation to this company at full acquisition value of £616,000. However, in late 2016, the directors of the Company recognised that the investment was likely to be overvalued and revalued it at £150,000; an amount expected to be returned to the Company if AC Arabia were wound down. The Administrators are considering the position of AC Arabia in more detail but consider that £50,000 may be a more realistic expectation of what may be returned.
6. The Investment in other subsidiaries relates to: Cordell Southern Technical Services Limited ("CSTS") and DarbyTech Training Equipment Inc, an entity registered in Canada ("DarbyTech"). CSTS entered Administration on 23 February 2017; making its shares of no value. The Company had failed to pay all monies due to DarbyTech's former owners under a deferred consideration sale agreement. DarbyTech's shares were, as a result, taken back by the former owners under the terms of the sale agreement; meaning DarbyTech is also of no value to the Company.
7. Goodwill held in the business relates to a number of historic acquisitions by the Company. As the business has ceased to trade, there is no realisable value in goodwill.
8. The fixed charge assets and floating charge assets are subject to a charge granted in favour of Santander (UK) plc of 2 Triton Square, regent's Place, London, NW1 3AN ("the Bank"). This security is provided by way of debenture dated 25 May 2012 and registered at Companies House on 30 May 2012

ESTIMATED FINANCIAL POSITION AS AT 23 FEBRUARY 2017 - NOTES

9. The value of work in progress is based upon the Company's records as at the date of the Administrators' appointment. At present there are two large balances within the work in progress figure which are being pursued. To avoid prejudicing those discussions, an estimated realisable value has not been placed on WIP.
10. The plant, machinery, motor vehicles and office equipment were professionally valued by Mr Richard Temple of Eddisons Commercial Limited ("Eddisons"), a registered RCIS valuer, on 20 February 2017. An auction will be held shortly.
11. The Company carried a stock value in relation to a number of residual items held at various premises. However, this only had minimal resale value according to Eddisons.
12. The Company made a number of inter-company loans to various subsidiaries. The majority, £1.24m relates to CSTS and is expected to be fully irrecoverable. In addition, £305,040 is also due from AC Arabia. The balance of intercompany loans relates to dormant subsidiaries.
13. A loan of £37,060 is due to the Company from its non-executive director, Mr Andrew Fotheringham. The board of directors recognise this as payable and it will be pursued by the Administrators.
14. The claims of the Department for Business, Energy and Industrial Strategy represent employees' estimated claims under The Employment Rights Act 1996 in respect of arrears of pay to a maximum of £800 per employee and holiday pay which are claimed preferentially, and pay in lieu of notice, redundancy pay and arrears of pay in excess of £800 which are non-preferential. To date, we have received preferential claims of £152,578. This figure does not include a potential subrogated wages claims which may be made in relation to pre-Administration wages and salaries paid as part of ongoing trading.
15. Section 176A(2) of the Act requires the administrators to set aside the prescribed part of the Company's net property for the satisfaction of unsecured debts. "**Net property**" means the amount which would, if it were not for this provision, be available to floating charge holders (i.e. after accounting for preferential debts and the costs of realisation). The **prescribed part** is 50% of the first £10,000 and 20% of the remaining net property (up to a maximum of £600,000).

We will not be required to set aside the prescribed part of net property if:
 - a. The net property is less than £10,000 and we think that the cost of distributing the prescribed part would be disproportionate to the benefit;
 - b. Or if the net property is more than £10,000, if the provision is disapplied by the court on the application of the administrator on cost-benefit grounds.
16. Unsecured claims relating to the redundancy of all of the Company's staff are expected to be significant. To date, claims of £1.7m have been received. Individual details are excluded for matters of privacy but a separate schedule has been prepared and retained by the Joint Administrators, not included in the proposals.

ESTIMATED FINANCIAL POSITION AS AT 23 FEBRUARY 2017 - NOTES

17. A schedule of trade creditors is attached as part of this Appendix.
18. At present, the claim of H M Revenue and Customs has been estimated at £500,000.
19. 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.
20. The estimated total deficiency, including the calculation of the prescribed part of the Company's net property, is subject to the costs of administration and distribution for which no provision is made in the Statement of Affairs.

ESTIMATED FINANCIAL POSITION AS AT 23 FEBRUARY 2017 – SCHEDULE OF TRADE UNSECURED CREDITORS

Name	Address	£
A19 Drilling	Unit 3 Woodstock court, Bowsfield Crescent, Stockton-on-tees, TS18 3BL	672.00
Aalco	C/O The Credit Centre, Nautica, Navigation Park, Waters Meeting Road, Bolton, BL1 8SW	1,088.97
Abstract Designs	9 Princes Drive, Kenilworth, Warwickshire, CV8 2FD	4,002.85
AC Arabia	PO Box 2809, Damman 31461, Kingdom of Saudi Arabia	2,473.00
AC Automation	Trooperslane Ind Est, 5 Sloefield Park, Camckfergus, BT38 8GR	1,635.00
Access Training	St Brandon's House, 29 Great George Street, Bristol, BS1 5QT	132.00
ADJ Fabrications	Unit 8a Bowesfield Ind Est, Middlesbrough, TS2 1LU	680.46
Adlington Welding	North Street, Highland Ind Est, Chorley, PR7 1QD	40,254.15
Advanced Techniks	28 Retton Way, The Woodlands, Hartlepool, TS26 0BB	828.00
Agile Networks	Qnet House, Malleable Way, Stockton-on-Tees, TS18 2QX	2,854.72
Alchem Process	3 Church Road, Gorslas, Llanelli, SA14 7NN	849.94
Allen Plant	Bowesfield Ind Est, Stockton-on-Tees, TS18 3BL	5,520.19
Alternative networks	The Lancastrian Office Centre, Talbot Rd, Manchester, M32 0FP	10.51
AM Engineering	Bldg The Grange Business Centre, Belasis Ave, Stockton-on-Tees, TS23 1LG	11,691.00
AMP Consultants	1st Floor Suite, 6 Pioneer Court, Morton palms Business Park, Darlington, DL1 4WD	1,710.00
Antifricition Components	Unit A Causeway Central, Pioneer Park, Bristol, BS4 3QB	2,947.61
A Plant Hire	102 Dalton Avenue, Birchwood Park, Warrington, WA3 6YE	12,947.11
Aquaid	6 Faraday Close, Pattinson Ind Est, Washington, NE38 8QJ	4,285.54
Arco	Head Office Waverley Street, Hull, HU1 2SH	1,415.70
ARR Craib Transport	Howe Moss Drive, Kirkhill Ind Est, Aberdeen, AB21 0GL	28.80
Atlas Ind Services	Tofts Farm Industrial Estate East, Brenda Rd, Hartlepool, TS25 2BS	750.00
ATS Euromaster Limited	Vantage Point, 20 Upper Portland Street, Aston, Birmingham, B6 5TW	0.00
AV Dawson	Commercial Headquarters, Dawsons Wharf & North Sea Supply Base, Riverside P, Middlesbrough, TS2 1UT	300.00
Automotion Companies Limited	Alexia House, Littlemead Industrial Estate, Cranleigh, GU8 8NE	0.00
Ashbank Laundry	48 Earlsway, Teesside Industrial Estate, STOCKTON-ON-TEES, TS17 9JU	0.00
Batt Cables	The Belify, Fraser Road, Kent, DA8 1QH	842.32
Bay Plastics	C/O HSBG, Famcombe Road, Worthing, West Sussex, BN11 2BW	1,258.33
Beachcroft	St Pauls House, 23 Park Square S, Leeds, LS1 2ND	253.00
Bilcourt	Riverside Park Road, Middlesbrough, TS2 1QW	10,308.64
Birtley	Mary Avenue, Birtley, County Durham, DH3 1JF	1,707.66
BIS Valves	17, 14-16 Kingfisher Park Industrial estate, Collingwood Rd, Wimborne, BH21 6US	556.84
BNP Paribas Leasing	Minerva, 29 E Parade, Leeds, LS1 5PS	2,473.20
BOC	PO Box 12, Priestly Road, Manchester, M28 2UT	12,968.84
Bolam Cleaning	38 Corle Cres, Stockton-on-Tees, Billingham, TS23 2DZ	475.20
BP Associates	3rd Floor, 66-90 Paul Street, London, EC2A 4NE	629.88
Bray Controls	16/18 Fountain Crescent, Inchinnan Business Park, Inchinnan, PA4 9RE	511.20
British Gas	c/o Baker Tilly, 6th Floor, Salisbury House, 31 Finsbury Circus, London, EC2M 5SQ	40.88
Brookson	Brunel House, 340 Firecrest Court, Warrington, WA1 1RG	5,087.41
BSS	Po Box 10433, Leicester, LE19 9DD	8,769.12
Benvenue Holdings Limited	4-1726 8th Avenue NW, Calgary AB, T2N 1C2	0.00
BMW Financial Services	Summit ONE, Summit Avenue, Farnborough, Hampshire, GU14 0FB	0.00
Cablecraft	Cablecraft House, Unit 3, Circle Business Centre, Houghton Regis, LU5 5DD	92.39
CBL Cable Contractors	Unit 25/Usworth Rd, Hartlepool, TS25 1PD	32,771.08
Carter Steel	Yarm Road, Stockton, Cleveland, TS18 3SA	2,511.31
Castell	217 Kingsbury Road, London, NW9 9PQ	4,370.79
Certas Energy (Fpeat)	Unit 13-15 Gemini Centre, Villiers Street, Hartlepool, TS24 7SA	277.99
City Electrical Factors	PO Box 55, 3a Audax Close, York, YO30 4RA	101.15
Channel Telecom	102-104 Queens Road, Buckhurst Hill, IG9 5BS	46.94
Cleveland Cable	Riverside Park Road, Middlesbrough, TS2 1QW	1,820.36
Cleveland Flexible	Unit 12 Newport Way, Cannon Park, Middlesbrough, TS1 5JW	1,628.37
Cleveland Security	Thornton House, Cargo Fleet Lane, Middlesbrough, TS3 8DE	124.80
Cloud 9 Telephony	Birmingham Science Park, Faraday Wharf Holt Street, Birmingham, B7 4BB	604.87
Complete Fasteners	Unit 62F Lord Avenue, Teesside Ind Est, Stockton-on-Tees, TS17 9JX	1,798.46
Corepeople	Allergate House, Belmont Business Park, Durham, DH1 1TW	2,205.50
Cromwell Tools Limited	PO Box 14, Chartwell Drive, Leicester, LE18 1AT	555.41
Crossings Limited	C/O Begbies Traynor, Kendal House, 41 Scotland Street, Sheffield, S3 7BS	2,470.85
Dacon	Unit 238, Dukesway, Team Valley Trading Est, Tyne & Wear, NE11 0PZ	2,769.80

ESTIMATED FINANCIAL POSITION AS AT 23 FEBRUARY 2017 – SCHEDULE OF TRADE UNSECURED CREDITORS

Name	Address	£
Carlo Gavazzi UK Limited	Carlo Gavazzi UK Ltd, 4 4 Frimley Business Park, Frimley, CAMBERLEY, GU16 7SG	0.00
C L Prosser	Normanby Wharf, Dockside Road, Middlesbrough, TS3 8AS	3,550.50
Divestiture	Graphite House, High Street, Craggstone, Wakefield, WF4 3EF	248,743.04
D K Jones Limited	48 West Street Off Snowdon Road, Middlesbrough, Cleveland, TS2 1LZ	353.48
Doncaster Paralloxy	Millennium Court, First Avenue, Burton-upon-Trent, DE14 2WH	2,299.20
Draeger	Ullswater Close, Blyth Riverside Business Park, Blyth, NE24 4RG	313.39
Dual Brown	Ross Road, Portrack Lane, Stockton-on-Tees, TS18 2NH	540.00
DWS Eng Services	14 Richmond Close, Shildon, County Durham, DL4 1NW	3,303.00
Duty Care	Spectrum House, Beehive Ring Road, Gatwick, RH6 0LG	0.00
Design & Build UK	Caroline House, 125 Bradshawgate, BOLTON, BL2 1BJ	0.00
Earlsmere	Unit 18 Valley Road, Station Road Industrial Estate, Bamsley, S73 0BS	42.00
ECIA	Tothill St, Westminster, London, SW1H 9NS	2,402.00
Edmundson	First Floor 4320 Park Approach, Thorpe park, Leeds, LS15 8GB	633.00
Eemits	Brignell Road, Riverside Road, Middlesbrough, TS2 1PS	462.89
Electric Center	Arbuthn House, Tachbrook Park Drive, Warwick, CV34 6RH	107.64
Elmatic	Wentloog Road, Rumney, Cardiff, CF3 1XH	956.92
Elmtree Fabrications	Douglas Close, Preston Farm Ind Estate, Stockton-on-Tees, TS18 3SB	2,294.40
Emsley Crane Hire	Claro Park, Harrogate, North Yorkshire, HG1 4BB	648.00
Endress & Hauser Limited	Floats Road, Manchester, M23 9NF	2,996.40
Enterprise Flex E Rent	Flex E Rent House Knights Way, Battlefield Enterprise Park, Shrewsbury, SY1 3AB	7,900.20
ERS Eng Recruitment Services	1st Floor, Southlands Business Centre, Ormesby Road, Middlesbrough, TS3 0HB	24,385.41
Experian	The Sir John Peace Building, Experian Way, NG2 Business Park, Nottingham, NG80 1ZZ	1,440.00
Eon UK	Westwood Way, Westwood Business Park, COVENTRY, CV4 8LG	10,129.88
Evolution LLP	Wynd Park House, Wynd Avenue, TS22 5TB	0.00
Falck Fire Services	??Polititovet, DK-1780, Copenhagen V	324.00
Fixings Tyne Tees	Burn Road, Hartlepool, TS25 1PL	81.58
Flanges Limited	Blue House Point Road, Portrack Ind Estate, Stockton-on-Tees, TS18 2PJ	2,459.88
Fleet Factors	Wallis Road, Sothorby Road, Middlesbrough, TS6 6JB	18.83
Flexitallic Limited	Scandinavia Mill, Hunsworth Lane, Cleekeheaton, West Yorkshire, BD19 4LN	2,870.09
Florcraft	62C Lord Avenue, Thorneby, Stockton On Tees, TS17 9JX	1,279.20
Forster Plumbing & Gas Limited	The Stables East Farm, Preston Le Skerne,, Newton Aycliffe, Co Durham, DL5 6JH	96.00
Farnham Holdings Limited	16 Pennents Close, Eltham, London, SE9 2NQ	0.00
FuelGenie	1 Trinity Court, Broadlands, Wolverhampton, WV10 6UH	0.00
Gas Services Industrial Limited	5 Jesmond Road, Darlington, Co. Durham, DL1 3HN	613.80
Gazprom Wilkows	20 Triton Street, London, NW1 3BF	327.00
GB Lubricants	Albany Road, Gateshead, NE8 3BP	213.00
GDS Technologies Limited	Fusion Point, Ash Lane, Garforth, Leeds, LS25 2GA	877.27
Graitec Limited	Chancery Court, Belmont Business Park, County Durham, DH1 1TW	4,080.00
Gravograph	Unit 3 Trojan Business Centre, Tachbrook Park Drive, Leamington Spa, CV34 6RH	48.72
Group and Glass Fibre	Unit 40, Church Road Business Centre, Church Road, SITTINGBOURNE, ME10 3RS	0.00
Hardwick Hall Hotel	Sedgefield, Co. Durham, TS21 2EH	0.00
Hawk Fasteners	Brunel Road, Skippers Lane Industrial Estate, Middlesbrough, TS6 6JA	1,848.75
Henry Gallacher Limited	Perry Avenue, Teesside Industrial Estate, Thornaby, Stockton-on-Tees, TS17 9LN	2,302.04
Hewden Services C/O Ernst & Young LLP	1 Bridgewater Place, Water Ln, Leeds, LS11 5QR	11,480.65
Hire Station	Unit 6C Ellandroad Industrial Estate, Elland Road, Leeds, LS11 0EY	6,847.54
Holme Dodsworth	59-69 Heston Park Road, Newcastle Upon Tyne, NE6 1SQ	79.20
Horncastle Travel	Hadrian House, Higham PI, Newcastle upon Tyne, NE1 8AF	8,162.90
HS Pipe Equipment	4 Langley Hall Rd,, Prestwich,, Manchester, M25 3DA	595.20
HSS Hire Service Group Limited	330 Kirkstall Rd, Leeds, LS4 2DN	9,987.32
HTES Training & Recruitment	Mansforth Terrace, Ainsley Street, Hartlepool, TS25 1TZ	78.00
Hutchison Catering	Portland House, Belmont Business Park, Durham, DH1 1TW	4.88
Hydrasun Limited	Unit, 4A Limeoak Way, Stockton-on-Tees, TS18 2LS	2,863.11
Hydrobolt Group	C/o CPA House, 350 King Street, London, W8 0RX	2,155.82
Thompson Hall & Co Ltd	Cowpen Lane Industrial Estate, BILLINGHAM, TS23 4JA	0.00
Paul Michael Hunter	C/O PH Design & Engineering Limited, 14 Falmouth Drive, Darlington, DL3 0ZS	0.00
Helix Well Ops Uk	ALBA Gate, Stoneywood Park, Dyce, Aberdeen, AB21 7DZ	0.00
ICS Cool Energy Limited	Stephenson Road, Calmore Industrial Estate, Totton, Hampshire, SO40 3SA	561.60
HS Global Limited	The Capitol Building, Oldbury, Bracknell, Berkshire, RG12 8FZ	2,676.23
ILECSYS	Unit 4B Tring Industrial Estate, Upper Icknield Way, Herts, HP23 4JX	80.28
Impulse Embedded Limited	C/o Euler Hermes UK, 1 Canada Square, London, E14 5DX	6,472.83
Intec UK Limited	Ellerbeck Way, Stokesley Business Park, Stokesley, TS9 5JZ	1,053.12

ESTIMATED FINANCIAL POSITION AS AT 23 FEBRUARY 2017 – SCHEDULE OF TRADE UNSECURED CREDITORS

Name	Address	£
Interlink Express	1E Anchor Bridge Way,, Dewsbury, WF12 9QS	40.97
International Plastic Systems	9 Seaham St, Seaham, SR7 0PT	628.55
Interlift Limited C/O Hilton-Bard	Ashwood House, Ashwood Gardens, Southampton, Hampshire, SO16 7LF	16,865.55
Integralflex Limited	87 Willows Court, Teesside Ind Est, Thornaby, TS17 9PP	968.27
Independent Insulation Services	2 Kirkwood Drive, Redcar, TS10 2SX	0.00
John Gibson Hire & Sales	Queensway, Middlesbrough, TS3 8TF	46,640.90
J Harland Haulage Limited	Morton Palms Bungalow, Middleton-St-George, Darlington, DL2 1JZ	15,956.00
J Hewitt Cranes CIS	Tees Offshore Base, Docks Road, Middlesbrough, TS6 6UZ	2,160.00
J&B Recycling	Thomlinson Road, Hartlepool, TS25 1NS	1,054.80
Jennings Ford	Parsons Road, District 2, Washington, Tyne & Wear, NE37 1EZ	348.62
Jetline Cutting	Henry Gallacher Building, Unit 10 B, Perry Avenue, Teesside Industrial Estate, Thornaby, Stockton-on-Tees, TS17 9LN	7,608.21
Jewson Limited	C/O Begbies Traynor, Kendal House, 41 Scotland Street, Sheffield, S3 7BS	25.84
John Morfield Limited	Unit 98 Sadler Forster Way, Teesside Industrial Estate, Thornaby, Stockton-on-Tees, TS17 9JY	545.40
Keith Usher Designs Services	16 Askrigg Avenue, Grange Town, Sunderland, SR2 9SG	32.15
Kirkdale Ind Training	Kirkdale House, Amytage Road, Brighouse, HD6 1QF	396.00
Klinger Limited	The Klinger Building, Wharfedale Road, Euroway Industrial Estate, Bradford, BD4 6SG	9,843.66
Krohne Limited	34-38 Rutherford Drive, Park Farm Industrial Estate, Welkborough, NN8 6AE	1,706.71
Kalamazoo	Unit 1, Arrow Valley, Claybrook Drive, Redditch, B98 0FY	160.80
Lif Glamal Limited	Christy Way, Southfields Industrial Park Basildon, Essex, SS15 6TE	361,109.41
Label Source	P O Box 130, Cardiff, CF14 7TX	501.60
Lanway Corporate Business Systems	Crown House, Bndgewater Close, Network 65 Business Park, Burnley, BB11 5TE	991.25
Lapp Group	UNIT 3 Perivale Industrial Park, Horsenden Lane South, Perivale, Greenford, Middlesex, UB6 7RL	334.98
Laser Process Limited	Upper Keys, Keys Park, Cannock, WS12 2GE	828.00
L C Automation Limited	Duttons Way, Shadsworth Business Park, Blackburn, Lancashire, BB1 2QR	11,467.86
Natonwide Platforms	15 Midland Court, Central Park, Leicestershire, LE17 4PN	2,776.43
NBC Bird and Pest Solutions	The Mews, Snetterton, Norfolk, NR16 2JU	109.20
Neta Training c/o Stockton Riverside College	Harvard Avenue, Stockton on Tees, TS17 6FB	1,390.00
Newgate Air Systems	1 Manne House, Norman Terrace, Willington Quay, Wallsend, Tyne & Wear, NE28 6SU	6,936.00
Nicholsons Transport Ltd	Burnside House, ICI West Gate, Chiltons Avenue, Billingham, TS23 1JD	697.31
Niramax Group Limited	John Shadforth House, Thomlinson Road, Longhill Industrial Estate, Hartlepool, TS25 1NS	2,267.94
Normans of Billingham	Unit 5 Royce Avenue, Cowpen Industrial Estate, Billingham, TS23 4BX	2,641.74
North East Time Recorders	Factory Road, Blaydon, Tyne & Wear, NE21 5RY	3,015.60
North East Truck & Van	Cowpen Bewley Road, Haverton Hill, Billingham, Cleveland, TS23 4EX	1,194.80
Northern Compressed Air Ltd	Plot 22, Unit 2 York Road, Thirsk Industrial Park, Thirsk, North Yorkshire, YO7 3BX	0.00
Northern Hose and Hydraulics	Unit 12, Newport Way, Cannon Park, Middlesbrough, TS1 5JW	103.06
Northgate Vehicle Hire	Norlex House, 20 Allington Way, Darlington, DL1 4DY	2,964.25
Norton Cleaning Services	73 Norton Road, Stockton on Tees, TS18 2DA	3,015.60
NICEIC	Warwick House, Houghton Hall Park, Houghton Regis, Dunstable, LU5 52X	0.00
Northeast Windscreens	Lee Road, Bolckow Trading Estate, Grangetown, Cleveland, TS6 7SB	232.80
Oakhouse Foods Limited	Unit 1, Trallyhead Business Park, Bradford Road, Melksham, SN12 8BU	0.00
Oceaneering International Services Limited	109 Bowesfield Lane, Stockton on Tees, TS18 3HF	42,995.93
One Stop Electrical Solutions	43 Lumley Road, Redcar, TS10 2BA	0.00
Onyx Group	Onyx House, Cheltenham Road, Portrack Interchange Business Park, Stockton on Tees, TS18 2AD	1,088.04
Owen Pugh Drain Services	Unit 7 Raleigh Court, Riverside Park, Middlesbrough, TS18 1PL	390.00
PH Design	28a The Hundred, Romsey, Hampshire, SO51 8BW	0.00
P Hoggart Haulage Limited	Rail Transit Building, Boundary Road North, Wilton International, Redcar & Cleveland, TS10 4RG	660.00
PHS Group	Block B, Western Industrial Estate, Caerphilly, CF83 1XH	0.00
Power Wholesale Limited	100-104 High West Street, GATESHEAD, NE8 1NA	3,764.23
Premier Inn Business Account	1 Trinity Court, Broadlands, Wolverhampton, WV10 6UP	0.00
PACS	3 Reed Street, Gladstone Industrial Estate, Thornaby, Cleveland, TS17 7AF	122,453.52
Palmer Scaffolding UK Ltd	331 Charles Street, Royston, Glasgow, G21 2QA	1,080.00
Park Electrical Services	17 Handley Page Way, Colney Street, St Albans, Herts, AL2 2DQ	2,348.30
PASS (Portable Appliance Safety Services) LI1	Wilson Street, Thornaby, Stockton on Tees, TA17 7AR	95.00
Pepperl & Fuchs	77 Ripponden Road, Oldham, Lancashire, OL1 4EL	4,699.24

ESTIMATED FINANCIAL POSITION AS AT 23 FEBRUARY 2017 – SCHEDULE OF TRADE UNSECURED CREDITORS

Name	Address	£
Peter Cassidy (Leeds) Limited	Holbeck Lane, Leeds, West Yorkshire, LS11 9XA	6,635.00
Pitz Automation Ltd	Pitz House, Little Colliers Field, Corby, Northants, NN18 8TJ	2,743.38
Precision Saw & Tool Ltd	Unit 5 Vance Court, Blaydon Haugh Industrial Estate, Blaydon, Tyne & Wear, NE21 5NH	138.38
Process Control Equipment Limited	Dukesway, Teesside Industrial Estate, Thornaby, Stockton on Tees	3,245.62
Procomm Site Services Limited	PO Box 1949, Wilton International, TS10 4YG	2,090.88
Protec (The Cap Company)	Princes Park, Princes Way North, Team Valley, Tyne & Wear	796.11
Pipe Equipment Specialist Limited	66 Jukes Way, Teesside Industrial Estate, Thornaby, Stockton-On-Tees, TS17 9LT	0.00
Perler Resins UK Limited		0.00
Perler Resins Limited	Aycliffe Industrial Park, Newton Aycliffe, DL5 6UE	0.00
Graham Parley		15,348.94
QRS Precision Engineering	Unit 5, Ullswater Road, Longhill Industrial Estate, Hartlepool, Cleveland, TS25 1UE	11,833.20
Quality Pipe Supports Ltd	Unit 1 Dyffryn Industrial Estate, Pool Road, Newtown, Powys, SY16 3BD	2,851.96
Rullion Management Services Limited	PO Box 47, Altrincham, WA14 1FG	0.00
RDP Electronics Ltd	Grove Street, Heath Town, Wolverhampton, WV10 0PY	272.40
Rollstud Ltd	Unit 5, Denmore Industrial Estate, Bridge of Don, Aberdeen, AB23 6JW	8,630.88
Routeo	Davy Avenue, Knowhill, Milton Keynes, MK5 8HJ	10,633.37
Rheinmetall Group	P O. Box 448444, 28284 Bremen, Deutschland	0.00
Michael Smith Engineers	Unit E, Scotswood Park, Forsyth Road, WOKING, GU21 5SU	0.00
Softs	6 Waterside Business Park, Eastways, WITHAM, CM8 3YQ	0.00
Speedy Freights	Unit 2, The Prowllion, Cranford Drive, Knutsford Business Park, KNUTSFORD, WA16 8ZR	0.00
Scan fire Security Limited	Unit 4, Branchley Mews, Charing, Ashford, TN27 0JW	0.00
Sabso	Unit AA, St Michaels Close, Aylesford, ME20 7BU	5,926.80
Scattergood & Johnson	Lowefields Road, Leeds, LS12 6ET	3,063.40
Scotia Instrumentation	Campus 1, Aberdeen Science and Technology Park, Balcownie Road, Aberdeen, AB22 8GT	618.19
Scott Bros Recycling Ltd	Scott Business Park, Haverton Hill Road, Billingham, TS23 1PY	450.00
Seetru Limited	Albion Dockside Works, Bristol, BS1 6UT	291.13
Seelwood Limited	Bournemouth Road, Chandlers Ford, Hampshire, SO53 3ZL	13,954.13
SGS Ltd	Inward Way, Rossmore Business Park, Ellesmere Port, Cheshire, CH65 3EN	8,064.00
Shed Forklifts (N.East) Ltd	Faverdale Industrial Estate, Darlington, DL3 0QQ	166.19
Siemens PLC	Faraday House, Sir William Siemens Square, Frimley, GY16 8QD	123,278.90
Sitelink Communications Ltd	18 Bridgewater Road, Hartburn, Washington, Tyne & Wear, NE37 2SG	5,172.31
SM Thompson Ltd	Marathon Works, Dorman Way, South Bank, Middlesbrough, TS6 6XH	2,458.32
SMC Pneumatics Limited	Vincent Avenue, Crownhill, Milton Keynes, MK8 0AN	398.54
Speedy Asset Services	Chase House, 16 The Parks, Newton le Willows, WA12 0JQ	2,280.00
Steadfast Engineering Company	2 Broadway, Hyde, Cheshire, SK14 4GA	8,643.73
Steve Brettie Fabrications	Unit 9 Mickleton Road, Riverside Park, Middlesbrough, TS2 1RQ	42,914.47
Stockton Bearings & Transmissions	Unit 3 Crofton Court, Crofton Road, Portrack, Stockton on Tees, TS18 2QR	77.70
Swagelok Teesside	Redcar & Cleveland College, Corporation Road, Redcar, Cleveland, TS10 1EZ	10,061.47
Stockton-on-Tees Borough Council	PO Box 410, Kingsway House, West Precinct, Billingham, TS23 2YX	0.00
Taylor Shaw Limited	The Genesis Centre, Science Park South, Birchwood, Warrington, WA3 7BH	30.60
TC Ltd	PO Box 130, Uxbridge, UB8 2YS	167.04
Total Control & Distribution	Unit 8, Preston Farm Industrial Estate, Stockton on Tees, TS18 3TQ	1,564.66
Tees Valley Coatings	Riverside Park, Middlesbrough, TS2 1UT	4,140.00
Teesside Industrial Controls	Portrack Grange Road, Stockton on Tees, TS18 2PF	9,151.50
Tomlinson Hall	Lagonda Road, Cowpen Industrial Estate, Billingham, TS23 4JA	4,320.48
Toner Giant	61 Gibfield Park Avenue, Gibfield Park, Atherton, Manchester, M46 0SY	178.59
Tungsten Alloys	55 Knowl Piece, Wilbury Way, Hertfordshire, SG4 0TY	15,536.40
The TTE Technical Training Group Limited	Edison House, Middlesborough Road East, Middlesborough, Cleveland, TS6 6TZ	0.00
UK Platforms	25 Willow Lane, Mitcham, Surrey, CR4 4TS	14,540.16
Underwoods Electrical Distributors	Unit 8, Brunswick Industrial Park, New Southgate, N11 1JL	13,873.95
United Carlton	Meadow Court, Dukesway, Gateshead, Tyne & Wear, NE11 0PZ	682.47
UPS Supply Chain Solutions	UPS House, Forrest Road, Faltham, Middlesex, TW13 7DY	476.34
Valves & Control Resources Limited	Unit 10b, Mickleton Road, Riverside Park Industrial Estate, MIDDLESBROUGH, TS2 1RQ	0.00
VP PLC (UK Forks)	Central House, Beckwith Knowle, Harrogate, North Yorkshire, HG3 1UD	27,016.15
Valve & Fitting Solutions Limited	14 A Victoria Industrial Estate, Hebburn, Tyne & Wear, NE31 1UB	4,514.00
Vanguard Packing Limited	Manner Sutton Street, Blackburn, Lancashire, BB1 5DT	417.80
Videk Limited	Kingsbury Trading Estate, Kingsbury Road, Kingsbury, London, NW9 8RW	0.00

ESTIMATED FINANCIAL POSITION AS AT 23 FEBRUARY 2017 – SCHEDULE OF TRADE UNSECURED CREDITORS

Name	Address	£
Richard Webb	Knowhill, MILTON KEYNES, MK5 8HJ	0.00
Wandfluh	Northfield Road, Southam, Warwickshire, CV47 0FG	0.00
Washington Waterjet	Wear Industrial Estate, 14 Sedling Road, Washington, Tyne & Wear, NE38 9BZ	0.00
Wernick Hire	Molineux House, Russell Gardens, Wickford, Essex, SS11 8BL	30,362.12
WF Senate	Eagle Court 2, Hatchford Brook, Sheldon, Birmingham, B26 3RZ	473.14
Wilton Transport	Transport HQ, Wilton International, Redcar, TS10 4RG	2,676.95
Walker Morris LLP	Kings Court, 12 Kings Street, Leeds, LS1 2HL	23,941.60
Xtreme Graphics Signs & Engraving	Unit 4, Leeholme Road, Billingham, Cleveland, TS23 3TA	2,898.00
Yess Electrical	Yess House, Foxbridge Way, Normanton, WF8 1TN	37.88
Yoriab	2 Chessington Park, Dunnington, York, YO19 5SE	496.79
Zenith Survey	Paragon House, 33 Church Street, Ossett, West Yorkshire, WF5 9DN	8,293.80
TOTAL		1,998,365.25

ESTIMATED FINANCIAL POSITION AS AT 23 FEBRUARY 2017 – SCHEDULE OF EMPLOYEE CREDITORS

Name	Address	Preferential £	Unsecured £	Total £
Employee Claims x 147	c/o Begbies Traynor, Fourth Floor, Toronto Square, Toronto Street, Leeds, LS1 2HU	47,050 91	174,011 88	221,016 26

REMUNERATION AND EXPENSES

Total time spent to 13 April 2017 on this assignment amounts to 446.4 hours at an average composite rate of £239 per hour resulting in total time costs of £106,667.

To assist creditors in determining this matter, the following further information appears in this appendix:

- ☐ Begbies Traynor (Central) LLP's charging policy;
- ☐ Pre-administration Time Costs Summary with Pre-Administration Time Costs Analysis;
- ☐ Narrative summary of time costs incurred;
- ☐ Table of time spent and charge-out value;
- ☐ The Administrators' fees estimate; and
- ☐ Details of the expenses that the Administrators consider will be, or are likely to be, incurred.

In addition, a copy of 'A Creditors Guide to Administrators' Fees (E&W) 2015' which provides guidance on creditors' rights can be obtained online at www.begbies-traynor.com/creditorsguides. Alternatively, if you require a hard copy of the Guide, please contact my office and I will arrange to send you a copy.

Finally, the Association of Business Recovery Professionals (R3) has set up a website that contains a step-by-step guide designed to help creditors navigate their way through an insolvency process which includes information in relation to remuneration. You can access the website at the following address: <http://www.creditorinsolvencyguide.co.uk/>

BEGBIES TRAYNOR CHARGING POLICY

INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance¹ requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. It also applies where payments are to be made to parties other than the firm, but in relation to which the office holder, the firm or any associate has an interest. Best practice guidance² indicates that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed below.

EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

Best practice guidance classifies expenses into two broad categories:

- *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case and referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.

The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*:

- Telephone and facsimile
- Printing and photocopying
- Stationery

¹ Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales

² Ibid 1

- **Category 2 disbursements (approval required)** - items of expenditure that are directly related to the case which include an element of shared or allocated cost and are based on a reasonable method of calculation, but which are not payable to an independent third party.

The following items of expenditure are charged to the case (subject to approval):

- Internal meeting room usage for the purpose of statutory meetings of creditors is charged at the rate of £100 (London £150) per meeting;
- Car mileage is charged at the rate of 45 pence per mile;
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates.

In addition to the Category 2 expenses referred to above, best practice guidance indicates that where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest, these should be treated as Category 2 disbursements. The following items of expenditure which relate to services provided by entities within the Begbies Traynor group, of which the office holder's firm is a member, are also to be charged to the case (subject to approval):

Eddisons Commercial Limited

Eddisons Commercial Limited has provided asset valuation and disposal advice in relation to plant, machinery, motor vehicles and office equipment. They are also assisting with the sale of the Company's freehold property. Their charges will be calculated on a time costs basis at the prevailing hourly rates for their various grades of staff which are currently as follows:

Grade of staff	Charge-out rate (£ per hour)
Director	£275
Associate	£180
Surveyor	£120
Graduate	£100
Administration	£80
Porters	£35

As well as being paid on a time cost basis for valuation and disposal advice, Eddisons Commercial Limited will be paid fees equivalent to 10% of realisations from the sale of plant, machinery, motor vehicles and office equipment.

In addition to the above, where any machinery and business assets (other than freehold/leasehold property) are disposed of by way of auction, Eddisons Commercial Limited will also receive a payment from the purchaser, known as a buyer's premium, equivalent to 15% of the successful bid. Where any freehold/leasehold property is disposed of by way of auction, Eddisons Commercial Limited will also receive a payment from the purchaser, known as a buyer's administration fee, in the sum of £600. It is standard auction industry practice for a buyer's premium and buyer's administration fee to be charged. The buyer's premium and buyer's administration fee is paid by the purchaser of the assets and is not paid by the office holder from the assets of the estate.

In addition to the services detailed above, it may become necessary to instruct Eddisons Commercial Limited to provide additional services, not currently anticipated, during the course of the case. In such circumstances and to avoid the costs associated with seeking further approval, the charges for such services will be calculated on a time costs basis at the prevailing hourly rates for their various grades of staff which are currently as set out above.

Eddisons Insurance Services Limited

Eddisons Insurance Services Limited has been instructed to provide insurance broking services and specifically open cover insurance for the insurable risks relating to the case. The cost of open cover insurance will vary during the course of the case depending upon the value of the assets and liability risks. In this case, the open cover insurer was unable to provide full cover due to the nature of the Company's activities. Eddisons Insurance Services Limited, therefore, sourced alternative cover at a cost of £12,100 inclusive of Insurance Premium Tax to meet employers' liability and public liability commitments. Further premiums will be due in relation to the general insurance of assets; the costs of this are not known yet. The costs of any future insurance cover will be dependent upon prevailing insurance market conditions and the ongoing insurable risks on the case. Eddisons Insurance Services Limited is not generally paid from the assets of the estate for the services it provides. In accordance with standard insurance industry practice, Eddisons Insurance Services Limited will receive payment of commission for the services it provides directly from the open cover insurer. The commission is calculated as a percentage of the insurance premiums payable and such percentage will depend upon the class or classes of assets being insured. However, in this case Eddisons Insurance Services also had to undertake work to source the additional cover required and has raised invoices totaling £4,000 for this work. This is based upon work done at the charge out rates detailed below:

Grade of staff	Charge-out rate (£ per hour)
Director	£275
Associate	£180

BEGBIES TRAYNOR CHARGE-OUT RATES

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the Leeds office as at the date of this report are as follows:

Grade of staff	Charge-out rate (£ per hour) 1 May 2011 – until further notice
Partner	395
Director	345
Senior Manager	310
Manager	265
Assistant Manager	205
Senior Administrator	175
Administrator	135
Trainee Administrator	110
Support	60 -110

Time spent by support staff such as secretarial, administrative and cashiering staff is charged directly to cases. It is not carried as an overhead.

Time is recorded in 6 minute units.

PRE ADMINISTRATION TIME COSTS SUMMARY

CASE NAME: Cordell Group Limited – In Administration (“the Company”)
CASE TYPE: Administration
OFFICE HOLDERS: Robert Alexander Henry Maxwell and Lee Van Lockwood
DATE OF APPOINTMENT: 23 February 2017

1 CASE OVERVIEW

1.1 Background

In the period before the Company entered administration, we carried out a financial review of the Company and other Group entities. In relation to the first piece of work, this was undertaken under an engagement letter dated 11 October 2016. Our time costs in relation to this work were £33,832. However, we agreed with the Company’s board of directors to cap our costs at £10,000 plus VAT and disbursements. This figure was paid and the balance of time costs written off.

Following this initial review we also assisted the Company with the implementation of the chosen way forward; a dual strategy of seeking a refinance and a sale of the business. Our scope of work in relation to this was set out in a second engagement letter dated 31 October 2016. Our time costs in relation to this work totalled £151,825. However, we agreed with the Company’s board of directors to cap our cost at £49,377 plus VAT and disbursements. This figure was paid and the balance of time costs written off.

As it became apparent that the only option available to the Company would involve a formal insolvency process, we began to undertake work which fell outside of the scope of work detailed in either of the two engagement letters referred to above. This work involved planning for an insolvency event and included:

- Assessing various insolvency strategies, with a view to finding the most appropriate process to maximise the return to the Company’s creditors;
- Creating financial forecasts to compare various strategic options;
- Working with the directors of the Company to identify potential parties which may acquire the business via an insolvency process;
- Assessing various customer contractors to determine whether any could be continued in Administration;
- Identifying and organising relevant resources;
- Producing and filing two notice of intention to appoint administrators;
- Advising the Company generally; and
- Liaising with major creditors, including the Bank and HM Revenue and Customs.

The actions set out above are referred to as "the Work". The Work was carried out pursuant to an instruction from the board directors of the Company.

The Work was carried out before the Company entered administration to ensure that, upon entering Administration, the best outcome for creditors could be achieved. Without this planning work, it is likely that the Company would have simply shut down and significant value lost. For these reasons we consider that the Work has furthered the achievement of the objective of administration being pursued, 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).

1.2 Time costs information

Details of the time spent by each grade of staff prior to the appointment of the administrators and the overall average hourly charge out rate for the pre-administration work are set out in the attached table.

Full details of the work undertaken by the administrators and their staff prior to appointment are set out below and in the Administrators' Statement of Proposals.

1.3 Overview of work undertaken prior to appointment

Details of the work undertaken are set out in section 1.1, above.

1.4 Complexity of work undertaken prior to appointment

The Company was loss making in the months immediately prior to Administration and whilst trading on would protect the value in book debts and WIP, ensuring that a loss was avoided in Administration took careful and detailed planning.

The Company employed 212 staff and was engaged in over 60 projects at the date of Administration. Undertaking work to identify which projects should be continued and which members of staff were required to assist in this process was, therefore, challenging.

1.5 Exceptional responsibilities

In the build up to insolvency, it was clear that due to the contractual nature of the Company's work, trading on would only be possible if customer agreement was reached. Therefore, in the build up to insolvency, careful consideration was given, in conjunction with solicitors, to preparing letters to customers which would ensure their continued cooperation during Administration.

The Company also operated under relatively unique accreditation and health and safety protocols and these had to be considered before trading was undertaken.

1.6 The proposed Administrators' effectiveness

Trading is forecast to generate a small profit or break even and book debts of £1.4m have been collected so far. Had a short period of trading not been undertaken, book debt collections were forecast to be limited to around £700k.

The trading period, supported by the pre-appointment planning, has, therefore proved successful. It has also allowed better preparation (due to the continued employment of key staff) for pursuit of outstanding WIP balances.

1.7 The views of the creditors

Santander (UK) plc, the Company's only secured creditor, was advised of the proposed strategy and updated regularly.

1.8 Approval of fees, expenses and disbursements incurred in the period prior to appointment

The Administrators are seeking a resolution in relation to their pre-administration costs as follows: that the unpaid pre-administration costs detailed in the joint administrators' Statement of Proposals for achieving the purpose of administration, be approved for payment.

1.9 Expenses and disbursements incurred in the period prior to appointment where payment is proposed to be made to Begbies Traynor and/or another entity with Begbies Traynor Group

Category 2 Disbursements

Pursuant to the resolution being sought in relation to the unpaid pre-administration costs, the following Category 2 disbursements and disbursements which should be treated as Category 2 disbursements are proposed to be charged in relation to the period prior to appointment:

Other amounts paid or payable to the office holder's firm	
Type and purpose	Amount £
Mileage – 45p per Mile	153.36
TOTAL	153.36

Disbursements treated as Category 2 disbursements

Other amounts paid or payable to any party in which the office holder or his firm or any associate has an interest	
Type and purpose	Amount £
BTG Corporate Finance, which is a member of the Begbies Traynor group, has provided business marketing and advertising services. The purpose of obtaining such services was to try and achieve a sale of the business and assets of the Company and preserve value and jobs.	£1,050.00
TOTAL	£1,050.00

1.10 Staffing and management

Due to the complex nature of the case, and the critical nature of the planning work, much of the pre-appointment time was incurred by one of the two joint appointees.

2 EXPLANATION OF OFFICE HOLDERS' CHARGING AND DISBURSEMENT RECOVERY POLICIES

- 2.1 Begbies Traynor (Central) LLP's policy for charging fees and expenses incurred by office holders is attached as part of this Appendix.
- 2.2 The rates charged by the various grades of staff who may work on a case are also attached as part of this Appendix.

Staff Grade	Consultant/P artner	Director	Snr Mngr	Mngr	Asst Mngr	Snr Admin	Admin	Jnr Admin	Support	Total Hours	Time cost £	Average hourly rate £
Administration												
Case planning	15.5	18.6						1.0		35.10	12,649.50	360.38
Assets		3.3					41.1			44.40	6,687.00	150.61
Creditors												
Other creditors												
Secured - correspondence and meetings												
Other Matters	1.5	0.2								1.70	661.50	389.12
Meetings and correspondence with directors												
Travel												
Total hours by staff grade	17.0	22.1					41.1	1.0		81.2		
Total time cost by staff grade £	6,715.00	7,624.60					5,548.50	110.00			19,998.00	
Average hourly rate £	395.00	345.00					135.00	110.00				246.28
Total fees drawn to date £											0.00	

SUMMARY OF TIME COSTS AND EXPENSES

This summary, which should be read in conjunction with the Time Costs Analysis attached, is intended to provide sufficient information to enable the body responsible for the approval of our fees to consider the level of our fees and expenses in the context of the case.

What work has been done since we were appointed, why was that work necessary and what has been the financial benefit (if any) to creditors?

Details of the types of work that generally fall into the headings mentioned below are available on our firm's website - <http://www.begbies-traynorgroup.com/work-details> Under the following headings we have explained the specific work that has been undertaken on this case. Not every piece of work has been described, but we have sought to give a proportionate overview which provides sufficient detail to allow creditors to understand what has been done, why it was necessary and what financial benefit (if any) the work has provided to creditors.

The costs incurred in relation to each heading are set out in the Time Costs Analysis which is attached.

General case administration and planning

The joint administrators have formulated an appropriate strategy and then monitored and reviewed that strategy; including meetings with internal and external parties to agree the same. We are required to maintain records to demonstrate how the case is administered and to document the reasons for any decisions that materially affect the case. This includes regular updates with staff and regular case management and reviewing of progress. Time spent also includes complying with internal filing and information recording practices, including documenting strategy decisions. Banking and other cashiering related activities are also recorded under this heading.

Compliance with the Insolvency Act, Rules and best practice

There are certain tasks which the joint administrators have a statutory obligation to undertake during the administration. This includes providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment. Time has been spent in reviewing matters affecting the outcome of the administration and complying with internal checklists and reviews.

Investigations

Initial investigatory actions have been undertaken, including noting possible areas of future investigation and formally requesting detailed background to the Company's failure from the directors.

Realisation of assets

Time under this heading relates to: the collection of book debts, working with Eddisons Commercial Limited to deal with the disposal of tangible assets and considering a sale of the Company's investment in AC Arabia.

In addition to the above, significant time has been spent in the pursuit of outstanding WIP (particularly in relation to two large contracts). This has involved: understanding the underlying contracts, meetings with the customers, discussion with the Company's staff to understand the position fully and pursuing payment in an organised manner.

Trading

Time has been spent in producing trading forecasts as well as continually monitoring progress and adjusting the trading strategy in light of this information. Time has also been spent meeting, and speaking to, customers and suppliers in order to ensure support for trading. Regular bank reconciliations have been undertaken and providing instructions to the Company's staff.

In addition to the above, considering relevant resourcing, meeting with the Company's staff and making payments of trading costs have also resulted in significant time being incurred in relation to trading.

Dealing with all creditors' claims (including employees), correspondence and distributions

The joint administrators have assisted the 212 employees of the Company in making claims to the Redundancy Payments Service and collating information in support of the same.

We have also been working with unsecured creditors to explain the situation and facilitate the collection of any third party assets in relation to a number of retention of title claims.

The joint administrators and their staff have also reported to the debenture holder regarding the progress of the administration and case strategy and to agree to provide written and verbal updates.

Other matters which includes meetings, tax, litigation, pensions and travel

The joint administrators have worked to calculate pension deductions due to employees made redundant and made the relevant submissions.

Time Costs Analysis

An analysis of time costs is attached showing the time spent by each grade of staff on the different types of work involved in the case, and giving the total costs and average hourly rate charged for each work type.

Please note that the analysis provides details of the work undertaken by us and our staff following our appointment only.

Expenses

Details of all of the expenses incurred are attached as part of Appendix 3 and also discussed in section 10 in the main body of the report.

Why have subcontractors been used?

Leslie Keats quantity surveyors have been instructed to collect the Company's book debts on behalf of the joint administrators. In most instances, we would seek to collect the book debts of an insolvent entity directly. However, the Company undertook work under detailed contracts; which are likely to require specialist knowledge to interpret and maximise realisations.

What work remains to be done, why is this necessary and what financial benefit (if any) will it provide to creditors?

General case administration and planning

As the Administration progresses, updates will need to be made to the strategy dependent upon the outcome of the realisations and investigations. This will include meetings between members of staff to formulate the strategy moving forward and ensure that the strategy is achieved. As detailed above, we are also required to maintain records to demonstrate how the case was administered and to document the reasons for any decisions that materially affect the case on an ongoing basis. This will include compliance reviews, internal checklist updates and six monthly case reviews.

Compliance with the Insolvency Act, Rules and best practice

The Insolvency Act and Rules require that the joint administrators produce interim progress reports on a six monthly basis to provide an update to the creditors on the progression made in the administration.

Should the Administration require to be extended beyond its statutory term of 12 months, the administrators have a duty to seek an extension, firstly from the creditors and subsequently by order of the court, should a further extension be required.

Progress reports and other statutory documentation detailed above must also be filed with the Registrar of Companies under the provisions of the Insolvency Act. The joint administrators will also periodically monitor realisations and compare with the statutory bond level to ensure that sufficient cover is in place at all times in order to protect the interests of the Company's creditors.

In addition, a final progress report will be required to be produced when the administration has reached its conclusion. This will provide creditors with an overview of the administration as a whole, including all realisations, costs and, subsequently, the final outcome for creditors.

Investigations

An initial investigation into the Company and its directors will be undertaken to determine whether there are any asset not shown in the estimated financial position (shown in Appendix 2 of this report) to be realised.

We are required under Statement of Insolvency Proactive 2, to undertake a full review of potential claims which could be made and which may see a recovery to the estate.

If our review identifies potential actions then these may be pursued. However, the current time estimate does not take account of any such action.

Realisation of assets

A number of assets still need to be realised. This includes a sale of plant, machinery and other tangible assets (which can be pursued now that trading has ceased). A sale of the Company's freehold property can now also be progressed following the cessation of trading.

Realisation of the value in AC Arabia will be sought. This will include a continuing of sales activity whilst also seeking wind down of the business if a buyer can't be found.

The Company's residual book debts will also be pursued. This will include working with Leslie Keats to provide them with relevant information and discuss collection progress.

Significant time is expected to be spent in pursuing payment against outstanding WIP balances. This may include: meetings and discussions with customers, substantiation of the Company's position and, if appropriate, legal action.

Trading

Trading has now ceased. However, trading receipts still need to be collected and final costs calculated and paid (including employee pension contributions and PAYE/NI liabilities). A final reconciliation of the various bank accounts used to operate trading will also need to be undertaken and monies transferred as appropriate.

Dealing with all creditors' claims (including employees), correspondence and distributions

We will deal with creditors' queries during the entire duration of the administration. Dealing with correspondence and providing further information on request is a timely manner.

We will also continue to work with the Redundancy Payments Service to process the claims of employees via the National Insurance Fund.

Other matters which includes meetings, tax, litigation, pensions and travel

We may be required to submit a claim on behalf of the employees for unpaid pension contributions, and we will be required to submit tax returns and deal with the tax calculations and issues.

How much will this further work cost?

As detailed in the fee estimate attached as part of this Appendix, we estimate the total time costs for the administration to total £343,012 (this includes time incurred to date). Please be advised that this is just an estimate based upon the time spent on similar historic cases.

Expenses

Details of the expenses that we expect to incur in connection with the work that remains to be done referred to above, as well as expenses that we have already incurred, are set out in the estimate of anticipated expenses attached as part of this Appendix.

Staff Grade	Case planning	Consultant/Par Ingr	Director	Sr Mgr	Mngr	Asst Mngr	Sr Admin	Admin	Jnr Admin	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	Administration	4.8	5.7				0.8		18.7	0.8	10.5	3,862.50	367.86
	Total for General Case Administration and Planning	4.8	5.7				0.8		18.7	0.8	20.3	2,285.00	112.56
Compliance with the Insolvency Act, Rules and best practice	Appointment						2.0		17.4		19.4	6,147.50	199.59
	Banking and Bonding							4.1	0.5	3.9	8.5	2,284.00	116.70
	Case Closure											1,037.50	122.08
	Statutory reporting and statement of affairs												0.00
	Total for Compliance with the Insolvency Act, Rules and best practice:						2.0	4.1	17.9	3.9	27.9	3,351.50	118.33
Investigations	ODDA and investigations								0.2		0.2	22.00	110.00
	Total for investigations:								0.2		0.2	22.00	110.00
Realisation of assets	Debt collection	4.3							2.6		6.9	1,984.50	287.61
	Property, business and asset sales	0.8	27.0						1.1		28.9	9,752.00	337.44
	Retention of Title/Third party assets		3.5		18.5		3.0		5.8		30.8	7,273.00	236.14
	Total for Realisation of assets:	5.1	30.5		18.5		3.0		9.5		66.8	19,009.50	284.45
Trading	Trading	22.9	83.7		7.5		0.8		24.1		135.0	42,700.50	307.20
	Total for Trading:	22.9	83.7		7.5		0.8		24.1		135.0	42,700.50	307.20
Dealing with all creditors claims (including employees), correspondence and distributions	Secured		11.4								11.4	3,933.00	345.00
	Others	0.5	47.0		0.5		16.3	1.3	95.7		161.3	30,100.00	186.61
	Creditors committee												0.00
	Total for Dealing with all creditors claims (including employees), correspondence and distributions:	0.5	68.4		0.5		16.3	1.3	95.7		172.7	34,033.00	197.06
Other matters which includes meetings, tax, litigation, sessions and travel	Meetings												0.00
	Other						1.0		8.6		7.6	901.00	118.55
	Tax		1.8								1.8	552.00	345.00
	Litigation												0.00
	Total for Other matters:		1.8				1.0		8.6		9.2	1,453.00	157.93
	Total hours by staff grade:	33.3	173.9		26.5		23.9	6.4	172.7	4.7	446.4		
	Total time cost by staff grade:	13,153.50	62,065.50		7,022.50		4,162.50	729.00	10,997.00	617.00		106,667.00	
	Average hourly rate £:	395.00	345.00		266.00		175.00	135.00	110.00	110.00			235.95
	Total fees drawn to date £:											0.00	

CORDELL GROUP LIMITED – IN ADMINISTRATION (“THE COMPANY”)**THE ADMINISTRATORS’ FEES ESTIMATE**

Further to our appointment as administrators, we are seeking to be remunerated on a time costs basis. Details of our firm’s hourly charge-out rates are set out in the charging policy which accompanies this estimate. Prior to creditors determining the basis upon which we are to be remunerated, we are obliged to produce a fees estimate and to provide it to each creditor of whose details we are aware so that it can be approved at the same time as the basis of our remuneration.

Our fees estimate for the administration is set out below and attached in more detail. Please note that blended hourly rates have been used which take account of the various levels of staff that are likely to undertake each area of work. These can be seen in the average hourly rate column.

Details of the work that the administrators and their staff propose to undertake	Hours	Time cost £	Average hourly rate £
General case administration and planning	125.80	24,397.50	193.94
Compliance with the Insolvency Act, Rules and best practice	219.90	42,641.50	193.91
Investigations	32.20	7,762.00	241.06
Realisation of assets	449.60	115,489.50	256.87
Trading	169.00	51,350.50	303.85
Dealing with all creditors’ claims (including employees), correspondence and distributions	377.70	81,958.00	216.99
Other matters which includes meetings, tax, litigation, pensions and travel	83.20	19,413.00	233.33
Total hours	1,457.40		
Total time costs		343,012.00	
Overall average hourly rate £			235.36

Although the fees estimate indicates that the total time costs for this matter will be £343,012, we are aware that there are limited assets to realise and so the time costs that we will be able to draw will be limited to the amount that is realised for the assets. However, please note that should there be additional or unexpected asset realisations, we will look to draw our fees from those too.

For the avoidance of any doubt, the above estimate relates to the period of administration only, it does not relate to any work that is to be undertaken in any insolvency procedure following the administration.

Should creditors require further information on how this estimate has been produced this can be obtained from our website at <http://www.begbies-traynorgroup.com/fee-estimates>.

A more detailed explanation of the work that falls into the categories mentioned in the table above can be obtained from our website at <http://www.begbies-traynorgroup.com/work-details>.

Staff Grade	Partner	Director	Sur-Mgr	Mngr	Asst-Mngr	Sur-Admin	Admin	Jr-Admin	Support	Total Hours	Time Cost £	Average hourly rate £
General Case Administration and Planning	Case planning	14.8	15.7							30.50	11,262.50	369.28
	Administration					40.8		48.7		95.30	13,135.00	137.83
	Total for General Case Administration and Planning	14.8	15.7			40.8		48.7	5.8	125.80	24,397.50	193.94
	Appointment					2.0		17.4		19.40	2,284.00	116.70
Compliance with the Insolvency Act, Rules and best practice	Banking and Bonding							5.5	18.9	43.50	6,312.50	145.11
	Case Closure	2	5			25		10	5	47.00	8,540.00	181.70
	Statutory reporting and statement of affairs	5	40			40		20	5	110.00	25,525.00	232.05
	Total for Compliance with the Insolvency Act, Rules and best practice	7.0	60.0			67.0	14.1	62.9	28.9	218.90	42,841.50	193.91
Investigations	CDDA and investigations inc bank, accounts etc	2.0	10.0			20.0		0.2		32.20	7,782.00	241.06
	Total for investigations:	2.0	10.0			20.0		0.2		32.20	7,782.00	241.06
	Debt collection inc property, loan accounts, assets	4.3	25	30		30		2.6		91.90	23,808.50	258.08
	Property, business and asset sales	35.8	102.0	40		45		48.1		268.90	72,877.00	271.02
Realisation of assets	Retention of Title/Third party assets		18.5	18.5		28.0		20.8	3	88.80	18,903.00	211.75
	Total for Realisation of assets:	40.1	145.5	88.5		103.0		89.5	3.0	449.60	116,489.50	258.87
	Trading	22.9	103.7	7.5		10.8		24.1		169.00	51,350.50	303.85
	Total for Trading:	22.9	103.7	7.5		10.8		24.1		169.00	51,350.50	303.85
Dealing with all creditors claims (including employees), correspondence and distributions	Secured	5	31.4			20		10		66.40	17,408.00	262.17
	Others	25.5	82.0	0.5		56.3	1.3	145.7		311.30	84,550.00	207.36
	Creditors committee											
	Total for Dealing with all creditors claims (including employees), correspondence and distributions:	30.5	113.4	0.5		76.3	1.3	165.7	0.0	377.70	91,888.00	216.99
Other matters which includes meetings, tax, litigation, pensions and travel	Meetings											
	Other	5	10			11.0		6.6		32.60	8,078.00	247.73
	Tax	2	16.8			20		10	2	50.80	11,337.00	224.05
	Litigation											
	Total for Other matters:	7.0	26.8	0.0		31.0	0.0	16.6	2.0	83.20	19,413.00	233.33
	Total hours by staff grade:	124.30	484.90	94.00		348.90	16.40	387.70	39.70	1,467.40		
	Total time cost by staff grade:	49,098.50	160,390.50	25,572.50		81,057.50	2,079.00	40,447.00	4,387.00		343,912.00	
	Average hourly rate £:	395.00	345.00	268.00		175.00	126.00	110.00	110.00			235.36
	Total fees drawn to date £:											

CORDELL GROUP LIMITED – IN ADMINISTRATION (“THE COMPANY”)

DETAILS OF THE EXPENSES THAT THE ADMINISTRATORS CONSIDER WILL BE, OR ARE LIKELY TO BE INCURRED DURING THE COURSE OF THE ADMINISTRATION

No.	Type of expense	Description	Estimate £
1.	Advertisements	Of appointment, meetings, dividends etc.	84.60
2.	Bond	An Insolvency Practitioner is required to have a bond in place to protect the estate from misappropriation of funds.	800.00
3.	Insurance	An Insolvency Practitioner is required to ensure that there is sufficient insurance cover over the assets of the insolvent entity.	5,000.00
4.	Insurance	Employers' liability and public liability insurance had to be specifically arranged due to the nature of the Company's business.	12,100.00
5.	Insurance	Eddisons Insurance Services Limited spent time in assessing the insurance risk and agreeing appropriate policies.	4,000.00
6.	Storage costs	An Insolvency Practitioner is required to retain relevant books and records of the insolvent entity in order to carry out his/her duties as office holder. In addition, following case closure the Insolvency Practitioner will retain his/her working papers to allow any queries or issues raised to be dealt with.	1,000.00
7.	Property agent's sale fees	Eddisons Commercial Limited are taking forward the pre-existing sale of the Company's freehold property. As the sale was pre-agreed, a minimal time costs charge will be made.	1,000.00
8.	Asset agent's sale fees and disbursements.	Eddisons Commercial Limited has valued the Company's tangible assets and has been instructed to sell them.	38,000.00
9.	Legal fees and disbursements	The fees of Walker Morris Solicitors who have been instructed to assist the Insolvency Practitioner and their anticipated disbursements.	40,000.00

10.	Debt and WIP collection fees – Initial Assessment	The fees of any third party instructed by the Insolvency Practitioner to assist with the collection of the debts of the insolvent entity and their anticipated disbursements.	Not agreed at this stage.
11.	Debt and WIP collection fees – Percentage of realisations	LK fees at 15% of future debts which they are able to realise.	32,250
12.	Bank charges	An Insolvency Practitioner is required to operate a separate bank account in relation to the insolvent entity's estate.	1,000.00
13.	Travel	Travel to and from the Company's premises as well as any related meetings at third party offices.	1,500.00
14.	Parking	Parking at the Company's premises.	100.00
15.	Subsistence	Only charged where exceptional hours worked by case staff.	5.87
16.	Swear Fees	Cost of having initial appointment documents witnessed.	30.00
17.	Trading expenses	All expected trading expenses (both paid and unpaid) as detailed in Section 10 of the main report and Appendix 1.	1,372,966
18.	Pre-appointment expenses	All pre-appointment expenses as detailed in Section 9 of the main report.	21,271

For the avoidance of any doubt, the above estimate relates to the period of administration only, it does not relate to any expenses that will or may be incurred in any insolvency procedure following the administration.